

Emirates Central Cooling Systems Corporation P.J.S.C
(formerly Emirates Central Cooling Systems Corporation)

Interim condensed consolidated financial statements
For the three-month period ended 31 March 2023 (unaudited)

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Directors' report
for the three-month period ended 31 March 2023

Directors' report

The Board of Directors present their report and interim condensed consolidated financial statements of Emirates Central Cooling Systems Corporation P.J.S.C (formerly Emirates Central Cooling Systems Corporation) (the "Company") and its subsidiaries (together referred to as the "Group") for the three-month period ended 31 March 2023.

Principal activities

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

Financial performance

The Group achieved a turnover of AED 494,274 thousand, which represented a growth of 6.0% compared to the same period last year and achieved an operating profit of AED 200,852 thousand, which represented a growth of 8.5% compared to the same period last year. The net profit attributable to the owners of the Parent amounted to AED 167,261 thousand for the three-month period ended 31 March 2023.

Share capital

The paid-up capital of the Company is AED 1,000,000 thousand consisting of 10,000,000 thousand shares of AED 0.10 each. There has been no change in the capital structure of the Company during the quarter under review.

Transfer to statutory reserve

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

Dividend

No interim dividend proposed for the three-month period ended 31 March 2023.

Outlook

The UAE's economy is expected to achieve 4.1% of non-oil economic growth by the end of this year. The UAE district cooling market is likely to witness significant growth through 2027, propelled by climate conditions and increased infrastructure spending. Empower is poised to utilize the opportunity by expanding its footprint across UAE and explore other expansion opportunities.

In Q1-2023, Empower signed an agreement with Sobha Realty, one of UAE's leading premium real estate developers, to provide environmentally friendly district cooling services to the Sobha Hartland master community with a capacity of 17,000 refrigeration tons (RT).

**Directors' report
for the three-month period ended 31 March 2023 (continued)**

Auditors

The interim condensed consolidated statement of the Group were reviewed by PricewaterhouseCoopers, who were re-appointed as external auditors of the Group for the year 2023 in the Annual General Assembly meeting conducted on 29th March 2023.

On behalf of the Board



H.E Saeed Mohammed Ahmad Al Tayer
Chairman
4 May 2023



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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Emirates Central Cooling Systems P.J.S.C (formerly Emirates Central Cooling Systems Corporation) ("the Company") and its subsidiaries (together, "the Group") as at 31 March 2023 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers
4 May 2023

Murad Alnsour
Registered Auditor Number 1301
Dubai, United Arab Emirates

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Jacques Fakhoury, Douglas O'Mahony, Wassim El Afchal, Murad Alnsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

Emirates Central Cooling Systems Corporation P.J.S.C
(formerly Emirates Central Cooling Systems Corporation)

Interim condensed consolidated statement of financial position

	Note	As at	
		31 March 2023 AED'000 Unaudited	31 December 2022 AED'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	6	7,000,844	6,993,939
Right-of-use assets		3,013	2,943
Investment properties	10	78,174	72,859
Intangible assets	7	349,100	352,139
Financial assets at amortised cost	8	299,940	301,003
Financial assets at fair value through other comprehensive income	9	53,569	52,911
Investment in a joint venture		307	307
		<u>7,784,947</u>	<u>7,776,101</u>
Current assets			
Inventories		43,943	46,151
Trade and other receivables	11	268,553	311,965
Due from related parties	13	2,998	31,396
Financial assets at amortised cost	8	4,116	4,154
Term deposits		14,900	11,300
Cash and cash equivalents	14	1,633,012	1,473,908
		<u>1,967,522</u>	<u>1,878,874</u>
Total assets		<u>9,752,469</u>	<u>9,654,975</u>
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		1,000,000	1,000,000
Statutory reserve		500,000	500,000
Other reserves		6,606	5,836
Contributed capital		82,190	82,190
Retained earnings		1,186,852	1,444,591
		<u>2,775,648</u>	<u>3,032,617</u>
Non-controlling interests		2,223	2,125
Total equity		<u>2,777,871</u>	<u>3,034,742</u>
LIABILITIES			
Non-current liabilities			
Bank borrowings	15	4,490,307	4,489,586
Government grant		307,643	308,338
Provision for employees' end of service benefits		57,337	56,035
Retentions payable	16	16,969	5,257
Lease liabilities		677	729
		<u>4,872,933</u>	<u>4,859,945</u>
Current liabilities			
Trade and other payables	16	1,597,233	1,497,509
Due to related parties	13	498,791	257,267
Government grant		3,170	3,170
Lease liabilities		2,471	2,342
		<u>2,101,665</u>	<u>1,760,288</u>
Total liabilities		<u>6,974,598</u>	<u>6,620,233</u>
Total equity and liabilities		<u>9,752,469</u>	<u>9,654,975</u>

To the best of our knowledge, the interim condensed consolidated financial statements are prepared, in all material respects, in accordance with IAS 34. The interim condensed consolidated financial statements were approved by the Board of Directors on 4 May 2023 and were signed on its behalf by:

.....
Chief Executive Officer

.....
Chairman

Emirates Central Cooling Systems Corporation P.J.S.C
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Interim condensed consolidated statement of comprehensive income

	Note	Three-month period ended 31 March	
		2023	2022
		AED'000 Unaudited	AED'000 Unaudited
Revenue	17	494,274	466,271
Interest income on financial asset at amortised cost	8	4,515	4,575
Cost of sales	19	(244,398)	(235,293)
Gross profit		254,391	235,553
General and administrative expenses	20	(54,737)	(51,942)
Other income		1,198	1,496
Operating profit		200,852	185,107
Finance income		17,530	2,864
Finance costs		(51,023)	(6,686)
Finance costs – net		(33,493)	(3,822)
Net profit for the period		167,359	181,285
Profit attributable to:			
Equity holders of the Company		167,261	181,226
Non-controlling interests		98	59
		167,359	181,285
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (AED)	24	0.0167	0.0181
Profit for the period		167,359	181,285
Other comprehensive income/(loss) <i>Items that will not be reclassified to profit or loss</i>			
Changes in fair value of financial assets at fair value through other comprehensive income		658	(2,493)
Remeasurement of post-employment benefit obligations		112	-
Other comprehensive income/(loss) for the period		770	(2,493)
Total comprehensive income for the period		168,129	178,792
Total comprehensive income for the period attributable to:			
Equity holders of the Company		168,031	178,733
Non-controlling interests		98	59
		168,129	178,792

Emirates Central Cooling Systems Corporation P.J.S.C
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Interim condensed consolidated statement of changes in equity

	Attributable to equity holders of the Company						
	Share capital AED'000	Statutory reserve AED'000	Other reserves AED'000	Retained earnings AED'000	Contributed capital AED'000	Total equity AED'000	Non-controlling interests AED'000
Note							
At 1 January 2023	1,000,000	500,000	5,836	1,444,591	82,190	3,032,617	2,125
Total comprehensive income for the period							
Profit for the period	-	-	-	167,261	-	167,261	98
Other comprehensive income							
Other comprehensive income for the period	-	-	770	-	-	770	-
Total comprehensive income for the period							
Transaction with owners in their capacity as owners:	-	-	770	167,261	-	168,031	98
Dividends declared	-	-	-	(425,000)	-	(425,000)	-
At 31 March 2023 (unaudited)	1,000,000	500,000	6,606	1,186,852	82,190	2,775,648	2,223
At 1 January 2022	1,000,000	500,000	2,741	3,844,024	82,190	5,428,955	1,937
Total comprehensive income for the period							
Profit for the period	-	-	-	181,226	-	181,226	59
Other comprehensive income							
Other comprehensive loss for the period	-	-	(2,493)	-	-	(2,493)	-
Total comprehensive income for the period							
Transaction with owners in their capacity as owners:	-	-	(2,493)	181,226	-	178,733	59
Dividends declared	-	-	-	(500,000)	-	(500,000)	-
At 31 March 2022 (unaudited)	1,000,000	500,000	248	3,525,250	82,190	5,107,688	1,996

Emirates Central Cooling Systems Corporation P.J.S.C (formerly Emirates Central Cooling Systems Corporation)

Interim condensed consolidated statement of cash flows

	Note	Three-month period ended 31	
		March	
		2023 AED'000 Unaudited	2022 AED'000 Unaudited
Cash flows from operating activities			
Net profit for the period		167,359	181,285
Adjustments for:			
Depreciation of property, plant and equipment	6	85,359	79,625
Depreciation of right-of-use asset		796	1,157
Amortisation of intangible assets	7	3,039	3,039
Settlement of financial assets	8	5,616	5,616
Amortisation of arrangement fee	15	721	827
Provision for employees' end of service benefits		2,012	1,284
Interest on lease liabilities		39	147
Interest income earned on financial assets at amortised cost	8	(4,515)	(4,575)
Finance income		(17,530)	(2,864)
Finance costs		50,263	5,712
Government grant income		(695)	(695)
Operating cash flows before changes in working capital and Payment of employees' end of service benefits		292,464	270,558
Changes in working capital:			
Inventories		2,208	(6,473)
Trade and other receivables		30,074	(2,483)
Due from related parties		28,398	432
Trade and other payables		50,519	(45,618)
Due to related parties net of dividends declared		(98,476)	(13,983)
Cash generated from operations		305,187	202,433
Payment of employees' end of service benefits		(598)	(181)
Net cash flow generated from operating activities		304,589	202,252
Cash flows from investing activities			
Additions to property, plant and equipment		(103,011)	(128,882)
Additions to investment properties		(5,315)	-
Short-term deposits (more than 3 months) invested		(3,600)	(7,000)
Finance income received		17,530	2,864
Net cash used in investing activities		(94,396)	(133,018)
Cash flows from financing activities			
Proceeds from bank borrowings net of arrangement fee	15	-	918,237
Lease payments		(826)	(1,365)
Interest paid		(50,263)	(5,712)
Net cash (used in)/ generated from financing activities		(51,089)	911,160
Net increase in cash and cash equivalents		159,104	980,394
Cash and cash equivalents, beginning of the period		1,473,908	1,245,588
Cash and cash equivalents, end of the period		1,633,012	2,225,982

Emirates Central Cooling Systems Corporation P.J.S.C (formerly Emirates Central Cooling Systems Corporation)

Notes to the interim condensed consolidated financial statements for the three-month period ended 31 March 2023

1 Establishment and operations

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

In 2009, DEWA increased its shareholding in the Company to 70% and reduced TECOM’s interest to 30%, as formalized through Decree No.3 of 2010 issued by the Ruler of Dubai. On 9 May 2022, TECOM transferred its interest of 30% to Emirates Power Investment LLC, an entity under common control through the Decree No. 19 of 2022 issued by the Ruler of Dubai.

On 14 October 2022, the legal status of the Company was amended to a Public Joint Stock Company through Decree No. (22) of 2022 issued by the Ruler of Dubai. EMPOWER was listed on the Dubai Financial Market, on 15 November 2022, by listing 20% of its share capital.

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

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

Subsidiary	Principal activity	Beneficial and legal holding	
		2023	2022
Empower Logstor LLC (“ELIPS”)	Manufacturing of pre-insulated pipes, mainly for district cooling.	97.0%	97.0%
Palm District Cooling LLC	Establishing and operating district cooling projects and provide air-conditioning, ventilator and refrigeration services.	99.9%	99.9%
Palm Utilities LLC	Establishing and operating district cooling projects and provide air-conditioning, ventilator and refrigeration services.	99.5%	99.5%
Empower FM LLC	Installations of equipment, installations and supplies for air conditioning, ventilation and purification systems, repairs and maintenance.	100.0%	100.0%
Empower Engineering & Consultancy LLC	Consultancy services for Project Development	100.0%	100.0%
Empower SNOW LLC	Establishing and operating district cooling projects and provide air-conditioning, ventilator and refrigeration services.	100.0%	100.0%

Emirates Central Cooling Systems Corporation P.J.S.C (formerly Emirates Central Cooling Systems Corporation)

Notes to the interim condensed consolidated financial statements for the three-month period ended 31 March 2022 (continued)

1 Establishment and operations (continued)

These interim condensed consolidated financial statements for the three-month ended 31 March 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 4 May 2023.

These interim condensed consolidated financial statements have been reviewed, not audited. The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2022. The comparative information for the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows, and other explanatory notes, for the three-month period ended 31 March 2022 is based on the unaudited interim consolidated condensed financial statements.

2 Basis of preparation

These interim condensed consolidated financial statements for the three-month ended 31 March 2023 has been prepared in accordance with International Accounting Standard 34 'Interim financial reporting', ("IAS 34").

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022.

Although as of 31 March 2023, the Group's current liabilities exceeded its current assets by AED 134,143 thousand, management's cash flow projections covering a twelve-month period indicate that the Group will at all stages in that period be able to meet its liabilities as they fall due. Current liabilities as at 31 March 2023, includes the dividend payable approved in March (Note 12) amounting to AED 425,000 thousand which was subsequently paid in April 2023. It also includes deferred revenue items amounting to AED 301,323 thousand (Note 16) which have no cash impact and will be recognised as revenue, and refundable customer security deposits (Note 16) amounting to AED 428,573 thousand which are only repayable on disconnection of service by a customer in the ordinary course of business.

Further, the Group has undrawn loan facilities (Note 15) amounting to AED 1,000,000 thousand which are readily available to meet any additional capital needs that might arise, although management does not expect these will need to be utilised for working capital purposes.

3 Significant accounting policies

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied by the Group in its recent annual audited consolidated financial statements for the year ended 31 December 2022 except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

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

Notes to the interim condensed consolidated financial statements for the three-month period ended 31 March 2022 (continued)

3 Significant accounting policies (continued)

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

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

	Effective date
Non-current liabilities with covenants – Amendments to IAS 1	1 January 2024
Lease liability in sale and leaseback – amendments to IFRS 16	1 January 2024
IFRS 10 and IAS 28 – Sale or Contribution of Assets between an investor and its Associate or Joint Venture	Effective date deferred indefinitely
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	Effective date deferred indefinitely

The Group does not expect the adoption of the above new standards and amendments to have a material impact on the future consolidated financial statements of the Group.

4 Use of estimates and judgments

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the preparation of the consolidated financial statements of the Group as at and for the year ended 31 December 2022.

5 Financial risk management

5.1 Financial risk factors

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

These interim condensed consolidated financial statements does not include all financial risk management information and disclosures required in the annual financial statements. As such, they should be read in conjunction with the Group's consolidated financial statements as at 31 December 2022. There have been no changes in any financial risk management policies since year-end.

5.2 Liquidity risk

During three-month period ended 31 March 2023, there has been no material change in the contractual undiscounted cash outflows for financial liabilities.

5.3 Fair value estimation

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

Emirates Central Cooling Systems Corporation P.J.S.C (formerly Emirates Central Cooling Systems Corporation)

Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2023 (continued)

6 Property, plant and equipment

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

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Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2023 (continued)

6 Property, plant and equipment (continued)

Cost	Land		Plant, equipment and machinery		Building		Furniture and fixtures improvements		Leasehold improvements		Computer equipment		Vehicles		Capital work-in- progress		Total	
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At 1 January 2022	494,282	8,032,967	70,709	16,776	11,490	40,902	6,914	842,069	9,516,109									
Additions	-	16	-	1,578	400	667	2,091	387,517	392,269									
Transfers	-	765,034	-	-	-	861	-	(765,895)	-									
Transfer to Investment properties	(2,536)	-	-	-	-	-	-	(70,323)	(72,859)									
Disposals	(59,382)	(17,590)	-	(4)	-	(9)	(439)	-	(77,424)									
At 31 December 2022 (audited)	432,364	8,780,427	70,709	18,350	11,890	42,421	8,566	393,368	9,758,095									
Accumulated depreciation																		
At 1 January 2022	-	2,358,259	29,012	15,725	10,821	33,831	5,649	29,821	2,483,118									
Charge for the year	-	304,890	2,748	1,117	58	2,365	629	-	311,807									
Impairment reversal	-	-	-	-	-	-	-	(12,727)	(12,727)									
Disposals	-	(17,590)	-	(4)	-	(9)	(439)	-	(18,042)									
At 31 December 2022 (audited)	-	2,645,559	31,760	16,838	10,879	36,187	5,839	17,094	2,764,156									
Net book amount at 31 December 2022 (audited)	432,364	6,134,868	38,949	1,512	1,011	6,234	2,727	376,274	6,993,939									

*During 2022, the Group returned 11 plots of land to a related party, which were granted in previous years for the purpose of constructing the district cooling plants. Accordingly, the carrying amount of AED 59,382 thousand was reversed from property, plant and equipment and the corresponding deferred government grant. District cooling assets with a net book value of AED 280,140 thousand are developed on some of these plots of land. Management signed a Master Land Agreement and Exclusivity and Framework Agreement with the related party granting the Group unlimited access over 8 plots. The Master Land Agreement refers to a separate lease agreement which is yet to be executed between the Group and the related party over these plots on fair and reasonable terms, for a nominal value. The term of such lease agreements will be for a period no shorter than the term remaining under the master development agreement or the period as agreed in the relevant lease agreements and that EMPOWER will continue to have uninterrupted and unencumbered use of the plots until the relevant lease agreements are entered into.

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**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2023 (continued)**

6 Property, plant and equipment (continued)

	Three-month period ended 31 March	
	2023	2022
	AED'000	AED'000
	Unaudited	Unaudited
Depreciation expense has been charged to:		
Cost of sales (Note 19)	83,564	78,150
General and administrative expenses (Note 20)	1,795	1,475
	<u>85,359</u>	<u>79,625</u>

7 Intangible assets

	31 March	31 December
	2023	2022
	AED'000	AED'000
	Unaudited	Audited
At 1 January	352,139	364,296
Amortisation during the period/year	(3,039)	(12,157)
At 31 March / December	<u>349,100</u>	<u>352,139</u>

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

8 Financial assets at amortised cost

	31 March	31 December
	2023	2022
	AED'000	AED'000
	Unaudited	Audited
At 1 January	305,157	309,075
Interest earned during the period/year	4,515	18,545
Settlement during the period/year	(5,616)	(22,463)
At 31 March / December	<u>304,056</u>	<u>305,157</u>
Less: current portion	(4,116)	(4,154)
Non-current portion	<u>299,940</u>	<u>301,003</u>

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

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**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2023 (continued)**

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

	31 March 2023 AED'000 Unaudited	31 December 2022 AED'000 Audited
At the beginning of the period/year	52,911	58,113
Gain / (loss) during the period/year	658	(5,202)
At the end of the period/year	<u>53,569</u>	<u>52,911</u>

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

	31 March 2023 AED'000 Unaudited	31 March 2022 AED'000 Unaudited
Gain / (loss) recognised in other comprehensive income	658	(2,493)
Interest income from equity investments held at FVTOCI recognised in profit or loss	826	-

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

10 Investment properties

The investment property comprises of building under construction which is expected to be completed during the third quarter of 2023.

11 Trade and other receivables

	31 March 2023 AED'000 Unaudited	31 December 2022 AED'000 Audited
Trade receivables	208,874	250,009
Accrued revenues	42,080	36,100
	<u>250,954</u>	<u>286,109</u>
Less: Provision for expected credit losses	(74,697)	(74,697)
	<u>176,257</u>	<u>211,412</u>
<i>Other financial assets at amortised cost</i>		
Other receivables	14,716	9,635
<i>Other assets</i>		
Advance to contractors / suppliers	64,149	77,487
Prepayments	13,431	13,431
	<u>77,580</u>	<u>90,918</u>
	<u>268,553</u>	<u>311,965</u>

Other receivables includes a deposit of AED 4,490 thousand (2022: AED 4,490 thousand) receivable from DEWA (Note 13).

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Notes to the interim condensed consolidated financial statements for the three-month period ended 31 March 2023 (continued)

12 Dividends

A final dividend of AED 425,000 thousand (AED 0.0425 per share) in respect of the year ended 31 December 2022 was declared and approved in Annual General Assembly Meeting held on 29 March 2023. The dividend payable amounting to AED 340,000 thousand is included in due to related parties (Note 13) and AED 85,000 thousand is included in trade and other payables (Note 16) which was subsequently paid on 25 April 2023 (2022: a final dividend of AED 500,000 thousand (AED 0.05 per share), in respect of the year ended 31 December 2021, was declared and approved on 10 February 2022 by the Board of Directors of the Group which was paid subsequently in April 2022).

13 Transactions and balances with related parties

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

(a) Related party transactions

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

	Three-month period ended 31	
	March	
	2023	2022
	AED'000	AED'000
	Unaudited	Unaudited
<i>Services rendered to entities under common control of shareholders</i>		
Dubai Properties Group LLC	28,186	27,522
Tecom Investments FZ LLC*	12,064	-
Jumeirah Group LLC	8,527	8,053
Meraas Holding LLC	6,857	7,142
Global Village Dubai LLC	134	135
	<u>55,768</u>	<u>42,852</u>
<i>Services rendered to shareholder</i>		
Tecom Investments FZ LLC*	-	11,299
<i>Dividend to shareholders</i>		
Dubai Electricity and Water Authority PJSC (DEWA)	238,000	350,000
Emirates Power Investment LLC*	102,000	-
Tecom Investments FZ LLC*	-	150,000
	<u>340,000</u>	<u>500,000</u>
<i>Services received from shareholder</i>		
Dubai Electricity and Water Authority PJSC (DEWA)	120,153	110,828
<i>Services received from entities under common control of Government of Dubai</i>		
Finance cost from Emirates NBD PJSC	57,678	3,075
<i>Key management remuneration</i>		
Board of directors' remuneration (Note 20)	1,875	1,563
<i>Compensation of key management personnel</i>		
Short term benefits	1,284	1,281
End of service benefits	130	118
	<u>1,414</u>	<u>1,399</u>

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

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**Notes to the interim condensed consolidated financial statements
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13 Transactions and balances with related parties (continued)

(b) Balances with related parties

	31 March 2023 AED'000 Unaudited	31 December 2022 AED'000 Audited
Due from related parties		
<i>Shareholders</i>		
Emirates Power Investment LLC	-	6,878
Dubai Electricity and Water Authority PJSC	-	16,048
	-	22,926
<i>Entities under common control of shareholders</i>		
Jumeirah Group LLC	2,210	2,373
Tecom Investments FZ LLC	-	4,166
Meraas Holding LLC	754	1,858
Others	34	73
	<u>2,998</u>	<u>8,470</u>
	<u>2,998</u>	<u>31,396</u>
Due to related parties		
<i>Shareholders</i>		
Dubai Electricity and Water Authority PJSC (DEWA)	374,811	237,543
Emirates Power Investment LLC	102,000	-
	<u>476,811</u>	<u>237,543</u>
<i>Entities under common control of shareholders</i>		
Dubai Properties Group LLC	14,753	13,016
Dubai Holding LLC	3,737	3,708
	<u>18,490</u>	<u>16,724</u>
<i>Others</i>		
Board of directors	1,875	2,564
Others	1,615	436
	<u>498,791</u>	<u>257,267</u>

The outstanding bank borrowings as at 31 March 2023 included balances of AED 4,266,455 thousand (2022: AED 4,266,455 thousand) from Emirates NBD PJSC, an entity under common control.

Other receivables include a balance of AED 4,490 thousand (2022: AED 4,490 thousand) deposit receivable from DEWA (Note 11).

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

As of 31 March 2023, the cash and equivalents include balances of AED 1,581,949 thousand (2022: AED 1,451,674 thousand) held with banks which are under common control of shareholders.

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for the three-month period ended 31 March 2023 (continued)**

14 Cash and cash equivalents

	31 March 2023 AED'000 Unaudited	31 December 2022 AED'000 Audited
Cash on hand	628	-
Cash at bank	272,284	216,208
Short term bank deposits – less than 3 months	1,360,100	1,257,700
	<u>1,633,012</u>	<u>1,473,908</u>

Bank balances are held with branches of local and international banks. Short-term bank deposits bear an effective interest rate of 2023: 4.65% to 4.95% per annum (2022: 0.45% to 4.85%).

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

15 Bank borrowings

	31 March 2023 AED'000 Unaudited	31 December 2022 AED'000 Audited
Term loan	4,500,000	4,500,000
Unamortised loan cost	(9,693)	(10,414)
Non-current balance	<u>4,490,307</u>	<u>4,489,586</u>

16 Trade and other payables

	31 March 2023 AED'000 Unaudited	31 December 2022 AED'000 Audited
Refundable customers' security deposits	428,573	422,502
Deferred revenue	301,323	290,225
Project cost accruals	255,424	287,932
Project payables	103,628	95,951
Retentions payable	101,656	100,908
Other liabilities*	423,598	305,248
	<u>1,614,202</u>	<u>1,502,766</u>
Less: Non-current portion		
Retentions payable	(16,969)	(5,257)
Current portion	<u>1,597,233</u>	<u>1,497,509</u>

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

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**Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2023 (continued)**

16 Trade and other payables (continued)

Movement in deferred revenue is as follows:

	31 March 2023 AED'000 Unaudited	31 March 2022 AED'000 Unaudited
At the beginning of the period	290,225	335,556
Billed during the period	284,777	262,351
Less: Income recognised during the period	(273,679)	(270,704)
At the end of the period	<u>301,323</u>	<u>327,203</u>

17 Revenue

	Three-month period ended 31 March	
	2023 AED'000 Unaudited	2022 AED'000 Unaudited
District cooling services	487,329	465,887
Pre-insulated pipe	6,945	384
	<u>494,274</u>	<u>466,271</u>

18 Operating segments

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

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

The Board of Directors are also provided with multiple levels of information which comprise of revenue, gross profit and net profit, aggregated for higher level components by stream. The financial accounting system of the Group is currently configured in this manner and this information is readily available. However, for decision making purposes, the Board of Directors relies mainly on the revenue and net profit information that contains lower level components. Hence, the segment information provided is primarily to the net profit level of the Group.

For the Board of Directors, the Group is currently organized into two major operating and reportable segments as follows:

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

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Notes to the interim condensed consolidated financial statements
for the three-month period ended 31 March 2023 (continued)

18 Operating segments (continued)

	Three-month period ended 31 March 2023 (unaudited)			Three-month period ended 31 March 2022 (unaudited)				
	Chilled water	Pre-insulated pipe AED'000	Elimination	Total	Chilled water	Pre-insulated pipe AED'000	Elimination	Total
Revenues								
External revenue	487,329	6,945	-	494,274	465,887	384	-	466,271
Inter-segment revenue	-	8,840	(8,840)	-	-	7,800	(7,800)	-
Total revenues	487,329	15,785	(8,840)	494,274	465,887	8,184	(7,800)	466,271
Interest earned on financial asset at amortised cost	4,515	-	-	4,515	4,575	-	-	4,575
Cost of sales	(238,526)	(10,348)	4,476	(244,398)	(234,529)	(4,584)	3,820	(235,293)
Gross profit	253,318	5,437	(4,364)	254,391	235,933	3,600	(3,980)	235,553
General and administrative expenses	(52,217)	(2,520)	-	(54,737)	(49,921)	(2,021)	-	(51,942)
Other income	1,143	55	-	1,198	1,277	219	-	1,496
Operating profit	202,244	2,972	(4,364)	200,852	187,289	1,798	(3,980)	185,107
Finance income	17,247	283	-	17,530	2,679	185	-	2,864
Finance costs	(51,023)	-	-	(51,023)	(6,686)	-	-	(6,686)
Net profit for the period	168,468	3,255	(4,364)	167,359	183,282	1,983	(3,980)	181,285

Inter-segment transaction are eliminated on consolidation

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Notes to the interim condensed consolidated financial statements
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18 Operating segments (continued)

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

	Three-month period ended 31 March 2023 (unaudited)		Three-month period ended 31 March 2022 (unaudited)		Total
	Chilled water	Pre-insulated pipe AED'000	Chilled water	Pre-insulated pipe AED'000	
Depreciation on property, plant and equipment (Note 6)	84,746	613	78,654	971	79,625
Depreciation on right-of-use asset	796	-	1,157	-	1,157
Total Depreciation	85,542	613	79,811	971	80,782

Segment assets and liabilities are as follows:

	Three-month period ended 31 March 2023 (unaudited)		31 December 2022 (audited)		Total
	Chilled water	Pre-insulated pipe AED'000	Chilled water	Pre-insulated pipe AED'000	
Segment assets	9,661,366	90,796	9,565,808	88,860	9,654,668
Investment in joint venture	307	-	307	-	307
Total assets	9,661,673	90,796	9,566,115	88,860	9,654,975
Segment liabilities	6,961,876	12,722	6,606,193	14,040	6,620,233

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Notes to the interim condensed consolidated financial statements
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18 Operating segments (continued)

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

	Three-month period ended 31 March 2023 (unaudited)		Three-month period ended 31 March 2022 (unaudited)		
	Chilled water	Pre-insulated pipe AED'000	Total	Chilled water pipe AED'000	Total
Property, plant and equipment	99,755	7	99,762	100,541	100,541

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	
	31 March 2023 Unaudited	31 March 2022 Unaudited	31 March 2023 Unaudited	31 December 2022 Audited
United Arab Emirates	494,274	466,271	7,784,947	7,776,101

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19 Cost of sales

	Three-month period ended 31 March	
	2023	2022
	AED'000 Unaudited	AED'000 Unaudited
Utilities cost	123,805	122,106
Depreciation on property, plant and equipment (Note 6)	83,564	78,150
Staff costs (Note 21)	9,753	9,992
Materials	5,180	210
Amortisation of intangible asset (Note 7)	3,039	3,039
Depreciation on right-of-use asset	45	618
Others	19,012	21,178
	<u>244,398</u>	<u>235,293</u>

20 General and administrative expenses

	Three-month period ended 31 March	
	2023	2022
	AED'000 Unaudited	AED'000 Unaudited
Staff costs (Note 21)	41,426	36,176
Directors remuneration	1,875	1,563
Depreciation on property, plant and equipment (Note 6)	1,795	1,475
Communication expenses	1,275	4,069
Depreciation on right-of-use asset	751	539
Consultancy	516	880
Advertising and marketing expenses	425	502
Business travel	241	210
Rent	195	138
Others	6,238	6,390
	<u>54,737</u>	<u>51,942</u>

21 Staff costs

	Three-month period ended 31 March	
	2023	2022
	AED'000 Unaudited	AED'000 Unaudited
Salaries	32,507	29,272
Staff benefits	16,660	15,612
End of service benefits	2,012	1,284
	<u>51,179</u>	<u>46,168</u>
Staff costs have been charged to:		
Cost of sales (Note 19)	9,753	9,992
General and administrative expenses (Note 20)	41,426	36,176
	<u>51,179</u>	<u>46,168</u>

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Notes to the interim condensed consolidated financial statements for the three-month period ended 31 March 2023 (continued)

22 Guarantees

At 31 March 2023, the Group had outstanding bank guarantees and letters of credits amounting to AED 8,071 thousand (31 December 2022: AED 4,886 thousand), which were issued by the Group's bankers in the normal course of business.

23 Commitments

Capital commitments

As at 31 March 2023, the Group has project commitments of AED 529,565 thousand (31 December 2022: AED 509,685 thousand) for projects-in-progress. These commitments represent the value of contracts issued as of 31 March 2023, net of invoices recorded and accruals made as of that date.

24 Earning per share

	<u>31 March 2023</u> <u>Unaudited</u>	<u>31 March 2022</u> <u>Unaudited</u>
Profit attributable to the ordinary equity holders of the Company	167,261,423	181,225,632
Weighted average number of ordinary shares used as a denominator in calculating basic earnings per share	10,000,000,000	10,000,000,000
Basic and diluted earnings per share	<u>0.0167</u>	<u>0.0181</u>

25 Fair value measurement

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

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

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

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

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Notes to the interim condensed consolidated financial statements for the three-month period ended 31 March 2023 (continued)

25 Fair value measurement (continued)

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

<i>31 March 2023</i>	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets at fair value through other comprehensive income	53,569	-	-	53,569
<i>31 December 2022</i>	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets at fair value through other comprehensive income	52,911	-	-	52,911

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

Specific valuation techniques used to value financial instruments include:

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

26 Seasonality of operations

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

27 Corporate tax

On 16 January 2023 the UAE government published a Cabinet Decision setting the threshold at which the new Corporate Income Tax will apply. This event made the Corporate Income Tax substantively enacted and enacted within the meaning of IAS 12. Current taxes will only be payable for financial years beginning on or after 1 June 2023 so the company will be subject to current tax for the first time effective from 1 January 2024. However, enactment of the legislation requires the Group to record deferred taxes using the enacted rate of 9%.

The Group assessed the deferred tax implication and concluded it is not material as of and for the three-month period ended 31 March 2023. The impact of any future changes in enacted law will be accounted for when such changes are substantively enacted or enacted.