Emirates Central Cooling Systems Corporation

Consolidated financial statements
for the year ended 31 December 2021

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Independent auditor's report to the shareholders of Emirates Central Cooling Systems Corporation

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Emirates Central Cooling Systems Corporation ("the Corporation") and its subsidiaries (together "the Group") as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report to the shareholders of Emirates Central Cooling Systems Corporation (continued)

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated` financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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Independent auditor's report to the shareholders of Emirates Central Cooling Systems Corporation (continued)

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers
United Arab Emirates
5 April 2022

Emirates Central Cooling Systems Corporation

Consolidated statement of financial position

	Notes	As at 31 December 2021 AED'000	2020 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	7,032,991	6,713,255
Right-of-use assets	6	13,412	18,529
Intangible assets	7	364,296	-
Financial assets at amortised cost	8	305,164	-
Financial assets at fair value through other comprehensive income	9	58,113	57,653
Investment in a joint venture		307	307
		7,774,283	6,789,744
Current assets			
Inventories	10	27,018	35,081
Trade and other receivables	11	274,498	306,601
Due from related parties	12	3,618	14,471
Financial assets at amortised cost	8	3,911	-
Financial assets at fair value through profit or loss	13	100,000	-
Term deposits	14	114,800	17,500
Cash and cash equivalents	15	1,245,588	1,069,196
		1,769,433	1,442,849
Total assets		9,543,716	8,232,593
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the parent			
Capital	16	1,000,000	1,000,000
Statutory reserve	17	500,000	500,000
Other reserves		2,741	2,281
Retained earnings		3,844,024	3,208,164
Contributed capital	18	82,190	82,190
		5,428,955	4,792,635
Non-controlling interests		1,937	2,115
Total equity		5,430,892	4,794,750
LIABILITIES			
Non–current liabilities			
Bank borrowings	19	987,666	1,154,860
Government grant	20	370,890	373,670
Provision for employees' end of service benefits	21	49,703	45,450
Retentions payable	22	35,318	63,105
Lease liabilities	6	11,939	14,595
		1,455,516	1,651,680
Current liabilities			
Trade and other payables	22	1,485,009	1,410,809
Due to related parties	12	166,287	199,246
Bank borrowings	19	1,000,219	167,179
Government grant	20	2,780	2,780
Lease liabilities	6	3,013	6,149
		2,657,308	1,786,163
Total liabilities		4,112,824	3,437,843
Total equity and liabilities		9,543,716	8,232,593

These consolidated financial statements were approved by the Board of Directors on 5 April 2022 and signed on their behalf by:

Chief Executive Officer **Chairman**

The notes on pages 9 to 57 are an integral part of these consolidated financial statements.

Emirates Central Cooling Systems Corporation

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2021 AED'000	2020 AED'000
Revenues	23	2,463,874	2,255,115
Cost of sales	25	(1,394,449)	(1,216,084)
Impairment reversal of project cost	28	32,328	53,529
Gross profit		1,101,753	1,092,560
General and administrative expenses	26	(175,881)	(175,213)
Net impairment losses on financial assets	11	(8,568)	(13,823)
Other income	29	16,172	4,998
Operating profit		933,476	908,522
Finance income	30	11,633	4,618
Finance costs	30	(9,127)	(11,878)
Finance income / (costs) - net		2,506	(7,260)
Net profit for the year		935,982	901,262
Profit attributable to:			
Owners of the parent		935,860	900,950
Non-controlling interests		122	312
		935,982	901,262
Basic and diluted earning per share for profit attributable to the owners of the parent (AED)	36	0.935	0.900
Profit for the year		935,982	901,262
Other comprehensive income for the year	9	460	2,281
Total comprehensive income for the year		936,442	903,543
Total comprehensive income for the year attributable to:			
Owners of the parent		936,320	903,231
Non-controlling interests		122	312
		936,442	903,543

Emirates Central Cooling Systems Corporation

Consolidated statement of changes in equity

	Notes	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
At 1 January 2020		1,000,000	500,000	-	2,707,214	64,690	4,271,904	1,803	4,273,707
Land contribution	18	-	-	-	-	17,500	17,500	-	17,500
Profit for the year		-	-	-	900,950	-	900,950	312	901,262
Other comprehensive income for the year	9	-	-	2,281	-	-	2,281	-	2,281
Total comprehensive income for the year		-	-	**2,281**	**900,950**	-	**903,231**	312	**903,543**
Dividends declared	2.19	-	-	-	(400,000)	-	(400,000)	-	(400,000)
At 31 December 2020		**1,000,000**	**500,000**	**2,281**	**3,208,164**	**82,190**	**4,792,635**	**2,115**	**4,794,750**
At 1 January 2021		1,000,000	500,000	2,281	3,208,164	82,190	4,792,635	2,115	4,794,750
Profit for the year		-	-	-	935,860	-	935,860	122	935,982
Other comprehensive income for the year	9	-	-	460	-	-	460	-	460
Total comprehensive income for the year		-	-	**460**	**935,860**	-	**936,320**	**122**	**936,442**
Dividends declared	2.19	-	-	-	(300,000)	-	(300,000)	(300)	(300,300)
At 31 December 2021		**1,000,000**	**500,000**	**2,741**	**3,844,024**	**82,190**	**5,428,955**	**1,937**	**5,430,892**

The notes on pages 9 to 57 are an integral part of these consolidated financial statements.

Emirates Central Cooling Systems Corporation

Consolidated statement of cash flows

	Note	Year ended 31 December 2021 AED'000	2020 AED'000
Cash flows from operating activities			
Profit for the year		935,982	901,262
Adjustments for:			
Depreciation of property, plant and equipment	5	304,965	284,960
Depreciation of right-of-use assets	6	6,187	7,017
Amortisation of intangible assets	7	400	-
Amortisation of financial assets	8	739	-
Impairment reversal of project cost	28	(32,328)	(53,529)
Amortisation of arrangement fee		1,599	1,510
Gain on disposal of property, plant and equipment		(27)	-
Net impairment losses on financial assets	11	8,568	13,823
Provision for employees' end of service benefits	21	5,523	8,823
Interest on lease liabilities	30	712	1,146
Interest income earned on financial assets at amotised cost	30	(610)	-
Finance income		(11,023)	(4,618)
Finance costs		20,063	13,362
Government grant income	20	(2,780)	(2,780)
Changes in working capital:			
Inventories		8,063	6,771
Trade and other receivables, net of write-off of receivables to CAPEX suppliers		6,022	(62,438)
Due from related parties		10,853	(11,715)
Trade and other payables, excluding project-related payables, project accruals and retention payables		37,527	(50,236)
Due to related parties, net of dividends declared		67,041	(18,895)
Cash generated from operations		1,367,476	1,034,463
Payment of employees' end of service benefits	21	(1,270)	(689)
Net cash generated from operating activities		1,366,206	1,033,774
Cash flows from investing activities			
Acquisition of subsidiary	32	(668,294)	-
Payment for property, plant and equipment, net of project accruals, retention payables to capex suppliers		(571,580)	(775,473)
Short-term deposits (more than 3 months) invested		(97,300)	(17,500)
Investment in financial assets at fair value through profit and loss		(100,000)	
Finance income received	30	11,023	4,618
Investment in financial assets at fair value through other comprehensive income	9	-	(55,372)
Proceeds from disposal of property, plant and equipment		27	-
Net cash used in investing activities		(1,426,124)	(843,727)

Consolidated statement of cash flows (continued)

	Note	Year ended 31 December 2021 AED'000	2020 AED'000
Cash flows from financing activities			
Proceeds from bank borrowings net of arrangement fee	19	917,294	969,645
Repayment of bank borrowings	19	(253,047)	(69,789)
Dividends paid to shareholders		(400,300)	(330,000)
Lease payment – Principal	6	(6,862)	(7,446)
Lease payment – Interest	30	(712)	(1,146)
Finance costs paid	30	(20,063)	(13,362)
Net cash generated from financing activities		236,310	547,902
Net increase in cash and cash equivalents		176,392	737,949
Cash and cash equivalents at the beginning of the year		1,069,196	331,247
Cash and cash equivalents at the end of the year	15	1,245,588	1,069,196

Non- cash transactions are disclosed in Note 37.

Net debt reconciliation

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

	Note	2021 AED'000	2020 AED'000
Cash and cash equivalents	15	1,245,588	1,069,196
Borrowings-repayable within one year	19	(1,000,219)	(167,179)
Borrowings-repayable after one year	19	(987,666)	(1,154,860)
		(742,297)	(252,843)
Lease liabilities	6	(14,952)	(20,744)
Net debt		(757,249)	(273,587)
Cash and cash equivalents	15	1,245,588	1,069,196
Lease liabilities	6	(14,952)	(20,744)
		1,230,636	1,048,452
Gross debt-fixed interest rates			
Gross debt-variable interest rates	19	(1,987,885)	(1,322,039)
		(757,249)	(273,587)

Notes to the consolidated financial statements for the year ended 31 December 2021

1 Establishment and operations

Emirates Central Cooling Systems Corporation ("EMPOWER") ("the Corporation") was established on 23 November 2003 as a corporate entity in accordance with Article 3 of Law No. (10) "Emirates Central Cooling System Corporation Incorporation Law for the year 2003" ("the Decree") and commenced commercial operations on 15 February 2004. The Corporation 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 (formerly known as Dubai Creative Clusters Authority) ("the authority"). However, the beneficial interest of the authority was transferred to Tecom Investments FZ-LLC ("TECOM") effective from inception. The ultimate majority shareholder of TECOM is His Highness Mohammed Bin Rashid Al Maktoum.

On 23 November 2009, a letter was issued by the Ruler's Court allowing DEWA to increase its shareholding to 70% in the Corporation and to dilute TECOM's interest to 30%. This change in the shareholding structure has been formalised through Decree No. 3 of 2010 issued by the Ruler's Court.

The principal activities of the Corporation are the provision of district cooling services and management, operation and maintenance of central cooling plants and related distribution networks. The principal office of the Corporation is P.O. Box 8081, Al Hudaiba Awards Building, Dubai, United Arab Emirates.

These consolidated financial statements relate to the Corporation and its subsidiaries (jointly referred to as "the Group").

The Corporation has the following subsidiaries:

Subsidiary	Principal activities	Beneficial holding	
		2021	2020
Empower Logstor LLC ("ELIPS")	Manufacturing of pre-insulated pipes, mainly for district cooling	97.0%	97.0%
Palm District Cooling LLC	Establish and operate district cooling projects and provide air-conditioning, ventilation and refrigeration services	99.9%	99.9%
Palm Utilities LLC	Establish and operate district cooling projects and provide air-conditioning, ventilation and refrigeration services	99.5%	99.5%
Empower FM LLC	Air-conditioning, ventilation, and air filtration systems installation and maintenance	100%	100%
Empower Engineering & Consultancy LLC	Project development consultant	100%	100%
Empower Snow LLC	Establish and operate district cooling projects and provide air-conditioning, ventilation and refrigeration services	100%	-

ELIPS was established during the year 2007 with the Corporation having a 51% shareholding and Logstor Holding, Denmark having a 49% shareholding. During 2012, the Corporation increased its shareholding to 97% in ELIPS and diluted Logstor Holding, Denmark's interest to 3%.

During 2013, EMPOWER acquired a 99.5% interest in Palm Utilities LLC ("PU") and a 99.9% interest in its subsidiary Palm District Cooling LLC ("PDC").
During 2020, the Corporation established two subsidiaries, namely Empower FM LLC and Empower Engineering & Consultancy LLC with a 100% shareholding in each. The principal activities of Empower FM LLC and Empower Engineering & Consultancy LLC are shown in the table above.

1 Establishment and operations (continued)

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

(a) New and amended standards adopted by the Group during the year
The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these consolidated financial statements.

- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

In August 2020, the IASB issued Interest Rate Benchmark Reform - Phase 2, which amends IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments complement those issued in September 2019 (endorsed in January 2020) and focus on the effects on financial statements when a Company replaces a previous interest rate benchmark with an alternative benchmark rate as a result of Interbank Offered Rates (IBOR) reform. The Phase 2 amendments are effective for the Group's fiscal year commencing 1 January 2021, and were adopted as of that date. Comparative amounts have not been restated, and there was no impact on the current period opening reserves amounts on adoption.

As of 31 December 2021, applicable interest rate benchmarks in the Group's agreements have not been replaced. As a result, the adoption of the Phase 2 amendments had no impact on the consolidated financial statements for the year ended 31 December 2021. Management will continue to monitor relevant developments and will evaluate the impact of the Phase 2 amendments on the consolidated financial statements as IBOR reform progresses.

The Group has borrowings that are exposed to USD LIBOR. Many of the existing borrowings referencing LIBOR benchmarks are expected to transition to alternative benchmark in different ways and at different times. External progress on the transition to alternative benchmark is being monitored, with the objective of ensuring a smooth transition for the Group's borrowing agreements. The specific issues arising will vary with the details of each borrowing included in the designation. Some borrowings may need to be de-designated and new agreements entered into, while others may survive the market-wide benchmark reform.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (continued)

The amounts of borrowings represent the extent of the risk exposure managed by the Group that is expected to be directly affected by market-wide IBOR reform and in scope of Phase 1 and Phase 2 amendments.

The following table contains details of all of the financial instruments that Group holds as at 31 December 2021 which reference USD LIBOR and have not yet transitioned to an alternative interest rate benchmark:

		Of which
	Carrying value at 31 December 2021	**Have yet to transition to an alternative benchmark interest rate as at 31 December 2021:**
	Liabilities	
	AED'000	AED'000
Liabilities exposed to USD LIBOR		
Measured at amortised cost		
Bank borrowings	1,987,885	1,987,885

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

The Group has not early adopted new and revised IFRS that have been issued but are not yet effective.

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 - (effective 1 January 2022) The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability;

- Reference to the Conceptual Framework – Amendments to IFRS 3 (effective 1 January 2022) Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date;

2 Summary of significant accounting policies (continued)

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

- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 - The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations); and

- Amendment to IAS 16 (effective 1 January 2022) The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

The Group is currently assessing the impact of these standards, and amendments on the future consolidated financial statements of the Group and intends to adopt these, if applicable, when they become effective.

2.2 Consolidation

(a) Subsidiaries

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

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

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.
Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

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

(b) Disposal of subsidiaries

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

(c) Joint arrangements

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

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

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

2.3 Property, plant, and equipment

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

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

2 Summary of significant accounting policies (continued)

2.3 Property, plant, and equipment (continued)

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

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

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

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

2.4 Impairment of non-financial assets

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

2 Summary of significant accounting policies (continued)

2.5 Financial assets

(i) Classification

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

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at Fair Value through Profit or Loss ("FVTPL"). Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely Payments of Principal and Profit ("SPPI"): Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether financial instruments' cash flows represent SPPI.

In making this assessment, the Group considers whether contractual cash flows present a nature consistent with a basic lending arrangement (i.e. profit includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with basic lending arrangement).

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Classification of financial assets at amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVTOCI) comprise of equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

2 Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

(i) Classification (continued)

Classification of financial assets at fair value through profit and loss

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

The financial assets of the Group are as follows:

	Carrying amount	
	2021 AED '000	2020 AED'000
Trade and other receivables (Note 11)	274,498	306,601
Financial assets at fair value through profit and loss (Note 13)	100,000	-
Term deposits (Note 14)	114,800	17,500
Cash and bank balances (Note 15)	1,245,588	1,069,196
Due from related parties (Note 12)	3,618	14,471
Financial assets at amortised cost (Note 8)	309,075	-
Financial assets at fair value through other comprehensive income (Note 9)	58,113	57,653

(ii) Initial recognition and measurement

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

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

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

2 Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

(ii) Initial recognition and measurement (continued)

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

(iii) Subsequent measurement

Debt instruments

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

- *Amortised cost* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Profit income from these financial assets, if any, is included in finance income using the effective profit rate method.

- *Fair value through other comprehensive income (FVTOCI)*: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at fair value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit income, if any and foreign exchange gains and losses which are recognised in profit and loss.

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

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

Equity instruments

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

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

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

2 Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

(iii) Subsequent measurement (continued)

Impairment

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

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

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

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

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

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

Significant increase in credit risk

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

2 Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

(iii) Subsequent measurement (continued)

Significant increase in credit risk (continued)

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

Definition of default

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

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, and all the efforts for collection of the receivables are exhausted. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

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

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

2 Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

(iv) Derecognition

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

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

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

Offsetting financial instruments

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

2.6 Intangible assets

Rights to charge users

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

2.7 Inventories

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

2.8 Trade and other receivables

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

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

2 Summary of significant accounting policies (continued)

2.9 Cash and cash equivalents

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

2.10 Bank Borrowings

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

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

2.11 Government grants

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

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

2.12 Employees end of service benefits

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

and included in trade and other payables, while the provision relating to end of service benefits is disclosed as a non-current liability.

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

2 Summary of significant accounting policies (continued)

2.13 Trade payables and provisions

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

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

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

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

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

2.14 Leases

The Group's leasing activities includes lease of equipment and building lease for period of 15 years and 3 years respectively. At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

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

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

2 Summary of significant accounting policies (continued)

2.14 Leases (continued)

As a lessee

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

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

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

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.14 Leases (continued)

Short-term leases and leases of low-value assets

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

As a lessor

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

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

2.15 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2 Summary of significant accounting policies (continued)

2.16 Revenue recognition

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

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5. Recognise revenue when (or as) the Group satisfies a performance obligation.

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

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

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

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

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

(a) District cooling services

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

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

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

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

(b) Pre-insulated pipes

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

2 Summary of significant accounting policies (continued)

2.17 Interest income

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

2.18 Share Capital

Ordinary shares are classified as equity.

2.19 Dividends

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

During the year a final dividend of AED 300,000,000 (AED 0.3 per share) in respect of the year ended 31 December 2020, was declared and approved on 19 January 2021 by the Board of Directors of the Group (2020: A final dividend of AED 300,000,000 (AED 0.3 per share), in respect of the year ended 31 December 2019 was declared and approved on 2 January 2020 by the Board of Directors of the Group).

During the year an interim dividend of AED Nil (2020: An interim dividend of AED 100,000,000 (AED 0.1 per share), in respect of the year ended 31 December 2020 was declared and approved on 20 December 2020 by the Board of Directors of the Group).

2.20 Earnings per share

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

2.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3 Financial risk management

3.1 Financial risk factors

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

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

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

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

(a) Market risk

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

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

(i) Foreign exchange risk

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

(ii) Price risk

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

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

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

Sensitivity

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

	2021 AED'000	2020 AED'000
Dubai financial market index-increase 1%	578	574
Dubai financial market index -decrease 1%	(578)	(574)

Amounts recognised in profit or loss and other comprehensive income

The amounts recognised in profit or loss and other comprehensive income in relation to the various investments held by the group are disclosed in note .

(iii) Cash flow and fair value interest rate risk

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

At 31 December 2021, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been AED 4,666 thousand (2020: AED 4,861 thousand) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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

	2021 AED'000	2020 AED'000
Interest rate – re-pricing dates:		
3 months or less	1,987,885	1,322,039

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

Further, at 31 December 2021, if interest rates on lease liability had been 1% higher/lower with all other variables held constant, post-tax profit for the year ended 31 December 2021 would have been lower by AED 144 thousands (2020: AED 233 thousands) mainly as a result of higher interest expense and would have been higher by AED 156 thousands (2020: AED 252 thousands) mainly as a result of lower interest expense.

(b) Credit risk

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

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

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

Risk management

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

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

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

Impairment of financial assets:

Financial assets at amortised cost

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Impairment of financial assets (continued)

Financial assets at amortised cost (continued)

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

Credit risk grading

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

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

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Impairment of financial assets (continued)

Financial assets at amortised cost (continued)

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

Trade receivables

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

To measure the expected credit losses, trade receivables and unearned revenues have been grouped based on shared risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The expected credit loss on trade receivables is disclosed in Note 11.

Cash at bank and short-term bank deposits

	2021 AED'000	2020 AED'000
A	25	26
A+	13	14
B3	50,665	-
Ba1	607,676	-
Ba2	550,288	-
Baa1	16,867	-
Baa2	5,912	-
Baa3	6,606	
A1	-	4,556
A3	-	643,062
AA3	-	8,321
Baa1	-	9,000
BBB+	7,536	304,099
Caa1`	-	100,118
	1,245,588	1,069,196

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Impairment of financial assets (continued)

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

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

All other financial assets

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

Due from related parties

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

(c) Liquidity risk

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

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Total AED'000	Less than 1 year AED'000	Between 1 to 5 years AED'000	More than 5 years AED'000
At 31 December 2021				
Bank borrowings (including interest)	2,047,967	1,022,808	1,025,159	-
Trade and other payables (excluding deferred revenues)	1,184,771	1,184,771	-	-
Lease liabilities (Note 6)	14,952	3,013	5,383	6,556
Due to related parties (Note 12)	166,287	166,287	-	-
	3,413,977	**2,376,879**	**1,030,542**	**6,556**

	Total AED'000	Less than 1 year AED'000	Between 1 to 5 years AED'000	More than 5 years AED'000
At 31 December 2020				
Bank borrowings (including interest)	1,403,595	190,162	1,213,433	-
Trade and other payables (excluding deferred revenues)	1,177,883	1,177,883	-	-
Lease liabilities (Note 6)	20,744	6,149	6,864	7,731
Due to related parties (Note 12)	199,246	199,246	-	-
	2,801,468	**1,573,440**	**1,220,297**	**7,731**

Compared to the previous year-end, there has been no material change in the contractual undiscounted cash outflows for financial liabilities during the period. There is no material impact of COVID-19 on the Group's business as detailed in Note 33 of these consolidated financial statements. Net cash generated from operating activities have increased by AED 332 million from AED 1,034 million for 2020 to AED 1,366 thousand for the year 2021.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for the other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by the total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

3 Financial risk management (continued)

3.2 Capital risk management

The gearing ratios as at 31 December 2021 and 31 December 2020 were as follows:

	2021 AED'000	2020 AED'000
Total borrowings (Note 19)	1,987,885	1,322,039
Less: Cash and cash equivalents (Note 15)	(1,245,588)	(1,069,196)
Net debt	742,297	252,843
Total equity	5,428,955	4,792,635
Total capital	6,171,252	5,045,478
Gearing ratio	12.03%	5.01%

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

3.3 Fair value estimation

As at 31 December 2021 and 2020, the fair values of the Group's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of the consolidated statement of financial position. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4 Critical accounting estimates and judgments

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

(a) Impairment of non-financial assets

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

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

No impairment charges has been recognised against non-financial assets during the year ended 31 December 2021 (2020: Nil), following management's impairment review.

(b) Useful lives of property, plant and equipment

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

5 Property, plant and equipment

	Land AED'000	Plant, equipment and machinery AED'000	Buildings AED'000	Furniture and fixtures AED'000	Leasehold improvements AED'000	Computer equipment AED '000	Vehicles AED'000	Capital work-in-progress AED'000	Total AED'000
Cost									
At 1 January 2020	476,782	6,661,403	70,709	14,947	10,905	37,767	6,095	922,204	8,200,812
Additions**	17,500	-	-	862	31	1,892	383	724,917	745,585
Transfers	-	988,954	-	-	-	-	-	(988,954)	-
Disposals	-	(17,242)	-	(6)	-	(21)	(141)	-	(17,410)
At 31 December 2020	494,282	7,633,115	70,709	15,803	10,936	39,638	6,337	658,167	8,928,987
Additions**	-	-	(672)	975	554	1,265	730	589,521	592,373
Transfers	-	404,947	-	-	-	-	-	(404,947)	-
Disposals	-	(5,095)	-	(2)	-	(1)	(153)	-	(5,251)
At 31 December 2021	494,282	8,032,967	70,037	16,776	11,490	40,902	6,914	842,741	9,516,109
Accumulated depreciation and impairment									
At 1 January 2020	-	1,802,923	23,393	13,900	10,471	30,500	4,846	115,678	2,001,711
Charge for the year	-	278,652	2,828	905	185	1,818	572	-	284,960
Impairment reversal *	-	-	-	-	-	-	-	(53,529)	(53,529)
Disposals	-	(17,242)	-	(6)	-	(21)	(141)	-	(17,410)
At 31 December 2020	-	2,064,333	26,221	14,799	10,656	32,297	5,277	62,149	2,215,732
Charge for the year	-	299,021	2,791	928	165	1,535	525	-	304,965
Impairment reversal *	-	-	-	-	-	-	-	(32,328)	(32,328)
Disposals	-	(5,095)	-	(2)	-	(1)	(153)	-	(5,251)
At 31 December 2021	-	2,358,259	29,012	15,725	10,821	33,831	5,649	29,821	2,483,118
Net book value									
31 December 2021	494,282	5,674,708	41,025	1,051	669	7,071	1,265	812,920	7,032,991
31 December 2020	494,282	5,568,782	44,488	1,004	280	7,341	1,060	596,018	6,713,255

5 Property, plant and equipment (continued)

* In prior years, management had recognised an impairment loss relating to cost incurred on shoring and enabling works for two projects (Mirdiff plant and Head office building) that did not develop as anticipated and recognized an impairment loss of AED 41 million. Management has resumed construction of these projects and performed an assessment to determine the recoverable amount of the following assets. The assessment was performed by the engineering department after analyzing the work that can be utilized and will not have to be undertaken again. This was further supported by value-in-use calculation which required the use of assumptions. The calculations use cash flow projections based on financial budgets and a discount rate of 4%. Accordingly, Group has reversed impairment amounted to AED 32 million (2020: AED 53 million).

** During the year 2020, the Group received 2 plots of land from Meydan City Corporation. One of the plot has already constructed with a district cooling plant, which has been acquired during the year and another is a vacant plot (Note 18).

Depreciation expense of AED 299,021 thousand (2020: AED 278,652 thousand) has been charged to 'cost of sales' (Note 25) and AED 5,944 thousand (2020: AED 6,308 thousand) to 'general and administrative expenses' (Note 26).

Capital work-in-progress balances include costs of constructing district cooling plants and networks at various projects.

6 Right-of-use assets and lease liabilities

The Group mainly leases equipment for a period of 15 years with an extension option and a head office for a period of 1 year (since a new head office is currently under construction and is expected be completed after 1 year).

	Equipment AED'000	Buildings AED'000	Total AED'000
Cost			
At 1 January 2020	26,064	4,924	30,988
Additions	1,178	-	1,178
At 31 December 2020	27,242	4,924	32,166
Additions	-	1,070	1,070
At 31 December 2021	27,242	5,994	33,236
Accumulated depreciation			
At 1 January 2020	4,582	2,038	6,620
Charge for the year	4,979	2,038	7,017
At 31 December 2020	9,561	4,076	13,637
Charge for the year	4,625	1,562	6,187
At 31 December 2021	14,186	5,638	19,824
Net book amount			
31 December 2021	13,056	356	13,412
31 December 2020	17,681	848	18,529

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

Equipment represents semi-permanent plant (SPP) equipment rented from DEWA. The Group recognised lease liabilities as follows:

	2021 AED'000	2020 AED'000
At 1 January	20,744	27,012
Additions during the year	1,070	1,178
Paid during the year	(6,862)	(7,446)
At 31 December	14,952	20,744
Less: current portion	(3,013)	(6,149)
Non-current portion	11,939	14,595

Interest expense included in finance costs for 2021 was AED 712,000 (2020: AED 1,146,000) (Note 30). There are no expenses relating to variable lease payments. Total cash outflows for leases including finance cost during the year was AED 7,574,000 (2020 : AED 8,592,000).

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

	2021 AED'000	2020 AED'000
Expense relating to short-term leases (Note 26)	498	738

7 Intangible assets

	2021 AED'000	2020 AED'000
At 1 January	-	-
Additions during the year (Note 31)	364,696	-
Amortised during the year	(400)	-
At 31 December	364,296	-

8 Financial assets at amortised cost

	2021 AED'000	2020 AED'000
At 1 January	-	-
Additions during the year (Note 32)	309,204	-
Interest earned during the year	610	-
Payments during the year	(739)	-
At 31 December	309,075	-
Less: current portion	(3,911)	-
Non-current portion	305,164	-

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

	2021 AED'000	2020 AED'000
Financial assets at fair value through other comprehensive income	58,113	57,653

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

	2021 AED'000	2020 AED'000
Gain recognised in other comprehensive income	460	2,281
Interest income from equity investments held at FVTOCI recognised in profit or loss	2,644	661

Financial assets at fair value through other comprehensive income pertains to an investment in Tier 1 Capital Certificates ("Bonds") issued at their par value. The Bonds are listed perpetual instruments and carry non-cumulative interest at a rate of 6% per annum payable every six months at the discretion of the issuer.

The following Bonds are classified as equity and at the initial recognition the Group made an irrevocable decision to classify the Bonds as financial assets at fair value through other comprehensive income under IFRS 9 as the Bonds are not held for trading.

10 Inventories

	2021 AED'000	2020 AED'000
Spares and consumables for district cooling services	19,248	26,809
Pre-insulated pipes	7,770	8,272
	27,018	35,081

The cost of inventories recognised as expense and included in 'cost of sales' is AED 4,421 thousand (2020: AED 5,191 thousand) (Note 25).

The inventories provision for the year amounted to AED Nil (2020:AED Nil).

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

11 Trade and other receivables

	2021 AED'000	2020 AED'000
Trade receivables	180,659	193,275
Accrued revenues	27,069	19,576
	207,728	212,851
Less: Provision for Expected credit loss	(56,832)	(48,264)
	150,896	164,587
Other financial assets at amortised cost		
Other receivables	10,216	10,278
Other assets		
Advance to contractors / suppliers	99,285	116,699
Prepayments	14,101	15,037
	113,386	131,736
	274,498	306,601

Other receivables includes AED 4,490 thousand (2020:AED 4,490 thousand) deposit receivable from DEWA.

As at 31 December 2021, the Group faced a concentration of credit risk with three customers (2020 : three customers) accounting for 29.22% (2020: 25.06%) of the trade receivables at that date. Due from one of these customer is fully collected subsequently. Management is of the opinion that two of the other customers are reputed and have an established record of meeting their financial commitments to the Group. Inspite of the reputed standing of the customers, the Group has made a provision amounted to AED 25,535 thousand which was equivalent to 55.7% of their outstanding balance as on 31-Dec-2021.

As at 31 December 2021, the movement in the allowance for impairment of receivables is as follows:

	2021 AED'000	2020 AED'000
At 1 January	48,264	34,441
Charge for the year	8,568	13,823
Balance at the end of the year	56,832	48,264

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

11 Trade and other receivables (continued)

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

	Total	Not yet due	0 to 30 days	31 to 90 days	91 to 120 days	121 to 180 days	181 to 365 days	> 365 days
2021								
Trade receivables and accrued revenue (AED '000)	207,728	27,069	48,721	43,248	13,259	4,900	16,495	54,036
Provision %	-	0%	3.2%	12.2%	31.6%	53.5%	57.7%	62.3%
Provision (AED'000)	56,832	-	1,553	5,263	4,184	2,623	9,518	33,691
Net trade receivables and accrued revenue(AED'000)	150,896	27,069	47,168	37,985	9,075	2,277	6,977	20,345
2020								
Trade receivables and accrued revenue (AED '000)	212,851	19,576	46,344	41,743	27,348	11,528	24,137	42,175
Provision %		0%	1.1%	6.6%	27.3%	44.3%	48.3%	49.2%
Provision (AED'000)	48,264		519	2,747	7,476	5,104	11,658	20,760
Net trade receivables and accrued revenue(AED'000)	164,587	19,576	45,825	38,996	19,872	6,424	12,479	21,415

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group holds security deposits of AED 381,590 thousand (2020: AED 340,875 thousand) (Note 22) as collateral against receivables. Other classes of trade and other receivables do not contain impaired assets.

12 Transactions and balances with related parties

Related parties include the shareholders, key management personnel, subsidiaries, joint venture, directors and businesses which are controlled directly or indirectly by the shareholders or directors or over which they exercise significant management influence. The Group has availed the exemption 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.

Transactions with related parties	2021 AED'000	2020 AED'000
Services rendered to entities under common control of shareholder		
Dubai Properties Group	160,070	131,835
Meraas Group	32,285	64,341
Jumeira Group	46,833	39,927
Tecom Investment	53,697	62,389
Global Village	707	640
	293,592	299,132
Services received from Shareholder		
Dubai Electricity and Water Authority (DEWA)	(974,879)	(805,585)
Services received from entities under common control of Ultimate parent		
Finance cost from Emirates NBD	6,903	3,341
Compensation of key management personnel		
Short term benefits	12,719	11,725
End of Service benefits	473	473
	13,192	12,198
Number of key management personnel	1	1

12 Transactions and balances with related parties (continued)

Balances with related parties

	2021 AED'000	2020 AED'000
Due from related parties		
Entities under common control of shareholder		
Others	3,618	14,471
Due to related parties		
Shareholders		
Dubai Electricity and Water Authority (DEWA)	153,599	142,879
Tecom Investment	668	41,636
	154,267	184,515
Entities under common control of shareholder		
Dubai Properties Group	1,605	2,064
Dubai Holding LLC	3,708	3,708
	5,313	5,772
Others		
Board of directors	5,050	5,050
Others	1,657	3,909
	166,287	199,246

The outstanding bank borrowings as at 31 December 2021 include a balance of AED 1,002,862 thousand (2020:AED 332,395 thousand) obtained from Emirates NBD, an entity under common control (Note 19).

During the year the Group entered into a transaction with Nakheel PJSC, an entity under common control to acquire Empower Snow LLC (Note 32).

Other receivables include a balance of AED 4,490 thousand (2020:AED 4,490 thousand) deposit receivable from DEWA (Note 11).

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

	2021 AED'000	2020 AED'000
Investment in National Bonds	100,000	-

During the year, the Group made an investment of AED 100 million (2020:Nil) in National Bonds for a tenure of 1 year. As of 31 December the fair value of the investment in National Bonds approximates to carrying value.

14 Term deposits

	2021 AED'000	2020 AED'000
Short-term bank deposits – more than 3 months	114,800	17,500

Term deposits held with banks with a maturity period of more than 3 months. Measurement is based on the principal amount of the deposits and interest is accrued based on the agreed rate of the interest. There is no impairment of the term deposit before the maturity date.

15 Cash and cash equivalents

	2021 AED'000	2020 AED'000
Cash at bank	244,875	210,196
Short-term bank deposits – less than 3 months	1,000,713	859,000
	1,245,588	1,069,196

Bank balances are held with branches of local and international banks. Short-term bank deposits bear an effective interest rate of 0.80 % per annum (2020: 1.12 % per annum).

16 Capital

	2021 AED'000	2020 AED'000
Authorised, issued and fully paid up share capital		
Ordinary shares of 1,000,0000,000 AED 1 each	1,000,000	1,000,000

As at 31 December 2021, the authorised and paid up capital of the Corporation amounted to AED 1,000,000,000 (2020: AED 1,000,000,000), of which AED 700,000,000 (2020: AED 700,000,000) was contributed by DEWA and AED 300,000,000 (2020: AED 300,000,000) was contributed by TECOM.

17 Statutory reserve

As required by the Decree of the Corporation and the Articles of Association of the subsidiaries, 10% of the profit for the year is required to be transferred to the statutory reserve. The Corporation and its subsidiaries may resolve to discontinue such transfers when the reserve equals 50% of the issued capital. During 2019, an amount of AED 60 million was transferred to meet the AED 500 million requirement (50% of share capital). The reserve is not available for distribution.

18 Contributed capital

In prior years, the Group received certain plots of land from the Government of Dubai, the valuation of which has been carried out by an independent firm. As disclosed in Note 2.11, the value of such land equivalent to AED 64,690 thousand has been treated as capital contribution form the shareholders as the Corporation is an entity controlled by DEWA, which is wholly-owned by the Government of Dubai.

During the year 2020, the Group received 2 plots of land from Meydan City Corporation with a value of AED 17,500 thousand which has resulted in the total contributed capital amounted to AED 82,190 thousand as of 31 December 2020.

19 Bank borrowings

	2021 AED'000	2020 AED'000
Term loan	1,994,747	1,329,582
Unamortised loan cost	(6,862)	(7,543)
Total	1,987,885	1,322,039
Less: current portion	(1,000,219)	(167,179)
Non-current portion	987,666	1,154,860

19 Bank borrowings (continued)

The Group's borrowings are denominated in USD. Interest rates on the Group's borrowings are variable and ranged between 1.58% and 1.65% (2020: 1.62% and 3.3%). Repayment terms are 7 years from June 2019 and the borrowings are unsecured.

The maturity profile of the borrowings is as follows:

	2021	2020
	AED'000	AED'000
Within one year	1,000,219	167,179
After one year but not more than five years	987,666	1,154,860
More than 5 years	-	-
	1,987,885	1,322,039

On 13 December 2018, the Group entered into a new syndicated loan facility with ENBD as the facility agent amounting to US$ 400m (AED 1.47bn) at an interest rate of Libor + margin with a 7 years repayment facility scheduled from June 2019 to December 2020.

The Group had fully drawn down the total facility of US$ 400m (AED 1,469m) as of 31 December 2020 (US$ 136m in 2019 and US$ 264m in 2020). During the year 2021, the Group made 2 scheduled repayments and 1 voluntary prepayment of US$ 22.964m (AED 84.349m) each in the month of June 2021 and December 2021 (2020: scheduled repayments of $ 9.5m (AED 34.9m) each in June 2020 and December 2020).

The undrawn term loan and facilities is Nil as at 31 December 2021 (2020: Nil) at a floating rate linked to LIBOR plus margin. The Group has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting periods.

On 14 October 2021, the Corporation entered into a new bridge loan facility with ENBD as the facility agent amounting to US$ 250mn (AED 918mn) at an interest rate of Libor + margin with a bullet payment facility scheduled before June 2022. The amount was fully drawn down on 14 December 2021.

The movement in bank borrowings during the year:

	2021	2020
	AED'000	AED'000
At 1 January	1,329,582	429,726
Drawdown during the year	918,212	969,645
Repayment during the year	(253,047)	(69,789)
At 31 December	1,994,747	1,329,582

19 Bank borrowings (continued)

Details of interest rates, repayment terms and security on term loans are disclosed below:

Outstanding loan Amount AED '000	Repayment terms	Interest rate	Security
1,076,535	Repayable over a period of 7 years from June 2019	LIBOR plus margin	Unsecured
918,212	Bullet repayment in 6 months from drawdown date	LIBOR plus margin	Unsecured

Bank borrowings are denominated in the following currencies:

	2021 AED'000	2020 AED'000
US Dollar Loans	1,994,747	1,329,582

The Group had an outstanding balance in letters of credits amounting to AED 376,697 (2020: AED 621,007) which were fully payable to Emirates NBD, a related party for the Group (Note 34).

The undrawn term loan and facilities is Nil as at 31 December 2021 (2020: Nil) at a floating rate linked to LIBOR plus margin.

The Corporation has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting periods.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing ranges between one to six months. The fair value of current borrowings equals their carrying amount, as the impact of discounting is nullified with the floating rate interest arrangement for such borrowings.

20 Government grants

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

20 Government grants (continued)

	2021 AED'000	2020 AED'000
At 1 January	376,450	379,230
Released during the year (Note 29)	(2,780)	(2,780)
At 31 December	373,670	376,450
Less: current portion	(2,780)	(2,780)
Non-current portion	370,890	373,670

21 Provision for employees' end of service benefits

	2021 AED'000	2020 AED'000
At 1 January	45,450	37,316
Charge for the year (Note 27)	5,523	8,823
Payments made during the year	(1,270)	(689)
At 31 December	49,703	45,450

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations as at 31 December 2021 and 2020, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method, an assessment has been made of the employee's expected service life with the Group and the expected basic salary at the date of leaving the service. Future salary increases have been estimated on a basis consistent with the natural progression of an employee's salary in-line with the Group's salary scales, past experience and market conditions.

	2021	2020
The principal assumptions used were as follows:		
Discount rate per year	1.21%	2.21%
Salary increase per year	5%	5%

22 Trade and other payables

	2021 AED'000	2020 AED'000
Refundable customers' security deposits (Note 11)	381,590	340,875
Deferred revenue	335,556	296,031
Project cost accruals	339,088	295,099
Project payables	110,536	148,786
Retentions payable	99,554	101,914
Other liabilities	254,003	291,209
Total	1,520,327	1,473,914
Less : Non-current portion		
Retentions payable	(35,318)	(63,105)
Current portion	1,485,009	1,410,809

22 Trade and other payables (continued)

Movement in deferred revenue is as follows:

	2021 AED'000	2020 AED'000
At 1 January	296,031	351,208
Billed during the year	1,026,306	933,828
Less: Income recognised during the year	(986,781)	(989,005)
At 31 December	335,556	296,031

Terms and conditions of the financial liabilities:

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

Revenue recognized in relation to deferred revenue

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

	2021 AED'000	2020 AED'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	62,701	48,033
Revenue recognised from performance obligations satisfied in previous periods	-	-

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

23 Revenue

	2021 AED'000	2020 AED'000
District cooling services	2,456,586	2,268,649
Less: discounts	-	(21,479)
Sale of pre-insulated pipes	7,288	7,945
	2,463,874	2,255,115

24 Operating segments

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer ('CEO') makes strategic decisions.

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 CEO is also provided with multiple levels of information which comprise of revenue, gross profit and net profit, aggregated for higher level components by stream. The financial accounting system of the Group is currently configured in this manner and this information is readily available. However, for decision making purposes, the CEO 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 management purposes, the Group is organised into business units based on their products and services. The two reportable operating segments are as follows:

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

24 Operating segments (continued)

	2021				2020			
	Chilled water AED'000	Pre-insulated pipe AED'000	Intersegment eliminations AED'000	Total AED'000	Chilled water AED'000	Pre-insulated pipe AED'000	Elimination AED'000	Total AED'000
Revenues								
External revenue	2,456,586	7,288	-	2,463,874	2,247,170	7,945	-	2,255,115
Inter-segment revenue	-	26,003	(26,003)	-	-	36,467	(36,467)	-
Total revenues	2,456,586	33,291	(26,003)	2,463,874	2,247,170	44,412	(36,467)	2,255,115
Cost of sales	(1,386,517)	(25,113)	17,181	(1,394,449)	(1,207,312)	(29,108)	20,336	(1,216,084)
Impairment reversal of project cost	32,328	-	-	32,328	53,529	-	-	53,529
Gross profit	1,102,397	8,178	(8,822)	1,101,753	1,093,387	15,304	(16,131)	1,092,560
General and administrative expenses	(169,813)	(6,068)	-	(175,881)	(168,984)	(6,229)	-	(175,213)
Net impairment losses on financial assets	(8,804)	236	-	(8,568)	(13,823)	-	-	(13,823)
Other income	25,177	695	(9,700)	16,172	3,884	1,114	-	4,998
Operating profit	948,957	3,041	(18,522)	933,476	914,464	10,189	(16,131)	908,522
Finance income	10,614	1,019	-	11,633	4,405	213	-	4,618
Finance costs	(9,127)	-	-	(9,127)	(11,878)	-	-	(11,878)
Net profit for the year	950,444	4,060	(18,522)	935,982	906,991	10,402	(16,131)	901,262

Inter-segment transaction are eliminated on consolidation

24 Operating segments (continued)

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

	2021			2020		
	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 & Equipment (Note 5)	300,866	4,099	304,965	280,567	4,393	284,960
Depreciation on Right-of-use asset (Note 6)	6,187	-	6,187	7,017	-	7,017
Total Depreciation	307,053	4,099	311,152	287,584	4,393	291,977

Segment assets and liabilities are as follows:

	2021			2020		
	Chilled water AED'000	Pre-insulated pipe AED'000	Total AED'000	Chilled water AED'000	Pre-insulated pipe AED'000	Total AED'000
Segment assets	9,463,091	80,318	9,543,409	8,143,139	89,147	8,232,286
Investment in joint venture	307	-	307	307	-	307
Total assets	9,463,398	80,318	9,543,716	8,143,446	89,147	8,232,593
Segment liabilities	4,101,075	11,749	4,112,824	3,423,204	14,639	3,437,843
Total liabilities	4,101,075	11,749	4,112,824	3,423,204	14,639	3,437,843

24 Operating segments (continued)

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

	2021			2020		
	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	573,291	(1,711)	571,580	768,626	6,847	775,473

Geographic information

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

	Revenue		Non-current assets	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
United Arab Emirates	2,463,874	2,255,115	7,773,976	6,789,437
Others	-	-	-	-
Total	2,463,874	2,255,115	7,773,976	6,789,437

25 Cost of sales

	2021 AED'000	2020 AED'000
Utilities costs	983,520	846,609
Depreciation on PPE (Note 5)	299,021	278,652
Staff costs (Note 27)	37,970	38,355
Depreciation - Right-of-use assets (Note 6)	4,625	4,979
Materials	4,421	5,191
Amortisation of intangible assets (Note 7)	400	-
Others	64,492	42,298
	1,394,449	1,216,084

26 General and administrative expenses

	2021 AED'000	2020 AED'000
Staff costs (Note 27)	134,377	136,073
Depreciation on PPE (Note 5)	5,944	6,308
Directors' remuneration	6,250	6,250
Communication expenses	4,254	5,260
Depreciation - Right-of-use assets (Note 6)	1,562	2,038
Advertising and marketing expenses	4,054	1,580
Rent	498	738
Others	18,942	16,966
	175,881	175,213

27 Staff costs

	2021 AED'000	2020 AED'000
Salaries	106,968	106,590
Staff benefits	59,856	59,015
End of service benefits (Note 21)	5,523	8,823
	172,347	174,428
Staff costs have been charged to:		
Cost of sales (Note 25)	37,970	38,355
General and administrative expenses (Note 26)	134,377	136,073
	172,347	174,428

28 Impairment reversal

	2021 AED'000	2020 AED'000
Impairment reversal of project cost (Note 5)	32,328	53,529

29 Other income

	2021 AED'000	2020 AED'000
Government grant (Note 20)	2,780	2,780
Others	13,392	2,218
	16,172	4,998

30 Finance income / (costs)

	2021 AED'000	2020 AED'000
Interest income on short-term bank deposits	7,255	3,418
Interest income on financial asset at FVTOCI (Note 9)	2,644	661
Interest income on call account with banks	624	539
Interest income earned on financial assets at amortised cost	610	-
Interest income on financial asset at FVTPL	500	-
Total finance income	11,633	4,618
Interest on lease liabilities	(712)	(1,146)
Interest expense on bank borrowings	(21,662)	(14,871)
	(22,374)	(16,017)
Interest expenses capitalized	13,247	4,139
Total finance costs	(9,127)	(11,878)
Finance income / (costs)- net	2,506	(7,260)

Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs is weighted average interest rate applicable to the entity's general borrowings during the year 1.905% (2020 – 1.604%).

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

Amortised cost	2021 AED'000	2020 AED'000
Trade and other receivables, excluding prepayments	260,397	291,564
Due from related parties (Note 12)	3,618	14,471
Financial assets at amortised cost (Note 8)	309,075	-
Term deposits (Note 14)	114,800	17,500
Cash and cash equivalents (Note 15)	1,245,588	1,069,196
Total	1,933,478	1,392,731

31 Financial instruments by category (continued)

Fair value through other comprehensive income (FVTOCI)

	2021 AED'000	2020 AED'000
Financial assets at fair value through other comprehensive income (Note 9)	58,113	57,653

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

	2021 AED'000	2020 AED'000
Investment in National Bonds (Note 13)	100,000	-

	2021 AED'000	2020 AED'000
Other financial liabilities at amortised cost		
Trade and other payables excluding deferred revenue	1,184,771	1,177,883
Due to related parties (Note 12)	166,287	199,246
Lease liabilities (Note 6)	14,952	20,744
Bank borrowings (Note 19)	1,987,885	1,322,039
Total	3,353,895	2,719,912

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

32 Acquisition of Empower Snow LLC

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

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

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

32 Acquisition of Empower Snow LLC (continued)

Management performed a detailed analysis on Empower Snow transaction with Nakheel and concluded this as a failed sale transaction and accounted for it as a finance arrangement at the net present value of the consideration paid amounting to AED 305.2 million (Note 8) (given the minimum guaranteed amount guaranteed by the seller under the contract). The excess consideration paid of AED 364.3 million represents an intangible for the right to charge users of the district cooling services under the transaction for a period of 30 years (Note 7).

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

33 COVID-19's impact on the Group's operations

In response to the spread of the novel coronavirus ("Covid-19") the management had assessed the impacts on its operations and had taken a series of preventive measures such as safety and health measures for people (such as social distancing and working from home) and securing the supply of materials that are essential to avoid disruption to Group operations.

All of the Group's plants were operational throughout the year and there was no disruption to services provided.

Based on these factors, management believes that the Covid-19 pandemic has had no material effects on the results of key revenue generating operations for the year ended 31 December 2021. Management continues to monitor the situation closely.

Business continuity planning

The Group monitors the COVID-19 situation and takes timely decisions to resolve any concerns.

Liquidity management and going concern assessment

Economic stress in the markets brought on by the COVID-19 crisis is being felt globally through lack of liquidity in the markets. Given the importance of liquidity in this environment, the Group closely monitors cash flow position at its level along with other measures to safeguard future performance of its subsidiaries and therefore intends to support the operations of the Group to continue as a going concern for a foreseeable future, if necessary.

34 Guarantees

As at 31 December 2021, the Group had outstanding bank guarantees and letters of credits amounting to AED 376,697 (2020: AED 621,007), which were issued by the Group's bankers in the normal course of business.

35 Commitments

Capital commitments

As at 31 December 2021, the Group had project commitments of AED 610,685 thousand (2020: AED 821,729 thousand) for projects-in-progress. These commitments represent the value of contracts issued as at 31 December 2021 and as at 31 December 2020, net of invoices recorded and accruals made as at that date.

36 Earning per share

	2021 AED'000	2020 AED'000
Profit attributable to owners of the parent	935,860	900,950
Number of ordinary shares for basic EPS	1,000,000	1,000,000
Basic and diluted earnings per share	0.935	0.900

37 Non-cash transactions

	2021 AED'000	2020 AED'000
Additions of right-of-use-assets (Note 6)	1,070	1,178
Customer prepayment and security deposit (Note 32)	5,606	-

38 Subsequent events

Federal Corporate Tax

The Ministry of Finance has announced that the UAE will introduce a federal corporate tax on business profits with a standard statutory tax rate of 9% that will be effective for financial years starting on or after 1st June 2023. Businesses will become subject to UAE corporate tax from the beginning of their first financial year that starts on or after 1 June 2023.

The corporate tax will apply to all businesses and commercial activities alike, except for the extraction of natural resources which will remain subject to Emirate level corporate taxation.

Dubai Airport – District Cooling Asset Acquisition

Empower has signed Heads of Terms (HOTs) and is in advanced negotiation with Dubai Airports City Corporation for potential acquisition of district cooling assets. The acquisition will provide Empower to operate the District Cooling infrastructure of the Dubai International Airport (DXB) including all its terminal facilities and complexes. The estimated RT to be served will be 110,000. The transaction does not have impact on the current year.