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

**Interim condensed consolidated financial statements**

For the three-month and nine-month periods ended 30 September 2024 (unaudited)

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

Interim condensed consolidated financial statements
For the three-month and nine-month periods ended 30 September 2024 (unaudited)

# Directors' report
# for the three-month and nine-month periods ended 30 September 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 and nine-month periods ended 30 September 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 2,451,461 thousand during the nine-month period ended 30 September 2024, which represented a growth of 8.0% compared to the same period last year and achieved an operating profit of AED 868,253 thousand, which represented a growth of 7.4% compared to the same period last year. The net profit attributable to the equity holders of the Company amounted to AED 645,738 thousand for the nine-month period ended 30 September 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 nine-month period ended 30 September 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

During the nine-month period ended 30 September 2024, 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 the Annual General Assembly Meeting held on 27 March 2024 which was paid on 23 April 2024. Further an interim dividend of AED 425,000 thousand (AED 0.0425 per share) in respect of the six-month period ended 30 June 2024 was declared and approved on 23 September 2024 by the Board of Directors of the Group which was paid on 18 October 2024.

## Key agreements signed

During the nine-month period ended 30 September 2024, Empower has signed 72 new agreements in and around its existing concession agreements with a total demand capacity of approximately 70,000 RT. With these newly signed agreements, Empower's total contracted capacity has reached 1.75 million RT. Amongst the agreements signed during the year, Empower has signed an agreement with Al Habtoor Group LLC to provide 7,200 RT of district cooling services to Al Habtoor Tower. Located along Sheikh Zayed Road, Al Habtoor Tower expected to provide housing for over 5,000 residents, will be supplied with Empower's world class district cooling services by the beginning of second quarter of 2025.

**Directors' report**
**for the three-month and nine-month periods ended 30 September 2024**
(continued)

**Awards and achievements**

Empower was recognised as the leading district cooling company by Dubai Supreme Council of Energy (DSCE) in the Demand Side Management Recognition Program, which honours sustainability champions in Dubai. Empower has significantly contributed towards the greener future in the emirate by enhancing energy and water efficiencies and its commitment towards circular economy principles.

Empower has won four prestigious awards at the International District Energy Association Annual Conference and Exhibition (IDEA 2024) held in June 2024. Among the four awards, two awards are for innovation (Honourable Mention) for "Integrated Metering Solutions" and "Chiller Efficiency Improvement".

During the period, Empower has completed twenty glorious years of its operations. Empower's journey began with a single temporary plant serving the financial district of Dubai (DIFC) in 2004. From the beginning, Empower's vision was "To be the World's Leading District Cooling Service Provider". By the directives of visionary leaders of this country, guidance of its shareholders and support from its customers, the company has passionately achieved its objectives and has become the World's Largest District Cooling Services Provider.

**Outlook**

The global district cooling market size valued at AED 104 billion in 2023 is predicted to reach AED 190 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 the growth of district cooling will enhance as it utilises less energy than conventional cooling systems. In its recent economic update, UAE Central Bank (CBUAE) has revised UAE's growth forecast upward to 4% for the year 2024 and 6% for the year 2025. We expect Empower to continue grow its connected capacity in UAE and explore other neighbouring countries to provide its energy efficient district cooling services.

**Auditors**

The interim condensed consolidated financial 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
06 November 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 30 September 2024 and the related interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, and interim condensed consolidated statements of changes in equity and cash flows for the nine-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 November 2024

Murad Alnsour
Registered Auditor Number 1301
Dubai, United Arab Emirates

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

## Interim condensed consolidated statement of financial position

| | | As at | |
|---|---|---|---|
| | | 30 September 2024 AED'000 Unaudited | 31 December 2023 AED'000 Audited |
| **ASSETS** | *Note* | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *6* | 7,080,900 | 6,934,815 |
| Right-of-use assets | | 2,663 | 3,994 |
| Investment properties | | 85,645 | 85,645 |
| Intangible assets | *7* | 330,865 | 339,982 |
| Financial assets at amortised cost | *8* | 1,309,832 | 1,324,786 |
| Financial assets at fair value through other comprehensive income | *9* | 56,720 | 54,153 |
| Investment in a joint venture | | 307 | 307 |
| Deferred tax assets | *27* | 16,497 | 17,454 |
| | | 8,883,429 | 8,761,136 |
| **Current assets** | | | |
| Inventories | | 47,584 | 43,730 |
| Trade and other receivables | *11* | 481,467 | 319,094 |
| Due from related parties | *13* | 37,949 | 8,821 |
| Financial assets at amortised cost | *8* | 19,726 | 19,105 |
| Financial assets at fair value through profit or loss | *10* | 15,259 | 10,000 |
| Term deposits | | 345,890 | 27,500 |
| Cash and cash equivalents | *14* | 1,644,108 | 538,780 |
| | | 2,591,983 | 967,030 |
| **Total assets** | | 11,475,412 | 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 | | 17,235 | 14,510 |
| Contributed capital | | 82,190 | 82,190 |
| Retained earnings | | 1,345,616 | 1,547,518 |
| | | 2,945,041 | 3,144,218 |
| Non-controlling interests | | 172,982 | 166,783 |
| **Total equity** | | 3,118,023 | 3,311,001 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Bank borrowings | *15* | 5,495,875 | 4,492,438 |
| Government grant | | 303,473 | 305,558 |
| Provision for employees' end of service benefits | | 57,244 | 54,666 |
| Retentions payable | *16* | 14,444 | 18,036 |
| Lease liabilities | | 506 | 584 |
| | | 5,871,542 | 4,871,282 |
| **Current liabilities** | | | |
| Trade and other payables | *16* | 1,831,205 | 1,403,263 |
| Bank borrowings | *15* | 2,100 | - |
| Current tax liabilities | *27* | 63,964 | - |
| Due to related parties | *13* | 583,198 | 135,953 |
| Government grant | | 3,170 | 3,170 |
| Lease liabilities | | 2,210 | 3,497 |
| | | 2,485,847 | 1,545,883 |
| **Total liabilities** | | 8,357,389 | 6,417,165 |
| **Total equity and liabilities** | | 11,475,412 | 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 06 November 2024 and were signed on their 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 30 September | | Nine-month period ended 30 September | |
|---|---|---|---|---|---|
| | | 2024 | 2023 | 2024 | 2023 |
| | | AED'000 | AED'000 | AED'000 | AED'000 |
| | | Unaudited | Unaudited | Unaudited | Unaudited |
| Revenue | *17* | 1,099,920 | 1,044,672 | 2,451,461 | 2,269,503 |
| Interest income on financial asset at amortised cost | *8* | 14,868 | 14,590 | 44,282 | 23,669 |
| Cost of sales | *19* | (710,903) | (667,808) | (1,454,436) | (1,321,007) |
| **Gross profit** | | 403,885 | 391,454 | 1,041,307 | 972,165 |
| General and administrative expenses | *20* | (61,242) | (61,880) | (177,753) | (168,064) |
| Reversal of provision for expected credit losses | | - | - | 462 | - |
| Other income | | 1,211 | 1,585 | 4,237 | 4,525 |
| **Operating profit** | | 343,854 | 331,159 | 868,253 | 808,626 |
| Finance income | | 21,386 | 7,196 | 43,823 | 39,208 |
| Finance costs | | (74,112) | (56,416) | (192,798) | (162,940) |
| Finance costs – net | | (52,726) | (49,220) | (148,975) | (123,732) |
| **Net profit for the period** | | 291,128 | 281,939 | 719,278 | 684,894 |
| Income tax expense | *27* | (26,201) | - | (64,822) | - |
| **Net profit for the period after tax** | | 264,927 | 281,939 | 654,456 | 684,894 |
| **Profit attributable to:** | | | | | |
| Equity holders of the Company | | 261,196 | 278,053 | 645,738 | 680,822 |
| Non-controlling interests | | 3,731 | 3,886 | 8,718 | 4,072 |
| | | 264,927 | 281,939 | 654,456 | 684,894 |
| **Basic and diluted earnings per share for profit attributable to the equity holders of the Company (AED)** | *24* | 0.0261 | 0.0278 | 0.0646 | 0.0681 |
| **Profit for the period** | | 264,927 | 281,939 | 654,456 | 684,894 |
| Other comprehensive income | | | | | |
| *Items that may be reclassified to profit or loss* | | | | | |
| Changes in fair value of financial assets at fair value through other comprehensive income | | 312 | 412 | 1,098 | 1,399 |
| Deferred tax expense | *27* | (28) | - | (99) | - |
| *Items that will not be reclassified to profit or loss* | | | | | |
| Remeasurement of post-employment benefit obligations | | - | 2,699 | 1,726 | 11,257 |
| Other comprehensive income for the period | | 284 | 3,111 | 2,725 | 12,656 |
| **Total comprehensive income for the period** | | 265,211 | 285,050 | 657,181 | 697,550 |
| **Total comprehensive income attributable to:** | | | | | |
| Equity holders of the Company | | 261,480 | 281,164 | 648,463 | 693,478 |
| Non-controlling interests | | 3,731 | 3,886 | 8,718 | 4,072 |
| | | 265,211 | 285,050 | 657,181 | 697,550 |

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

## Interim condensed consolidated statement of changes in equity

| | | Attributable to equity holders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital AED'000 | Statutory reserve AED'000 | Other reserves AED'000 | Contributed capital AED'000 | Retained earnings AED'000 | Total AED'000 | Non-controlling interests AED'000 | Total equity AED'000 |
| **At 1 January 2024** | | **1,000,000** | **500,000** | **14,510** | **82,190** | **1,547,518** | **3,144,218** | **166,783** | **3,311,001** |
| **Total comprehensive income for the period** | | | | | | | | | |
| Profit for the period | | - | - | - | - | 645,738 | 645,738 | 8,718 | 654,456 |
| **Other comprehensive income** | | | | | | | | | |
| Other comprehensive income for the period | | - | - | 2,725 | - | - | 2,725 | - | 2,725 |
| **Total comprehensive income for the period** | | **-** | **-** | **2,725** | **-** | **645,738** | **648,463** | **8,718** | **657,181** |
| **Transaction with owners in their capacity as owners:** | | | | | | | | | |
| Acquisition of minority interest | | - | - | - | - | 2,360 | 2,360 | (2,519) | (159) |
| Dividends | *12* | - | - | - | - | (850,000) | (850,000) | - | (850,000) |
| **At 30 September 2024 (unaudited)** | | **1,000,000** | **500,000** | **17,235** | **82,190** | **1,345,616** | **2,945,041** | **172,982** | **3,118,023** |
| **At 1 January 2023** | | 1,000,000 | 500,000 | 5,836 | 82,190 | 1,444,591 | 3,032,617 | 2,125 | 3,034,742 |
| **Total comprehensive income for the period** | | | | | | | | | |
| Profit for the period | | - | - | - | - | 680,822 | 680,822 | 4,072 | 684,894 |
| **Other comprehensive income** | | | | | | | | | |
| Other comprehensive income for the period | | - | - | 12,656 | - | - | 12,656 | - | 12,656 |
| **Total comprehensive income for the period** | | **-** | **-** | **12,656** | **-** | **680,822** | **693,478** | **4,072** | **697,550** |
| **Transaction with owners in their capacity as owners:** | | | | | | | | | |
| Dividends | *12* | - | - | - | - | (850,000) | (850,000) | - | (850,000) |
| Non-controlling interest on acquisition of subsidiary | | - | - | - | - | - | - | 157,500 | 157,500 |
| **At 30 September 2023 (unaudited)** | | **1,000,000** | **500,000** | **18,492** | **82,190** | **1,275,413** | **2,876,095** | **163,697** | **3,039,792** |

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

## Interim condensed consolidated statement of cash flows

| | Note | Nine-month period ended 30 September 2024 AED'000 Unaudited | 2023 AED'000 Unaudited |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 719,278 | 684,894 |
| **Adjustments for:** | | | |
| Depreciation of property, plant and equipment | *6* | 247,633 | 257,309 |
| Depreciation of right-of-use assets | | 3,405 | 2,387 |
| Reversal of provision for expected credit losses | | (462) | - |
| Settlement of financial assets | *8* | 58,615 | 30,298 |
| Amortisation of intangible assets | *7* | 9,117 | 9,117 |
| Gain on modification of lease | | (89) | - |
| Loss on disposal of property, plant and equipment | | 33 | - |
| Amortisation of borrowings arrangement fee | | 4,080 | 2,164 |
| Provision for employees' end of service benefits | | 8,065 | 5,030 |
| Interest on lease liability | | 195 | 92 |
| Interest income earned on financial assets at amortised cost | *8* | (44,282) | (23,669) |
| Finance income | | (43,823) | (39,208) |
| Finance costs | | 188,523 | 160,684 |
| Government grant income | | (2,085) | (2,085) |
| **Operating cash flows before changes in working capital and Payment of employees' end of service benefits** | | 1,148,203 | 1,087,013 |
| **Changes in working capital:** | | | |
| Inventories | | (3,854) | 1,034 |
| Trade and other receivables | | (166,298) | (170,118) |
| Due from related parties | | (29,128) | 6,755 |
| Trade and other payables | | 235,387 | 77,523 |
| Due to related parties | | 107,245 | (17,704) |
| **Cash generated from operations** | | 1,291,555 | 984,503 |
| Payment of employees' end of service benefits | | (3,761) | (950) |
| **Net cash generated from operating activities** | | 1,287,794 | 983,553 |
| **Cash flows from investing activities** | | | |
| Acquisition of interest in a subsidiary | | (159) | (892,500) |
| Purchase of property, plant and equipment, net of project cost accruals | | (242,202) | (265,119) |
| Additions to investment properties | | - | (10,526) |
| Investment in financial assets at fair value through profit or loss | | (5,259) | - |
| Short-term deposits (more than 3 months) invested | | (318,390) | (15,000) |
| Interest received | | 42,354 | 39,208 |
| **Net cash used in investing activities** | | (523,656) | (1,143,937) |
| **Cash flows from financing activities** | | | |
| Proceeds from bank borrowings net of arrangement fee | | 3,749,358 | - |
| Repayment of bank borrowings | | (2,750,000) | - |
| Lease payments | | (3,546) | (2,485) |
| Interest paid | | (229,622) | (160,684) |
| Dividends paid | *12* | (425,000) | (425,000) |
| **Net cash generated from / (used in) financing activities** | | 341,190 | (588,169) |
| **Net increase/(decrease) in cash and cash equivalents** | | 1,105,328 | (748,553) |
| Cash and cash equivalents, beginning of the period | | 538,780 | 1,473,908 |
| **Cash and cash equivalents, end of the period** | *14* | 1,644,108 | 725,355 |

## 1 Establishment and operations

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

In 2009, DEWA increased its shareholding in the Company to 70% and reduced TECOM's interest to 30%, as 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 Insulated Pipe Systems LLC (formerly Empower Logstor LLC)* | 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. | 100.0% | 99.9% |
| Palm Utilities LLC ** | Establishing and operating district cooling projects and provide air-conditioning, ventilator and refrigeration services. | 100.0% | 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% |

## 1 Establishment and operations (continued)

* In January 2024, EMPOWER acquired 3% minority shareholding in Empower Logstor LLC from Logstor Holding for AED 159 thousand. In July 2024, the legal name was changed to Empower Insulated Pipe Systems L.L.C.

** In July 2024, EMPOWER acquired additional 1% shareholding in Palm Utilities LLC, from Utilities Management Company LLC. As a result of this transaction, the ownership of EMPOWER in Palm District Cooling LLC increased to 100%.

These interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2024 were authorised for issue in accordance with a resolution of the Board of Directors on 06 November 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 statement of comprehensive income for three-month and nine-month periods ended 30 September 2024 and interim condensed consolidated statements of changes in equity and cash flows for the nine-month period ended 30 September 2024, and other explanatory notes, is based on the unaudited interim condensed consolidated financial statements.

## 2 Basis of preparation

These interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2024 have 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.

## 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 accounting policy as disclosed in Note 15 and new amended standards as set out below:

*(a)* New and amended standards adopted by the Group

The Group has applied the following amendments for the first time from 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants - Amendments to IAS 1; and
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7.

The Group did not have to change its material 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 - Lack of Exchangeability | 1 January 2025 |
| Annual improvements to IFRS Accounting Standards | 1 January 2026 |
| Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments | 1 January 2026 |
| IFRS 18 Presentation and Disclosures in Financial Statements | 1 January 2027 |
| IFRS 19 Subsidiaries without Public Accountability: Disclosures | 1 January 2027 |
| 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 risk i.e. 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 nine-month period ended 30 September 2024, the Group has obtained a new facility to refinance certain existing facilities which were due on 26 September 2025. The information in relation to refinancing, including contractual maturity and cash flows, are disclosed in Note 15. There has been no other material change in the contractual undiscounted cash outflows for financial liabilities during the 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), due from related parties, financial assets at amortised cost and term deposits. 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.

**Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2024** (continued)

## 6 Property, plant and equipment

| | Land AED'000 | Plant, equipment and machinery AED'000 | Building AED'000 | Furniture and fixtures AED'000 | Leasehold improvements AED'000 | Computer equipment AED'000 | Vehicles AED'000 | Capital work-in-progress AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| At 1 January 2024 | 432,364 | 9,162,263 | 70,709 | 20,692 | 12,455 | 44,940 | 11,992 | 249,832 | 10,005,247 |
| Additions | - | - | - | 797 | 170 | 717 | 498 | 391,569 | 393,751 |
| Transfers | - | 68,130 | - | - | - | 1,213 | - | (69,343) | - |
| Disposals / Retirement | - | (11,911) | - | (25) | - | - | (446) | - | (12,382) |
| **At 30 September 2024 (unaudited)** | 432,364 | 9,218,482 | 70,709 | 21,464 | 12,625 | 46,870 | 12,044 | 572,058 | 10,386,616 |
| **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 period | - | 241,223 | 2,085 | 1,592 | 209 | 1,406 | 1,118 | - | 247,633 |
| Disposals / Retirement | - | (11,911) | - | (25) | - | - | (413) | - | (12,349) |
| **At 30 September 2024 (unaudited)** | - | 3,172,768 | 36,630 | 19,789 | 11,988 | 39,947 | 7,500 | 17,094 | 3,305,716 |
| **Net book amount at 30 September 2024 (unaudited)** | 432,364 | 6,045,714 | 34,079 | 1,675 | 637 | 6,923 | 4,544 | 554,964 | 7,080,900 |

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

## Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2024 (continued)

### 6 Property, plant and equipment (continued)

| | Land AED'000 | Plant, equipment and machinery AED'000 | Building AED'000 | Furniture and fixtures AED'000 | Leasehold improvements AED'000 | Computer equipment AED'000 | Vehicles AED'000 | Capital work-in-progress AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| At 1 January 2023 | 432,364 | 8,780,427 | 70,709 | 18,350 | 11,890 | 42,421 | 8,566 | 393,368 | 9,758,095 |
| Additions | - | - | - | 574 | - | 37 | 193 | 201,112 | 201,916 |
| Transfers | - | 314,304 | - | 1,290 | 337 | 2,226 | 1,998 | (320,155) | - |
| Disposals / Retirement | - | (28,380) | - | (26) | - | (5) | - | - | (28,411) |
| **At 30 September 2023 (unaudited)** | 432,364 | 9,066,351 | 70,709 | 20,188 | 12,227 | 44,679 | 10,757 | 274,325 | 9,931,600 |
| **Accumulated depreciation** | | | | | | | | | |
| At 1 January 2023 | - | 2,645,559 | 31,760 | 16,838 | 10,879 | 36,187 | 5,839 | 17,094 | 2,764,156 |
| Charge for the period | - | 251,080 | 2,085 | 1,080 | 593 | 1,845 | 626 | - | 257,309 |
| Disposals / Retirement | - | (26,577) | - | (26) | - | (5) | - | - | (26,608) |
| **At 30 September 2023 (unaudited)** | - | 2,870,062 | 33,845 | 17,892 | 11,472 | 38,027 | 6,465 | 17,094 | 2,994,857 |
| **Net book amount at 30 September 2023 (unaudited)** | 432,364 | 6,196,289 | 36,864 | 2,296 | 755 | 6,652 | 4,292 | 257,231 | 6,936,743 |

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 306,645 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.

Capital work-in-progress balances include costs of constructing district cooling plants and networks pertaining to various projects. During nine-month period ended 30 September 2024, the transfer to plant, equipment and machinery from capital work in progress represents additions mainly to district cooling projects.

## 6 Property, plant and equipment (continued)

| | Three-month period ended 30 September | | Nine-month period ended 30 September | |
|---|---|---|---|---|
| | 2024 AED'000 Unaudited | 2023 AED'000 Unaudited | 2024 AED'000 Unaudited | 2023 AED'000 Unaudited |
| Depreciation expense has been charged to: | | | | |
| Cost of sales (Note 19) | 80,639 | 83,012 | 241,223 | 251,080 |
| General and administrative expenses (Note 20) | 2,858 | 2,092 | 6,410 | 6,229 |
| | 83,497 | 85,104 | 247,633 | 257,309 |

## 7 Intangible assets

| | 30 September 2024 AED'000 Unaudited | 31 December 2023 AED'000 Audited |
|---|---|---|
| At 1 January | 339,982 | 352,139 |
| Amortisation during the period/year | (9,117) | (12,157) |
| At 30 September / 31 December | 330,865 | 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

| | 30 September 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 | 44,282 | 38,711 |
| Settlement during the period/year | (58,615) | (49,977) |
| At 30 September / 31 December | 1,329,558 | 1,343,891 |
| Less: current portion | (19,726) | (19,105) |
| Non-current portion | 1,309,832 | 1,324,786 |

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

a) AED 297,676 thousand (2023: AED 301,003 thousand) from Nakheel PJSC, an entity under common control, in relation to acquisition of Empower Snow LLC during the year ended 31 December 2021, and

b) AED 1,031,882 thousand (2023: AED 1,042,888 thousand) from Dubai Aviation City Corporation, an entity under common control, in relation to acquisition of DXB CoolCo FZCO during the year ended 31 December 2023.

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

| | 30 September 2024 AED'000 Unaudited | 31 December 2023 AED'000 Audited |
|---|---|---|
| At 1 January | 54,153 | 52,911 |
| Interest accrued | 1,469 | - |
| Gain during the period/year | 1,098 | 1,242 |
| At 30 September / 31 December | 56,720 | 54,153 |

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

| | 30 September 2024 AED'000 Unaudited | 30 September 2023 AED'000 Unaudited |
|---|---|---|
| Gain recognised in other comprehensive income | 1,098 | 1,399 |
| Interest income from equity investments held at FVTOCI recognised in profit or loss | 2,479 | 3,149 |

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

| | 30 September 2024 AED'000 Unaudited | 31 December 2023 AED'000 Audited |
|---|---|---|
| Investment in National Bonds | 15,043 | 10,000 |
| Interest accrued | 216 | - |
| At 30 September / 31 December | 15,259 | 10,000 |

During the period ended 30 September 2024, the Group reinvested the matured amount AED 10,000 thousand with interest of AED 43 thousand and also made an additional investment of AED 5,000 thousand into the National Bonds Corporation Sole Proprietorship P.S.C.

## 11 Trade and other receivables

| | 30 September 2024 AED'000 Unaudited | 31 December 2023 AED'000 Audited |
|---|---|---|
| Trade receivables | 343,398 | 226,508 |
| Accrued revenues | 100,542 | 49,488 |
| | 443,940 | 275,996 |
| Less: Provision for expected credit losses | (74,235) | (74,697) |
| | 369,705 | 201,299 |
| *Other financial assets at amortised cost* | | |
| Other receivables | 15,646 | 14,333 |
| *Other assets* | | |
| Advance to contractors / suppliers | 85,528 | 89,915 |
| Prepayments | 10,588 | 13,547 |
| | 96,116 | 103,462 |
| | 481,467 | 319,094 |

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

## 12 Dividends

| | 30 September 2024 AED'000 Unaudited | 31 December 2023 AED'000 Audited |
|---|---|---|
| Interim dividend for the year ending 31 December 2024 (AED 0.0425 per share) (2023: Interim dividend for the year ended 31 December 2023, AED 0.0425 per share) | 425,000 | 425,000 |
| Final dividend for the year ended 31 December 2023 (AED 0.0425 per share) (2023: Final dividend for the year ended 31 December 2022, AED 0.0425 per share) | 425,000 | 425,000 |
| Total dividends | 850,000 | 850,000 |

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 which was 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 which was paid on 25 April 2023).

Interim dividend in respect of the six-month period ended 30 June 2024 was declared and approved on 23 September 2024 by the Board of Directors of the Group which was paid on 18 October 2024 (2023: Interim dividend in respect of the six-month period ended 30 June 2023, was declared and approved on 20 September 2023 by the Board of Directors of the Group which was paid on 17 October 2023). The dividend has been recognised as payable for the nine-month period ended 30 September 2024.

## 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 30 September | | Nine-month period ended 30 September | |
|---|---|---|---|---|
| | 2024 AED'000 Unaudited | 2023 AED'000 Unaudited | 2024 AED'000 Unaudited | 2023 AED'000 Unaudited |
| *Services rendered to entities under common control of shareholders* | | | | |
| Dubai Properties Group LLC | 56,246 | 50,732 | 120,056 | 115,668 |
| Tecom Investments FZ LLC | 22,603 | 23,023 | 49,888 | 51,497 |
| Jumeirah Group LLC | 28,266 | 17,797 | 49,632 | 38,748 |
| Meraas Holding LLC | 12,618 | 13,219 | 51,909 | 29,624 |
| Global Village Dubai LLC | 203 | 217 | 507 | 529 |
| | 119,936 | 104,988 | 271,992 | 236,066 |
| *Acquisition of DXB Cool* | | | | |
| Dubai Aviation City Corporation | - | 892,500 | - | 892,500 |
| *Dividend to shareholders* | | | | |
| Emirates Power Investment LLC | 102,000 | 102,000 | 204,000 | 204,000 |
| Dubai Electricity and Water Authority PJSC (DEWA) | 238,000 | 238,000 | 476,000 | 476,000 |
| | 340,000 | 340,000 | 680,000 | 680,000 |
| *Services received from shareholder* | | | | |
| Dubai Electricity and Water Authority PJSC (DEWA) | 594,920 | 554,641 | 1,115,092 | 968,919 |
| *Services rendered to entities under common control of Ultimate Parent* | | | | |
| Dubai Airports Corporation | 89,794 | 59,109 | 197,432 | 59,109 |
| *Services received from entities under common control of Ultimate Parent* | | | | |
| Finance cost from Emirates NBD PJSC | 77,752 | 64,305 | 214,899 | 184,535 |
| Board of directors' remuneration (Note 20) | 1,450 | 1,875 | 4,350 | 5,625 |
| *Compensation of key management personnel* | | | | |
| Short term benefits | 1,269 | 1,285 | 3,765 | 3,833 |
| End of service benefits | 130 | 130 | 390 | 390 |
| | 1,399 | 1,415 | 4,155 | 4,223 |

## 13 Transactions and balances with related parties (continued)

*(b) Balances with related parties*

| | 30 September 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 | 2,974 | 3,762 |
| Jumeirah Group LLC | 4,379 | 2,311 |
| Meraas Holding LLC | 3,737 | 602 |
| Others | 51 | 65 |
| | 11,141 | 6,740 |
| *Entity under common control of Ultimate Parent* | | |
| Dubai Airports Corporation | 26,808 | 2,075 |
| | 37,949 | 8,821 |
| **Due to related parties** | | |
| *Shareholders* | | |
| Dubai Electricity and Water Authority PJSC (DEWA) | 456,769 | 113,854 |
| Emirates Power Investment LLC | 102,000 | - |
| | 558,769 | 113,854 |
| *Entities under common control of shareholders* | | |
| Dubai Properties Group LLC | 7,746 | 17,955 |
| Dubai Holding LLC | - | 3,708 |
| | 7,746 | 21,663 |
| *Entity under common control of Ultimate Parent* | | |
| Dubai Airports Corporation | 16,077 | - |
| Others | 606 | 436 |
| | 583,198 | 135,953 |

**Amounts included in bank borrowings, financial assets at amortised cost, cash and cash equivalents and trade and other receivables**

| | 30 September 2024 AED'000 Unaudited | 31 December 2023 AED'000 Audited |
|---|---|---|
| *Shareholder* | | |
| Dubai Electricity and Water Authority PJSC | 4,490 | 4,490 |
| *Entities under common control of shareholder* | | |
| Emirates NBD PJSC | 5,638,714 | 4,498,463 |
| Dubai Islamic Bank PJSC | 1,033,046 | 6,892 |
| Dubai Aviation City Corporation | 1,031,882 | 1,042,888 |
| Nakheel PJSC | 297,676 | 301,003 |
| Emirates Islamic Bank (P.J.S.C.) | 40,709 | 40,220 |

## 14 Cash and cash equivalents

| | 30 September 2024 AED'000 Unaudited | 31 December 2023 AED'000 Audited |
|---|---|---|
| Cash on hand | 1,109 | - |
| Cash at bank | 326,605 | 168,980 |
| Short term bank deposits – less than 3 months | 1,316,394 | 369,800 |
| | 1,644,108 | 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: 3.80% to 5.75% per annum).

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.

During the nine months period ended 30 September 2024, the Group invested AED 318,390 thousand in term deposits – more than 3 months from cash generated from operations and an additional AED 946,594 thousand in term deposits – less than 3 months from the drawdown of loan facilities (Note 15).

The Group earned finance income AED 43,823 thousand during the nine-month period ended 30 September 2024 (2023: AED 39,208 thousand). The increase is mainly due to interest earned on additional term deposits invested during the period.

## 15 Bank borrowings

| | 30 September 2024 AED'000 Unaudited | 31 December 2023 AED'000 Audited |
|---|---|---|
| Term loan | 2,750,000 | 4,500,000 |
| Interest accrued - net | 441 | - |
| Unamortised arrangement fee | (4,125) | (7,562) |
| Term loan, net | 2,746,316 | 4,492,438 |
| | | |
| Revolving credit facilities | 2,750,000 | - |
| Interest accrued - net | 1,659 | - |
| Revolving credit facilities, net | 2,751,659 | - |
| | | |
| Total Borrowings, net | 5,497,975 | 4,492,438 |
| Less: current portion | 2,100 | - |
| Non-current balance | 5,495,875 | 4,492,438 |

During the period ended 30 September 2024, the Group had drawn down AED 1,000,000 thousand from its loan facilities, A2 - Conventional AED 700,000 thousand and B2 - Islamic AED 300,000 thousand.

The Group accrued interest amounting to AED 231,722 thousand and paid AED 229,622 thousand. Interest accrued as on 30 September 2024 amounts to AED 2,100 thousand, classified as short-term portion of bank borrowings which is payable on 31 October 2024.

## 15 Bank borrowings (continued)

The movement in bank borrowings during the period:

| | 30 September 2024 AED'000 Unaudited | 31 December 2023 AED'000 Audited |
|---|---|---|
| As at 1 January | 4,492,438 | 4,489,586 |
| Drawdown during the period/year | 3,749,358 | - |
| Interest expense during the period/year | 188,523 | 220,729 |
| Interest capitalised during the period/year | 43,198 | 46,819 |
| Interest paid during the period/year | (229,622) | (267,548) |
| Principal repayment during the period/year | (2,750,000) | - |
| Arrangement fee charged to statement of profit and loss | 4,080 | 2,852 |
| At 30 September / 31 December | 5,497,975 | 4,492,438 |

On 26 September 2024, the Group exchanged certain borrowing facilities with one of its existing lender which resulted in the following changes to the terms of the facilities:

- Extension of the maturity date from 2025 to 2027.
- Reduction in interest margin.
- Change in the nature of the facilities from term loans to revolving facilities.

Pursuant to the requirements of International Financial Reporting Standard 9, the Group assessed whether the present value of the new cash flows under the new terms is at least 10% different from the present value of the remaining cash flows of the original liability, using the original effective interest rate, based on this quantitative test the difference is less than 10%.

The Group has adopted as its accounting policy to perform a qualitative assessment in addition to the quantitative test.

Management has considered the qualitative changes (e.g. change in the nature of the facilities from term loan to revolving credit facilities, extension of term, changes in interest margin) and concluded that those changes are substantial, and as such the exchange of the loan with the existing lender results in a new loan with substantially different terms compared to the original loan. Therefore, the arrangement was accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, at fair value.

The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in profit or loss, together with the related costs/fees incurred.

As of 30 September 2024, the Group has the following outstanding borrowing facilities;

| Facility | Term | Interest rate | Amount (AED'000) |
|---|---|---|---|
| RCF - Conventional | 3 Years | EIBOR + margin | 1,375,000 |
| RCF – Islamic | 3 Years | EIBOR + margin | 1,375,000 |
| Term loan A2 – Conventional | 5 Years | EIBOR + margin | 1,375,000 |
| Term loan B2 - Islamic | 5 Years | EIBOR + margin | 1,375,000 |
| **Total** | | | 5,500,000 |

The undrawn facilities are Nil as at 30 September 2024 (31 December 2023: AED 1,000,000 thousand).

## 15 Bank borrowings (continued)

Revolving credit facilities (RCF) are classified as non-current liabilities at the end of the reporting period as the Company has a right to defer settlement of these for at least 12 months after the reporting period.

The maturity profile of the borrowings is as follows:

| | 30 September 2024 AED'000 Unaudited | 31 December 2023 AED'000 Audited |
|---|---|---|
| Within one year | 2,100 | - |
| After one year but not more than three years | 5,495,875 | 2,743,469 |
| More than 3 years | - | 1,748,969 |
| | 5,497,975 | 4,492,438 |

The change in financial covenants is not substantial and the facilities are guaranteed by the Company and Palm District Cooling LLC.

## 16 Trade and other payables

| | 30 September 2024 AED'000 Unaudited | 31 December 2023 AED'000 Audited |
|---|---|---|
| Refundable customers' security deposits | 487,154 | 456,361 |
| Deferred revenue | 470,536 | 341,792 |
| Project cost accruals | 334,167 | 240,489 |
| Project payables | 84,339 | 75,796 |
| Retention payable | 89,473 | 87,731 |
| Other liabilities* | 379,980 | 219,130 |
| | 1,845,649 | 1,421,299 |
| Less: Non-current portion | | |
| Retention payable | (14,444) | (18,036) |
| Current portion | 1,831,205 | 1,403,263 |

* Other liabilities mainly include accrued expenses for water, electricity, staff liabilities and dividend payable to public shareholders.

Movement in deferred revenue is as follows:

| | 30 September 2024 AED'000 Unaudited | 30 September 2023 AED'000 Unaudited |
|---|---|---|
| At the beginning of the period | 341,792 | 290,225 |
| Billed during the period | 1,011,877 | 900,508 |
| Less: Income recognised during the period | (883,133) | (857,951) |
| At the end of the period | 470,536 | 332,782 |

## 17 Revenue

| | Three-month period ended 30 September | | Nine-month period ended 30 September | |
|---|---|---|---|---|
| | 2024 AED'000 Unaudited | 2023 AED'000 Unaudited | 2024 AED'000 Unaudited | 2023 AED'000 Unaudited |
| District cooling services | 1,090,885 | 1,043,435 | 2,439,615 | 2,252,499 |
| Pre-insulated pipe | 9,035 | 1,237 | 11,846 | 17,004 |
| | 1,099,920 | 1,044,672 | 2,451,461 | 2,269,503 |

## 18 Operating segments

The Group has determined that the Board of Directors, are the chief operating decision-makers ("CODM") as 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 air 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.

## Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2024 (continued)

## 18 Operating segments (continued)

| | Nine-month period ended 30 September 2024 (unaudited) | | | | Nine-month period ended 30 September 2023 (unaudited) | | | |
|---|---|---|---|---|---|---|---|---|
| | Chilled water AED'000 | Pre-insulated pipe AED'000 | Elimination AED'000 | Total AED'000 | Chilled water AED'000 | Pre-insulated pipe AED'000 | Elimination AED'000 | Total AED'000 |
| **Revenues** | | | | | | | | |
| External revenue | 2,439,615 | 11,846 | - | 2,451,461 | 2,252,499 | 17,004 | - | 2,269,503 |
| Interest income on financial asset at amortised cost | 44,282 | - | - | 44,282 | 23,669 | - | - | 23,669 |
| Inter-segment revenue | - | 25,526 | (25,526) | - | - | 21,686 | (21,686) | - |
| **Total revenues** | **2,483,897** | **37,372** | **(25,526)** | **2,495,743** | **2,276,168** | **38,690** | **(21,686)** | **2,293,172** |
| Cost of sales | (1,444,518) | (25,034) | 15,116 | (1,454,436) | (1,305,998) | (26,848) | 11,839 | (1,321,007) |
| **Gross profit** | **1,039,379** | **12,338** | **(10,410)** | **1,041,307** | **970,170** | **11,842** | **(9,847)** | **972,165** |
| General and administrative expenses | (173,208) | (4,545) | - | (177,753) | (161,536) | (6,528) | - | (168,064) |
| Reversal of provision for expected credit losses | - | 462 | - | 462 | - | - | - | - |
| Other income | 3,135 | 1,102 | - | 4,237 | 3,463 | 1,062 | - | 4,525 |
| **Operating profit** | **869,306** | **9,357** | **(10,410)** | **868,253** | **812,097** | **6,376** | **(9,847)** | **808,626** |
| Finance income | 42,709 | 1,114 | - | 43,823 | 38,182 | 1,026 | - | 39,208 |
| Finance costs | (192,798) | - | - | (192,798) | (162,940) | - | - | (162,940) |
| Income taxes | (64,817) | (942) | 937 | (64,822) | - | - | - | - |
| **Net profit for the period** | **654,400** | **9,529** | **(9,473)** | **654,456** | **687,339** | **7,402** | **(9,847)** | **684,894** |

Inter-segment transactions are eliminated on consolidation.

## Notes to the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2024 (continued)

### 18 Operating segments (continued)

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

| | Nine-month period ended 30 September 2024 (unaudited) | | | Nine-month period ended 30 September 2023 (unaudited) | | |
|---|---|---|---|---|---|---|
| | Chilled water AED'000 | Pre-insulated pipe AED'000 | Total AED'000 | Chilled water AED'000 | Pre-insulated pipe AED'000 | Total AED'000 |
| Depreciation on property, plant and equipment (Note 6) | 245,875 | 1,758 | 247,633 | 255,450 | 1,859 | 257,309 |
| Depreciation on right-of-use asset | 3,405 | - | 3,405 | 2,387 | - | 2,387 |
| Amortisation of intangible asset (Note 7) | 9,117 | - | 9,117 | 9,117 | - | 9,117 |
| **Total Depreciation and Amortisation** | **258,397** | **1,758** | **260,155** | **266,954** | **1,859** | **268,813** |

Segment assets and liabilities are as follows:

| | Nine-month period ended 30 September 2024 (unaudited) | | | 31 December 2023 (audited) | | |
|---|---|---|---|---|---|---|
| | Chilled water AED'000 | Pre-insulated pipe AED'000 | Total AED'000 | Chilled water AED'000 | Pre-insulated pipe AED'000 | Total AED'000 |
| Segment assets | 11,362,475 | 112,630 | 11,475,105 | 9,626,555 | 101,304 | 9,727,859 |
| Investment in joint venture | 307 | - | 307 | 307 | - | 307 |
| **Total assets** | **11,362,782** | **112,630** | **11,475,412** | **9,626,862** | **101,304** | **9,728,166** |
| Segment liabilities | 8,343,202 | 14,187 | 8,357,389 | 6,403,832 | 13,333 | 6,417,165 |
| **Total liabilities** | **8,343,202** | **14,187** | **8,357,389** | **6,403,832** | **13,333** | **6,417,165** |

## 18 Operating segments (continued)

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

| | Nine-month period ended 30 September 2024 (unaudited) | | | Nine-month period ended 30 September 2023 (unaudited) | | |
|---|---|---|---|---|---|---|
| | Chilled water AED'000 | Pre-insulated pipe AED'000 | Total AED'000 | Chilled water AED'000 | Pre-insulated pipe AED'000 | Total AED'000 |
| Property, plant and equipment | 241,672 | 530 | 242,202 | 261,332 | 3,787 | 265,119 |

**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 | |
|---|---|---|---|---|
| | 30 September 2024 (unaudited) AED'000 | 30 September 2023 (unaudited) AED'000 | 30 September 2024 (unaudited) AED'000 | 31 December 2023 (audited) AED'000 |
| United Arab Emirates | 2,449,885 | 2,260,427 | 8,883,429 | 8,761,136 |
| Kuwait | 1,576 | 9,076 | - | - |
| | 2,451,461 | 2,269,503 | 8,883,429 | 8,761,136 |

## 19 Cost of sales

| | Three-month period ended 30 September | | Nine-month period ended 30 September | |
|---|---|---|---|---|
| | 2024 AED'000 Unaudited | 2023 AED'000 Unaudited | 2024 AED'000 Unaudited | 2023 AED'000 Unaudited |
| Utilities cost | 597,308 | 555,418 | 1,119,905 | 973,742 |
| Depreciation on property, plant and equipment (Note 6) | 80,639 | 83,012 | 241,223 | 251,080 |
| Staff costs (Note 21) | 11,301 | 9,988 | 32,894 | 29,206 |
| Materials | 6,289 | 1,071 | 7,727 | 11,706 |
| Amortisation of intangible asset (Note 7) | 3,039 | 3,039 | 9,117 | 9,117 |
| Depreciation on right-of-use assets | 331 | 45 | 842 | 134 |
| Others | 11,996 | 15,235 | 42,728 | 46,022 |
| | 710,903 | 667,808 | 1,454,436 | 1,321,007 |

## 20 General and administrative expenses

| | Three-month period ended 30 September | | Nine-month period ended 30 September | |
|---|---|---|---|---|
| | 2024 AED'000 Unaudited | 2023 AED'000 Unaudited | 2024 AED'000 Unaudited | 2023 AED'000 Unaudited |
| Staff costs (Note 21) | 43,709 | 41,952 | 129,406 | 122,291 |
| Depreciation on property, plant and equipment (Note 6) | 2,858 | 2,092 | 6,410 | 6,229 |
| Board of directors' remuneration | 1,450 | 1,875 | 4,350 | 5,625 |
| Advertising and marketing expenses | 1,761 | 2,226 | 4,575 | 4,230 |
| Communication expenses | 1,363 | 1,383 | 3,976 | 3,951 |
| Consultancy | 983 | 109 | 3,370 | 722 |
| Depreciation on right-of-use assets | 854 | 751 | 2,563 | 2,253 |
| Business travel | 372 | 133 | 1,698 | 1,027 |
| Rent | 168 | 133 | 360 | 456 |
| Others | 7,724 | 11,226 | 21,045 | 21,280 |
| | 61,242 | 61,880 | 177,753 | 168,064 |

## 21 Staff costs

| | Three-month period ended 30 September | | Nine-month period ended 30 September | |
|---|---|---|---|---|
| | 2024 AED'000 Unaudited | 2023 AED'000 Unaudited | 2024 AED'000 Unaudited | 2023 AED'000 Unaudited |
| Salaries | 34,390 | 32,099 | 101,408 | 94,784 |
| Staff benefits | 16,781 | 18,309 | 52,827 | 51,683 |
| End of service benefits | 3,839 | 1,532 | 8,065 | 5,030 |
| | 55,010 | 51,940 | 162,300 | 151,497 |
| Staff costs have been charged to: | | | | |
| Cost of sales (Note 19) | 11,301 | 9,988 | 32,894 | 29,206 |
| General and administrative expenses (Note 20) | 43,709 | 41,952 | 129,406 | 122,291 |
| | 55,010 | 51,940 | 162,300 | 151,497 |

## 22 Guarantees

As at 30 September 2024, the Group had no outstanding bank guarantees and AED 583 thousand letters of credits (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 30 September 2024, the Group has project commitments of AED 759,621 thousand (31 December 2023: AED 687,341 thousand) for projects-in-progress. These commitments represent the value of contracts issued as of 30 September 2024, net of invoices recorded and accruals made as of that date.

## 24 Earning per share

| | Three-month period ended 30 September | | Nine-month period ended 30 September | |
|---|---|---|---|---|
| | 2024 AED'000 Unaudited | 2023 AED'000 Unaudited | 2024 AED'000 Unaudited | 2023 AED'000 Unaudited |
| Profit attributable to the ordinary equity holders of the Company | 261,196 | 278,053 | 645,738 | 680,822 |
| Weighted average number of ordinary shares used as a denominator in calculating basic earnings per share | 10,000,000,000 | 10,000,000,000 | 10,000,000,000 | 10,000,000,000 |
| Basic and diluted earnings per share (AED fils) | 0.0261 | 0.0278 | 0.0646 | 0.0681 |

## 25 Fair value measurement

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

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

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

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

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

| *30 September 2024* | Level 1<br>AED'000<br>Unaudited | Level 2<br>AED'000<br>Unaudited | Level 3<br>AED'000<br>Unaudited | Total<br>AED'000<br>Unaudited |
|---|---|---|---|---|
| Financial assets at fair value through other comprehensive income | 56,720 | - | - | 56,720 |
| Financial assets at fair value through profit or loss | - | 15,259 | - | 15,259 |
| | 56,720 | 15,259 | - | 71,979 |

| *31 December 2023* | Level 1<br>AED'000<br>Audited | Level 2<br>AED'000<br>Audited | Level 3<br>AED'000<br>Audited | Total<br>AED'000<br>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:

| | Nine-month period ended 30 September | |
|---|---|---|
| | **2024** | **2023** |
| | **AED'000** | **AED'000** |
| | **Unaudited** | **Unaudited** |
| Current tax | 63,964 | - |
| Deferred tax | 858 | - |
| **Income tax expense for the period** | **64,822** | **-** |

Income tax expense is recognised during the nine-month period ended 30 September 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 30 September 2024, the Group has current tax liabilities of AED 63,964 (2023: Nil) and deferred tax asset of AED 16,497 thousand (31 December 2023: AED 17,454 thousand).

*(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: Nil). A reconciliation between the expected and the actual tax charge is provided below:

| | Nine-month period ended 30 September | |
|---|---|---|
| | **2024** | **2023** |
| | **AED'000** | **AED'000** |
| | **Unaudited** | **Unaudited** |
| Profit before tax | 719,278 | - |
| Profit before tax at statutory rate of 9% | 64,735 | - |
| Income which is exempt from taxation | (771) | - |
| Income tax expense | **63,964** | **-** |

The effective tax rate as of 30 September 2024 8.9% (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 statement.

Further, AED 99 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.