# National Central Cooling Company PJSC and Its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

**NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES**

**Consolidated financial statements**
**31 December 2022**

Building a better working world

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# INDEPENDENT AUDITOR'S REPORT

# TO THE SHAREHOLDERS OF NATIONAL CENTRAL COOLING COMPANY PJSC

## Report on the Audit of the Consolidated Financial Statements

*Opinion*
We have audited the consolidated financial statements of National Central Cooling Company PJSC (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

*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 are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other matter*
The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 14 February 2022.

*Key audit matters*
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT

## TO THE SHAREHOLDERS OF NATIONAL CENTRAL COOLING COMPANY PJSC continued

**Report on the Audit of the Consolidated Financial Statements** continued

*Key audit matters* continued

*Revenue recognition*
The Group generates revenue from its contracts with customers for the supply of chilled water and associated value chain in the UAE, Bahrain, Saudi Arabia, and Oman through its subsidiaries, associates and joint ventures. A significant proportion of the Group's revenues and profits is derived from long term contracts including lease arrangements.

Revenue from the supply of chilled water is recognized over time. The Group has applied judgement in classification of certain long-term customer contracts as operating or finance leases depending on the terms and conditions of the contracts.

Revenue from the value chain business is recognized over time for supervision and design of district cooling networks and at point in time for the sale of related equipment.

The Group's revenue recognition accounting policy is included in note 2.3.2 to the consolidated financial statements.

The Group recognised revenue of AED 2,216 million (2021: AED 1,955 million) for the year ended 31 December 2022. Revenue recognition is considered a key audit matter given the Group's varied nature of revenue arrangements and the magnitude of the amounts involved.

The audit procedures performed over this key audit matter include the following:

- We obtained an understanding of the business process flow and performed walkthroughs to understand the key processes and identify key controls;
- We assessed the relevant controls over revenue to determine if they had been designed and implemented appropriately and tested these controls to determine if they were operating effectively;
- We performed procedures to assess whether the revenue recognition criteria adopted by Group is appropriate and in accordance with the Group's accounting policy and the requirements of the IFRSs;
- We performed analytical procedures by comparing the gross margins for the different types of revenue streams to the prior year;
- We obtained the key items and representative sample of revenue transactions and tested their occurrence, accuracy and recognition, by tracing them back to supporting documents;
- We recalculated the finance lease income, on a sample basis, with reference to the respective lease models; and
- We assessed the disclosure in the consolidated financial statements relating to revenue recognition for compliance with the requirements of the IFRSs.

**INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF NATIONAL CENTRAL COOLING COMPANY PJSC** continued

**Report on the Audit of the Consolidated Financial Statements** continued

*Impairment assessment of goodwill*
The Group has recorded goodwill amounting to AED 319 million arising from the acquisition of two of its subsidiaries.

Management carries out impairment assessments of goodwill annually. Goodwill impairment testing is considered a key audit area given the significant estimates and assumptions involved in determining the value in use of the respective cash generating units. These estimates and assumptions relate to future cash flows, consumer price index and discount rates.

The audit procedures performed over this key audit matter include the following:

- We tested , together with our valuation specialists, the Group's impairment testing methodology and inputs used in the models as well as the assumptions relating to consumer price index and discount rates;
- We analyzed the sensitivity of available headroom in the respective CGUs to changes in key assumptions;
- We compared actual performance of cash generating units to the assumptions applied in discounted cash flow models to assess the historical accuracy of management's estimates; and
- We assessed the adequacy of the disclosure in the consolidated financial statements in compliance with the requirements of the IFRS.

*Other information*
Other information consists of the information included in the Group's Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF NATIONAL CENTRAL COOLING COMPANY PJSC** continued

**Report on the Audit of the Consolidated Financial Statements** continued

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Memorandum of Association of the Company and the UAE Federal Law No. (32) of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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.

**INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF NATIONAL CENTRAL COOLING COMPANY PJSC** continued

**Report on the Audit of the Consolidated Financial Statements** continued

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

- 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.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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**INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF NATIONAL CENTRAL COOLING COMPANY PJSC** continued

**Report on Other Legal and Regulatory Requirements**

Further, as required by the UAE Federal Law No. (32) of 2021, we report that for the year ended 31 December 2022:

i) the Group has maintained proper books of account;

ii) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021, and the Memorandum of Association of the Company;

iv) investments in shares is included in note 9 to the consolidated financial statements and include the purchases and investments made by the Group during the year ended 31 December 2022;

v) note 28 reflects material related party transactions and the terms under which they were conducted;

vi) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the year any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Memorandum of Association which would materially affect its activities or its consolidated financial position as at 31 December 2022; and

vii) the Group made social contributions of AED 0.5 million (2021: AED 1 million).

Further, as required by the Abu Dhabi Accountability Authority Chairman Resolution No. 88 of 2021 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with the law of establishment of the Company and relevant provisions of the applicable laws, resolutions and circulars organising the Company's operations, which would materially affect its activities or the consolidated financial statements of the Company as at 3 1 December 2022.

Signed by
Raed Ahmad
Partner
Ernst & Young
Registration No 811

14 February 2023
Abu Dhabi

## NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

## Consolidated statement of profit or loss
## For the year ended 31 December 2022

| | Notes | 2022 AED '000 | 2021 AED '000 |
|---|---|---|---|
| | | **For the year ended 31 December** | |
| **Continuing operations** | | | |
| Revenues | 3 | **2,216,156** | 1,955,085 |
| Direct costs | 6.1 | **(1,177,919)** | (1,084,264) |
| **Gross profit** | | **1,038,237** | 870,821 |
| Reversal of (impairment provision) for trade receivables | 18 | **8,830** | (1,096) |
| Administrative and other expenses | 6.2 | **(245,169)** | (246,545) |
| **Operating profit** | | **801,898** | 623,180 |
| Finance costs | 5 | **(289,444)** | (257,708) |
| Finance income | | **21,705** | 2,685 |
| Other gains and losses, net | 6.4 | **69,639** | 130,233 |
| Share of results of associates and joint ventures, net | 12, 13 | **29,607** | 35,673 |
| **Profit from continuing operations** | | **633,405** | 534,063 |
| Profit from discontinued operation | 12 | **-** | 76,682 |
| **Profit for the year** | | **633,405** | 610,745 |
| **Attributable to:** | | | |
| Equity holders of the parent | | | |
| Profit from continuing operations | | **600,188** | 508,474 |
| Profit from discontinued operation | | **-** | 76,682 |
| | | **600,188** | 585,156 |
| Non-controlling interests | | | |
| Profit from continuing operations | | **33,217** | 25,589 |
| Profit from discontinued operation | | **-** | - |
| | | **33,217** | 25,589 |
| | | **633,405** | 610,745 |
| Basic and diluted earnings per share from continuing operations attributable to ordinary equity holders of the parent (AED) | | **0.21** | 0.18 |
| Basic and diluted earnings per share from discontinued operation attributable to ordinary equity holders of the parent (AED) | | **-** | 0.03 |
| **Total basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)** | 7 | **0.21** | 0.21 |

## NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

## Consolidated statement of comprehensive income
## For the year ended 31 December 2022

| | Notes | For the year ended 31 December 2022 AED '000 | 2021 AED '000 |
|---|---|---|---|
| **Profit for the year** | | **633,405** | 610,745 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Net movement in fair value of derivatives in cash flow hedges related to Interest Rate Swaps ("IRS") | 26 | **280,031** | 81,317 |
| Share of changes in fair value of derivatives of associates and joint venture in cash flow hedges related to IRS | 12, 13 | **17,489** | 31,100 |
| Reclassification adjustment for amounts recognized in profit or loss relating to step up acquisition of a joint venture | | **-** | 35,631 |
| Exchange differences arising on translation of overseas operations | | **(1,570)** | 4,201 |
| **Total other comprehensive income** | | **295,950** | 152,249 |
| **Total comprehensive income for the year** | | **929,355** | 762,994 |
| **Attributable to:** | | | |
| Equity holders of the parent | | | |
| Profit from continuing operations | | **896,138** | 660,723 |
| Profit from discontinued operation | | **-** | 76,682 |
| | | **896,138** | 737,405 |
| Non-controlling interests | | | |
| Profit from continuing operations | | **33,217** | 25,589 |
| Profit from discontinued operation | | **-** | - |
| | | **33,217** | 25,589 |
| | | **929,355** | 762,994 |

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## NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

### Consolidated statement of financial position
### As at 31 December 2022

| | | As at 31 December | |
|---|---|---|---|
| | | 2022 | 2021 |
| **ASSETS** | **Notes** | **AED '000** | **AED '000** |
| **Non-current assets** | | | |
| Capital work in progress | 10 | **252,041** | 201,656 |
| Property, plant and equipment | 11 | **4,752,673** | 4,812,702 |
| Right-of-use assets | 16 | **192,849** | 210,331 |
| Intangible assets | 14 | **4,152,090** | 4,284,452 |
| Investments in associates and joint ventures | 12, 13 | **457,288** | 372,790 |
| Finance lease receivables | 15 | **2,577,891** | 2,688,690 |
| | | **12,384,832** | 12,570,621 |
| **Current assets** | | | |
| Inventories | | **60,029** | 50,838 |
| Trade and other receivables | 18 | **908,476** | 691,007 |
| Finance lease receivables | 15 | **324,279** | 323,588 |
| Cash and bank balances | 19 | **1,773,301** | 1,197,273 |
| | | **3,066,085** | 2,262,706 |
| **Total assets** | | **15,450,917** | 14,833,327 |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Issued capital | 20 | **2,845,261** | 2,775,874 |
| Treasury shares | | **(3,296)** | (3,215) |
| Statutory reserve | 21 | **522,947** | 456,648 |
| Retained earnings | | **2,757,257** | 2,460,147 |
| Foreign currency translation reserve | | **1,151** | 2,721 |
| Cumulative changes in fair value of derivatives in cash flow hedges | | **351,490** | 53,970 |
| **Equity attributable to the equity holders of the parent** | | **6,474,810** | 5,746,145 |
| Non-controlling interests | | **679,265** | 700,251 |
| **Total equity** | | **7,154,075** | 6,446,396 |
| | | | |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Trade and other payables | 26 | **218,559** | 215,059 |
| Interest bearing loans and borrowings | 22 | **2,468,855** | 2,495,034 |
| Islamic financing arrangement | 23 | **929,318** | 932,994 |
| Non-convertible Bonds and Sukuk | 24 | **3,648,295** | 3,643,080 |
| Lease liabilities | 17 | **170,487** | 200,579 |
| Employees' end of service benefits | 25 | **42,706** | 41,291 |
| | | **7,478,220** | 7,528,037 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 26 | **726,601** | 768,777 |
| Interest bearing loans and borrowings | 22 | **37,626** | 35,014 |
| Islamic financing arrangement | 23 | **8,073** | 8,418 |
| Lease liabilities | 17 | **46,322** | 46,685 |
| | | **818,622** | 858,894 |
| **Total liabilities** | | **8,296,842** | 8,386,931 |
| **Total equity and liabilities** | | **15,450,917** | 14,833,327 |

**Khaled Abdulla Al Qubaisi**
Chairman

**Khalid Abdulla Al Marzooqi**
Chief Executive Officer

**Adel Al Wahedi**
Chief Financial Officer

The attached notes 1 to 32 form part of these consolidated financial statements.

## NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

## Consolidated statement of changes in equity
## As at 31 December 2022

| | Attributable to equity holders of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Issued capital AED'000 | Treasury shares AED'000 | Statutory reserve AED'000 | Retained earnings AED'000 | Foreign currency translation reserve AED'000 | Cumulative changes in fair value of derivatives in cash flow hedges AED'000 | Total AED'000 | Non-controlling interests AED'000 | Total equity AED'000 |
| Balance at 1 January 2021 | 2,715,529 | (2,016) | 413,020 | 2,133,906 | (1,480) | (94,078) | 5,164,881 | 710,289 | 5,875,170 |
| Profit for the year | - | - | - | 585,156 | - | - | 585,156 | 25,589 | 610,745 |
| Other comprehensive profit for the year | - | - | - | - | 4,201 | 148,048 | 152,249 | - | 152,249 |
| **Total comprehensive income for the year** | - | - | - | 585,156 | 4,201 | 148,048 | 737,405 | 25,589 | 762,994 |
| Transfer to statutory reserve | - | - | 43,628 | (43,628) | - | - | - | - | - |
| Dividends paid to shareholders (Note 8) | - | - | - | (156,141) | - | - | (156,141) | - | (156,141) |
| Bonus shares (Note 8) | 60,345 | (1,199) | - | (59,146) | - | - | - | - | - |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | (35,627) | (35,627) |
| **Balance at 31 December 2021** | 2,775,874 | (3,215) | 456,648 | 2,460,147 | 2,721 | 53,970 | 5,746,145 | 700,251 | 6,446,396 |
| Balance at 1 January 2022 | 2,775,874 | (3,215) | 456,648 | 2,460,147 | 2,721 | 53,970 | 5,746,145 | 700,251 | 6,446,396 |
| Profit for the year | - | - | - | 600,188 | - | - | 600,188 | 33,217 | 633,405 |
| Other comprehensive profit for the year | - | - | - | - | (1,570) | 297,520 | 295,950 | - | 295,950 |
| **Total comprehensive income for the year** | - | - | - | 600,188 | (1,570) | 297,520 | 896,138 | 33,217 | 929,355 |
| Transfer to statutory reserve | - | - | 66,299 | (66,299) | - | - | - | - | - |
| Dividends paid to shareholders (Note 8) | | | - | (166,348) | - | - | (166,348) | - | (166,348) |
| Bonus shares (Note 8) | 69,387 | (81) | - | (69,306) | - | - | - | - | - |
| Disposal of a subsidiary (note 27.1) | - | - | - | - | - | - | - | (12,212) | (12,212) |
| Disposal of partial interest in a subsidiary (note 27.3) | - | - | - | (1,125) | - | - | (1,125) | 1,125 | - |
| Capital contribution by a non-controlling interest (note 27.2) | - | - | - | - | - | - | - | 5,509 | 5,509 |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | (48,625) | (48,625) |
| **Balance at 31 December 2022** | **2,845,261** | **(3,296)** | **522,947** | **2,757,257** | **1,151** | **351,490** | **6,474,810** | **679,265** | **7,154,075** |

The attached notes 1 to 32 form part of these consolidated financial statements.

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## NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

## Consolidated statement of cash flows
## For the year ended 31 December 2022

| | Notes | 2022 AED '000 | 2021 AED '000 |
|---|---|---|---|
| | | **Year ended 31 December** | |
| **Operating activities** | | | |
| Profit from continuing operations | | **633,405** | 534,063 |
| Profit from discontinued operation | | **-** | 76,682 |
| **Profit for the year including discontinued operation** | | **633,405** | 610,745 |
| **Non-cash adjustments:** | | | |
| Depreciation of property, plant and equipment | 11 | **192,165** | 188,379 |
| Depreciation of right-of-use assets | 16 | **23,856** | 23,408 |
| Amortisation of intangible assets | 14 | **103,835** | 61,385 |
| Finance lease income | 3 | **(227,236)** | (189,989) |
| Share of results of associates and joint ventures including discontinued operation, net | 12, 13 | **(29,607)** | (60,405) |
| Provision for employees' end of service benefits | 25 | **9,677** | 6,917 |
| Gain on disposal of associate | 12 | **-** | (51,950) |
| Loss on disposal of subsidiary | 27.1 | **2,016** | - |
| Other gains and losses, net | | **(71,655)** | (110,233) |
| (Reversal of) provision for trade receivables | 18 | **(8,830)** | 1,096 |
| Finance income | | **(21,705)** | (2,685) |
| Finance costs | 5 | **289,444** | 257,708 |
| **Net operating cash flows before changes in working capital** | | **895,365** | 734,376 |
| **Working capital changes:** | | | |
| Inventories | | **(9,191)** | (7,234) |
| Trade and other receivables | | **47,514** | 295,317 |
| Trade and other payables | | **92,296** | (30,773) |
| Lease rentals received | 15 | **337,344** | 326,830 |
| Employees' end of service benefits paid | 25 | **(8,262)** | (2,112) |
| **Net cash flows generated from operating activities** | | **1,355,066** | 1,316,404 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 11 | **(14,008)** | (20,003) |
| Payments for capital work in progress | | **(170,434)** | (168,605) |
| Payment for acquisition of shares in subsidiaries | | **-** | (1,212,135) |
| Capital contribution by a non-controlling interest | 27.2 | **5,509** | - |
| Disposal of interest in subsidiary | 27.1 | **(10,596)** | - |
| Disposal of interest in an associate | 12 | **-** | 406,567 |
| Dividends from a joint venture | 13 | **-** | 5,751 |
| Investment in associate | 12 | **(53,485)** | - |
| Dividends from associates | 12 | **9,514** | 8,835 |
| Finance income received | | **19,007** | 2,998 |
| **Net cash flows used in investing activities** | | **(214,493)** | (976,592) |
| **Financing activities** | | | |
| Interest bearing loans and borrowings received | | **-** | 52,279 |
| Interest bearing loans and borrowings repaid | | **(32,748)** | (27,800) |
| Islamic financing arrangement repaid | | **(8,433)** | (5,115) |
| Principal elements of lease payments | 17 | **(36,829)** | (39,746) |
| Finance cost paid on lease liabilities | 17 | **(12,534)** | (14,013) |
| Finance cost paid | | **(259,028)** | (229,270) |
| Dividends paid to shareholders | 8 | **(166,348)** | (156,141) |
| Dividends paid to non-controlling interests | | **(48,625)** | (35,627) |
| **Net cash flows used in financing activities** | | **(564,545)** | (455,433) |
| **Net increase (decrease) in cash and cash equivalents** | | **576,028** | (115,621) |
| Cash and cash equivalents at 1 January | | **1,197,273** | 1,312,894 |
| **Cash and cash equivalents at 31 December** | 19 | **1,773,301** | 1,197,273 |

The attached notes 1 to 32 form part of these consolidated financial statements.

## 1 General information

National Central Cooling Company PJSC ("Tabreed" or the "Company" or the "parent") is registered in the United Arab Emirates as a Public Joint Stock Company pursuant to the UAE Federal Law No. (32) of 2021 and is listed on the Dubai Financial Market. The Company was originally incorporated under the U.A.E Federal Law No. (8) of 1984, as amended. Subsequently, the U.A.E Federal Law No. (8) of 1984 was superseded by U.AE. Federal Law No (32) of 2021.

The principal activities of the Company and its subsidiaries (the "Group") are supply of chilled water, operation and maintenance of plants, construction of secondary networks, manufacturing of pre-insulated pipes and design and supervision consultancy. Activities of subsidiaries are described in note 9 to the consolidated financial statements.

The Group's non-convertible bonds and sukuk are listed in the London Stock Exchange (note 24).

The Company's registered office is located at P O Box 32444, Dubai, United Arab Emirates.

The Group has made social contributions of AED 0.5 million during the year.

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 14 February 2023.

## 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by International Accounting Standards Board ("IASB"), IFRSIC Interpretations and applicable requirements of the laws in the UAE.

The consolidated financial statements are prepared under the historical cost basis, except for derivative financial instruments which are measured at fair value. The consolidated financial statements have been presented in United Arab Emirates Dirham ("AED") which is the reporting currency of the Company. All values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

## 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together the "Group") as at 31 December 2022 over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

## 2.2 Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses the control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

For changes in ownership interests the Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in retained earnings within equity attributable to owners.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in consolidated statement of profit or loss.

This fair value becomes 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 consolidate statement of profit or loss.

## 2.3 Significant accounting policies

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

## 2.3 Significant accounting policies (continued)

### 2.3.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

In business combination achieved in stages, the Group remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in the consolidated profit or loss. If the Group have previously recognised changes in the value of its equity interest in the acquiree in other comprehensive income, it will reclassify this to consolidated profit or loss on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

## 2.3 Significant accounting policies (continued)

### 2.3.1 Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### 2.3.2 Revenue recognition

The Group recognises revenue from the following major sources:

- Supply of chilled water
- Rendering of services
- Interest income

The Group recognises revenue from contracts with customers based on the five-step model 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 unit of account and 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.

## 2.3 Significant accounting policies (continued)

### 2.3.2 Revenue recognition (continued)

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 consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation: The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

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

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of allowances and rebates. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

*(a) Supply of chilled water*

Revenue from supply of chilled water comprises the following principle services:

<u>Capacity revenue</u>: represents availability of the service and performance obligation is satisfied over time as the customers make use of the service and network. The billing is done monthly in arrears.

<u>Consumption revenue</u>: represents revenue from consumption of the output of assets used by the customers. Revenue is recognised over time. The billing is done monthly in arrears.

*(b) Rendering of services (value chain business)*

This mainly represents supervision and design services provided to customers. Revenue from services is recognised as services are rendered. Revenue is recognised over time using the output method.

*(c) Interest income*

Interest income including interest on finance lease receivable is recognised as the interest accrues using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments to the net carrying amount of the financial asset. For details on finance lease refer to note 15. Finance income on finance lease receivables is included in revenue due to its operating nature.

## 2.3 Significant accounting policies (continued)

### 2.3.3 Foreign currencies

The consolidated financial statements are presented in AED, which is the parent Company's functional and presentation currency. The functional currency is the currency of the primary economic environment in which an entity operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

*(a) Functional and presentation currency*

Items included in the 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 United Arab Emirates Dirham (AED), which is functional currency of the company and its material subsidiaries.

*(b) Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

All differences are taken to the consolidated statement of profit or loss with the exception of monetary items that provide an effective hedge of a net investment in a foreign operation. These are recognised in the consolidated statement of comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

*(c) Group companies*

The assets and liabilities of foreign operations are translated into AED at the rate of exchange ruling at the reporting date and their statement of profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in the statement of comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

## 2.3 Significant accounting policies (continued)

### 2.3.4 Capital work in progress

Capital work in progress is recorded at cost incurred by the Group for the construction of the plants and distribution network. Allocated costs directly attributable to the construction of the assets are capitalised. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Group's policies when construction of the asset is completed, and it is available for use.

### 2.3.5 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in the consolidated statement of profit or loss over the term of the borrowings using the effective interest method. Borrowings are classified as non-current liabilities when the Group has an unconditional right to defer settlement of the liabilities for more than twelve months after the reporting date.

Borrowing costs (including finance costs on lease liabilities) that are directly attributable to the acquisition or construction of a qualifying asset are capitalised (net of interest income on temporary investment of borrowings) as part of the cost of the asset until the asset is commissioned for use. Borrowing costs in respect of completed and suspended projects or not attributable to qualifying assets are expensed in the period in which they are incurred. During the year ended 31 December 2022, no borrowing cost was capitalised (2021: nil).

### 2.3.6 Trade and other payables

Trade payables are obligations to pay for goods or service 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. 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.

### 2.3.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated statement of profit or loss as incurred. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Plant and related assets | 30 years |
| Buildings | 50 years |
| Distribution networks | 50 years |
| Furniture and fixtures | 3 to 4 years |
| Office equipment and instruments | 3 to 4 years |
| Motor vehicles | 4 to 5 years |

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

## 2.3 Significant accounting policies (continued)

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

Depreciation of these assets commences when the assets are ready for their intended use. Cessation of depreciation occurs on the disposal or retirement of the item of property, plant and equipment.

The Group performs regular major overhauls of equipment of its district cooling plants. When each major overhaul is performed, its cost is recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. The cost recognised is depreciated over the period till the next planned major overhaul.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated statement of profit or loss in the year the asset is derecognised.

### 2.3.8 Leases

*The Group as a lessee*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates are included in the lease payments and are remeasured using the prevailing index or rate at the measurement date.

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## 2.3 Significant accounting policies (continued)

### 2.3.8 Leases (continued)

_The Group as a lessee_ (continued)

*Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. Right-of-use assets relate to land, plant, building and motor vehicles.

_The Group as a lessor_

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

*Operating lease*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset to the customers are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned. Where the Group determines that the cooling service agreements to contain an operating lease, capacity payments are recognised as operating lease rentals on a systematic basis to the extent that capacity has been made available to the customers during the year. Rental income arising from operating leases on chilled water plants is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature.

*Finance lease*

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards 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. The Group reviews the contractual arrangements it enters into with its customers. In instances where the contract conveys the right to control the use of the identified asset for substantially all the economic benefits and the right to direct the use, such contracts are accounted for as a finance lease. The amounts due from the lessee are recorded in the statement of financial position as financial assets (finance lease receivables) and are carried at the amount of the net investment in the lease after making provision for impairment.

Lease payments are payments made by a lessee to a lessor relating to the right to use an underlying asset during the lease term, comprising the fixed payments (including in-substance fixed payments), less any lease incentives (for e.g. reimbursement of maintenance fee); variable lease payments that depend on an index or a rate; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

## 2.3 Significant accounting policies (continued)

### 2.3.8 Leases (continued)

*The Group as a lessor* (continued)

*Finance lease* (continued)

Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate or payments that vary to reflect changes in market rental rates. The payments are included in the lease payments and are measured/remeasured using the prevailing index or rate at the measurement date (e.g. lease commencement date for initial measurement or at the time when new CPI rate is available).

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

### 2.3.9 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the consolidated carrying amount of the investment and goodwill is neither amortised nor individually tested for impairment. The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associates and joint ventures. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income.

In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

## 2.3 Significant accounting policies (continued)

### 2.3.9 Investments in associates and joint ventures (continued)

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of profit or loss outside operating profit. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to consolidated statement of profit or loss where appropriate.

### 2.3.10 Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognised in other capital reserves.

### 2.3.11 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 pretax 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.

## 2.3 Significant accounting policies (continued)

### 2.3.11 Impairment of non-financial assets (continued)

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.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill is allocated. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

### 2.3.12 Financial instruments

**Financial assets**

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

## 2.3 Significant accounting policies (continued)

### 2.3.12 Financial instruments (continued)

**Financial assets** (continued)
*Subsequent measurement*
For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at amortised cost (debt instruments, cash and cash equivalents and trade receivables)
b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
d) Financial assets at fair value through profit or loss

The Group has the following financial assets:

*Financial assets at amortised cost*
The Group measures financial assets at amortised cost if both of the following conditions are met:

a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost include a certain portion of trade and other receivables, contract assets, finance lease receivables, due from related parties, and cash and bank balances etc.

*Cash and short-term deposits*
Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

*Financial assets at fair value through OCI (debt instruments)*
A financial asset is measured at fair value through other comprehensive income, if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## 2.3 Significant accounting policies (continued)

### 2.3.12 Financial instruments (continued)

**Financial assets** (continued)
*Financial assets at fair value through OCI (debt instruments)* (continued)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

*Financial assets designated at fair value through OCI (equity instruments)*
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

*Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes quoted and unquoted equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on quoted and unquoted equity investments are recognised under investment and other income in the consolidated statement of profit or loss when the right of payment has been established.

*Impairment of financial assets*
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## 2.3 Significant accounting policies (continued)

### 2.3.12 Financial instruments (continued)

**Financial assets** (continued)
*Impairment of financial assets* (continued)
The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Derecognition of financial assets*
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

*Write-off*
Receivables are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

**Financial liabilities and equity instruments**

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

*Equity instruments*
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

***Financial liabilities***
*Initial recognition and measurement*
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, due to related parties, lease liabilities and interest bearing loans and borrowings, Islamic financing arrangements and non-convertible Bonds and Sukuks etc.

## 2.3 Significant accounting policies (continued)

### 2.3.12 Financial instruments (continued)

**Financial liabilities and equity instruments** (continued)

***Financial liabilities*** (continued)
*Subsequent measurement*
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

*Financial liabilities at amortised cost (loans and borrowings)*
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in consolidated statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

This category generally applies to a certain portion of trade and other payables, due to related parties, lease liabilities and borrowings.

*Derecognition of financial liabilities*
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Fair value measurement principles**

For investments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices. The fair values of investments in mutual funds or similar investment vehicles are based on the last net asset value published by the fund manager. For other investments including treasury bills, a reasonable estimate of the fair value is determined by reference to the price of recent market transactions involving such investments, current market value of instruments which are substantially the same or is based on the expected discounted cash flows.

The fair value of unquoted investments, forward exchange contracts, interest rate swaps and options (if any) is determined by reference to discounted cash flows, pricing models or over-the-counter quotes.

**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.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

## 2.3 Significant accounting policies (continued)

### 2.3.12 Financial instruments (continued)

**Impairment of financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group always recognises lifetime ECL for trade receivables, contract assets and retention receivables, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix 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.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**Definition of default**

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

**Significant increase in credit risk**

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.

## 2.3 Significant accounting policies (continued)

### 2.3.13 Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### 2.3.14 Cash and short-term deposits

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

### 2.3.15 Provisions

*(a) General*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Management reviews its contracts annually.

*(b) Decommissioning liability*

The Group records a provision for decommissioning costs of removing an item of property, plant and equipment and restoring the site on which the item was located to its original condition. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

## 2.3 Significant accounting policies (continued)

### 2.3.15 Provisions (continued)

*(c) Contingent liabilities recognised in a business combination*

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

### 2.3.16 Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to the relevant UAE Government pension scheme calculated as a percentage of the employees' salaries. The obligations under these schemes are limited to these contributions, which are expensed when due.

### 2.3.17 Derivative financial instruments

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instrument, reference rate or index.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risks, including interest rate swaps.

Derivative financial instruments are initially measured at fair value at trade date and are subsequently re-measured at fair value at the end of each reporting period. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Derivative assets and liabilities arising from different transactions are offset only if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis.

Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models.

The method of recognising fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of derivatives held for trading are recognised in the consolidated statement of profit or loss under 'Net gain from dealing in foreign currencies and derivatives'.

*Embedded derivatives*
Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 Financial Instruments (e.g. financial liabilities) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

## 2.3 Significant accounting policies (continued)

### 2.3.18 Hedge accounting

Derivatives designated as hedges are classified as either: (i) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; (ii) cash flow hedges which hedge the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; or (iii) a hedge of net investment which are accounted similarly to a cash flow hedge. Hedge accounting is applied to derivatives designated as hedging instruments in a fair value or cash flow, provided the criteria are met.

At the inception of a hedging relationship, to qualify for hedge accounting, the Group documents the relationship between the hedging instruments and the hedged items as well as its risk management objective and its strategy for undertaking the hedge. The Group also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the hedging instruments, primarily derivatives, that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items.

(a) Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in OCI. The Group has not designated fair value hedge relationships where the hedging instrument hedges an equity instrument designated at FVTOCI.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the part of the fair value gain or loss on the hedged item associated with the hedged risk is recognised in profit or loss instead of OCI. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain/loss remains in OCI to match that of the hedging instrument.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of hedged items for which the EIR method is used (i.e. debt instruments measured at amortised cost or at FVTOCI) arising from the hedged risk is amortised to profit or loss commencing no later than the date when hedge accounting is discontinued.

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve, a separate component of OCI, limited to the cumulative change in fair value of the hedged item from inception of the hedge less any amounts recycled to profit or loss.

Amounts previously recognised in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. If the Group no longer expects the transaction to occur that amount is immediately reclassified to profit or loss.

## 2.3 Significant accounting policies (continued)

### 2.3.18 Hedge accounting (continued)

(b) Cash flow hedges (continued)

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised, or where the occurrence of the designated hedged forecast transaction is no longer considered to be highly probable. The discontinuation is accounted for prospectively. Any gain/loss recognised in OCI and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain/loss accumulated in equity is reclassified and recognised immediately in profit or loss.

(c) Hedge effectiveness testing

To qualify for hedge accounting, the Group requires that at the inception of the hedge and on an ongoing basis:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the hedging relationship meets all of the hedge effectiveness requirements, i.e.;
- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

(d) Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in consolidated statement of profit or loss.

### 2.3.19 Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets such as asset held for sale, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 32.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

## 2.3 Significant accounting policies (continued)

### 2.3.19 Fair value measurement (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement, such as asset held for sale. External valuers are involved for valuation of significant assets, such as land. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

The management, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 32.

## 2.3 Significant accounting policies (continued)

### 2.3.20 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

### 2.3.21 Cash dividend and non-cash distribution to equity holders of the parent

The Group recognises a liability to make cash or non-cash distributions to equity holders 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.

Gain or loss on re-measurement is recognised in consolidated statement of profit or loss and then the revalued amount of the asset is recognised as debit in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of profit or loss.

### 2.3.22 Trade receivables

Trade receivables are amounts due from customers for 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.

Receivables include trade receivables for 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 receivables are recognised initially at fair value (approximately transaction price) and subsequently measured at amortised cost using the effective interest method, less loss provision. A provision for impairment of trade receivables is established based on the expected lifetime losses to be recognised from initial recognition of the receivables.

When a trade and contract receivables are uncollectible, it is written off against the provision for impairment account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

## 2.3 Significant accounting policies (continued)

### 2.3.23 Intangible assets

#### 2.3.23 (i) Customer contracts

Customer contracts acquired in the business combination have been initially recognised at their fair value at the acquisition date. The valuation technique adopted has been the multi-period excess earning method. Subsequent to initial recognition, customer contracts are reported at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation of customer contracts is recognised in the consolidated statement of profit or loss on a straight-line basis over their estimated useful lives. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate. Amortization is calculated on a straight-line basis over the life of the contracts in the range of 25 to 50 years.

#### 2.3.23 (ii) Other contracts

Other contracts mainly represent contractual rights, acquired in the business combination which have been initially recognised at their fair value at the acquisition date. The valuation technique adopted has been the multi-period excess earning method. Subsequent to initial recognition, these contracts are reported at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation of other contracts is recognised in the consolidated statement of profit or loss on a straight-line basis over their estimated useful lives of 25 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate

### 2.3.24 Assets classified as held for sale and discontinued operation

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of Operations; or
- Is a subsidiary acquired exclusively with a view to resale.

## 2.3 Significant accounting policies (continued)

### 2.3.24 Assets classified as held for sale and discontinued operation (continued)

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operation is presented separately in the consolidated statement of profit or loss.

### 2.3.25 Value added tax (VAT)

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a net basis. Where provision has been made for the ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

### 2.3.26 Segment reporting

The Executive Management Committee is the Chief Operating Decision Maker (CODM) and 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 profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Also, the Group’s financing (including finance costs, finance income and other income) are managed on a Group basis and are not allocated to operating segments.

## 2.4 Application of new and revised international financial reporting standards (IFRS)

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

These amendments had no significant impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

## 2.4 Application of new and revised international financial reporting standards (IFRS) (continued)

The Group has cash flow hedge accounting relationships that are exposed to USD LIBOR. Many of the existing derivatives designated in relationships referencing LIBOR benchmarks are expected to transition to alternative benchmark in different ways and at different times.. The Group is currently discussing the terms of its LIBOR linked loans and derivatives with the respective banks, however the Group does not expect the transition to IBOR will have significant impact on its consolidated financial statements.

The notional amounts of interest rate derivatives designated in hedge accounting relationships 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 swaps designated in hedge accounting relationships and affected by IBOR reform are presented below:

| | Hedging instruments impacted by IBOR Reform AED '000 | Hedging instruments not impacted by IBOR Reform AED '000 | Notional contract amount impacted by IBOR Reform AED '000 | Notional contract amount not impacted by IBOR Reform AED '000 |
|---|---|---|---|---|
| **Cash flow hedge:** | | | | |
| **Interest rate swaps** | **261,997** | **1,792** | **3,204,090** | **144,636** |

## 2.5 Standards and Interpretations in issue but not yet effective

The following new standards / amendments to standards which were issued up to 31 December 2022 and are not yet effective for the year ended 31 December 2022 have not been applied while preparing these consolidated financial statements. The Group does not expect that the adoption of these standards / amendments will have a material impact on its consolidated financial statements:

- IFRS 17 Insurance Contracts
- Classification of liabilities as Current or Non-current – Amendments to IAS 1
- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12.

## 2.5 Standards and Interpretations in issue but not yet effective (continued)

*UAE Corporate Tax Law disclosures*

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate. A rate of 0% will apply to taxable income not exceeding a particular threshold. In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant in order for entities to determine their tax status and the taxable income. Therefore, pending such important decisions by the Cabinet as at 31 December 2022, the Group has considered that the Law is not substantively enacted from IAS 12 – Income Taxes perspective as at 31 December 2022. The Group shall continue to monitor the timing of the issuance of these critical cabinet decisions to determine their tax status and the application of IAS 12 – Income Taxes.

## 2.6 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Disclosures relating to the Group's exposure to risks and uncertainties include:

- Capital management — Note 31
- Financial instruments risk management and policies — Note 31
- Sensitivity analysis disclosures — Note 31

### 2.6.1 Judgments

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

*(a) Determining lease terms*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Management determines whether an arrangement is, or contains, a lease based on the substance of the arrangement at inception date whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Company enters into Customer Cooling Services Agreements (the "Agreements") with its customers. To the extent such agreements are determined to contain a lease whether the Company has retained or transferred the significant risks and rewards of ownership of the related assets.

## 2.6 Significant accounting judgements, estimates and assumptions (continued)

### 2.6.1 Judgments (continued)

*(a) Determining lease terms* (continued)

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

*(b) Lessor accounting policy*

Under the new guidance provided by IFRS 16, the definition of lease payments has been changed to include the variable lease payments that are based on an index or a rate as part of the net lease investment.

Although IFRS 16 (Leases) does not explicitly require a lessor to reassess the net lease investment at the date of adoption, the Group has updated its accounting policy to include CPI index related payments within the minimum lease payments. In the absence of explicit guidance on the transitional provisions for lessor, the Group has made a judgement to apply the updated accounting policy with effect from 1 January 2019 and adjusted the balance in the retained earnings. In addition, the gain/loss (if any) upon initial recognition of finance lease receivable is included in other gain and losses as management considers this as a non-core business activity.

*(c) Business combinations*

Accounting for the acquisition of a business requires the allocation of the purchase price to various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires judgment by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates and the useful lives of assets. The Group’s management has used all available information to make these fair value determinations in the recent acquisitions of subsidiaries (Note 27).

The Group primarily considers the following information and criteria when determining whether it has control over an entity:

- governance arrangements: voting rights and whether the Group is represented in the governing bodies, majority rules and veto rights etc;
- the nature of substantive or protective rights granted to shareholders, relating to the entity’s relevant activities;
- rules for appointing key management personnel; and
- whether the Group is exposed, or has rights, to variable returns from its involvement with the entity etc.

## 2.6 Significant accounting judgements, estimates and assumptions (continued)

### 2.6.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the consolidated financial statements when they occur.

*(a) Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises expected credit loss for trade receivables, finance lease receivable, due from related parties and cash and bank balances, using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix 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.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

At the reporting date, gross trade receivables and amounts due from related parties amounted to AED 534.8 million (2021: AED 600.1 million) with provision for impairment (expected credit losses) of AED 24.7 million(2021: 41.7 million). During the year, the Group recognised a reversal of provision for expected credit losses in the consolidated statement of profit or loss was AED 8.8 million (2021: provision of AED 1.1 million).

At the reporting date, gross finance lease receivables were AED 2,939 million (2021: AED 3,049 million) and provision for impairment at 31 December 2022 was AED 36.7 million (2021: AED 36.7 million).

*(b) Impairment of non-financial assets*

Management determines at each reporting date whether there are any indicators of impairment relating to the Group's cash generating units. A broad range of internal and external factors is considered as part of the indicator review process, where necessary, an impairment assessment is performed. Impairment testing requires an estimation of the fair values less cost to sell and value in use of the cash generating units. The recoverable amounts require the Group to estimate the amount and timing of future cash flows, terminal value of the assets and choose a suitable discount rate in order to calculate the present value of the cash flows. The net carrying amounts of non-financial assets affected by the above estimations are mainly property, plant and equipment, goodwill, customer contract, and other contract assets. Goodwill is tested for impairment on an annual basis. Goodwill is allocated to respective cash generating units.

## 3 Revenues

| | Year ended 31 December 2022 AED '000 | Year ended 31 December 2021 AED '000 |
|---|---|---|
| Supply of chilled water | **1,836,671** | 1,640,929 |
| Value chain business | **74,975** | 47,066 |
| **Revenue from contracts with customers** | **1,911,646** | 1,687,995 |
| Operating lease income | **77,274** | 77,101 |
| Finance lease income (Note 15) | **227,236** | 189,989 |
| **Lease income** | **304,510** | 267,090 |
| | **2,216,156** | 1,955,085 |

Revenue expected to be recognized in future related to performance obligation that are unsatisfied (or partially unsatisfied):

| | Year ended 31 December 2022 AED '000 | Year ended 31 December 2021 AED '000 |
|---|---|---|
| Within one year | **733,214** | 708,687 |
| After one but no more than five years | **2,872,791** | 2,745,216 |
| More than five years | **12,599,957** | 12,027,351 |
| | **16,205,962** | 15,481,254 |

The unsatisfied performance obligations that are part of value chain business revenue are expected to have a duration of one year or less. Hence revenue expected to be recognized in future related to there performance obligations is not disclosed.

| | Year ended 31 December 2022 AED '000 | Year ended 31 December 2021 AED '000 |
|---|---|---|
| **Timing of transfer of goods and services:** | | |
| At a point in time | **36,436** | 30,055 |
| Over time | **1,875,210** | 1,657,940 |
| | **1,911,646** | 1,687,995 |

## 4 Operating segments

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 (Note 9).
- The 'Value chain business' segment is involved in ancillary activities relating to the expansion of the Group's chilled water business (Note 9).

## 4 Operating segments (continued)

| | For the year ended 31 December 2022 | | | | For the year ended 31 December 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Chilled water AED '000** | **Value chain business AED '000** | **Eliminations AED '000** | **Total AED '000** | Chilled water AED '000 | Value chain business AED '000 | Eliminations AED '000 | Total AED '000 |
| **Continuing operations** | | | | | | | | |
| **Revenues** | | | | | | | | |
| External revenue | **2,141,182** | **74,974** | **-** | **2,216,156** | 1,882,090 | 72,995 | - | 1,955,085 |
| Inter–segment revenue | **-** | **48,890** | **(48,890)** | **-** | - | 43,880 | (43,880) | - |
| **Total revenues** | **2,141,182** | **123,864** | **(48,890)** | **2,216,156** | 1,882,090 | 116,875 | (43,880) | 1,955,085 |
| Direct costs | **(1,140,955)** | **(65,011)** | **28,047** | **(1,177,919)** | (1,038,931) | (64,142) | 18,809 | (1,084,264) |
| **Gross profit** | **1,000,227** | **58,853** | **(20,843)** | **1,038,237** | 843,159 | 52,733 | (25,071) | 870,821 |
| Reversal of (impairment provision) for trade receivables | **8,930** | **(100)** | **-** | **8,830** | (676) | (420) | - | (1,096) |
| Administrative and other expenses | **(229,897)** | **(29,839)** | **14,567** | **(245,169)** | (233,013) | (29,236) | 15,704 | (246,545) |
| **Operating profit** | **779,260** | **28,914** | **(6,276)** | **801,898** | 609,470 | 23,077 | (9,367) | 623,180 |
| Finance costs | **(288,297)** | **(1,147)** | **-** | **(289,444)** | (257,089) | (619) | - | (257,708) |
| Finance income | **21,646** | **59** | **-** | **21,705** | 2,583 | 102 | - | 2,685 |
| Other gains and losses, net | **69,639** | **-** | **-** | **69,639** | 130,233 | - | - | 130,233 |
| Share of results of associates and joint ventures | **29,607** | **-** | **-** | **29,607** | 35,673 | - | - | 35,673 |
| **Profit from continuing operations** | **611,855** | **27,826** | **(6,276)** | **633,405** | 520,870 | 22,560 | (9,367) | 534,063 |
| Profit from discontinued operation | **-** | **-** | **-** | **-** | 76,682 | - | - | 76,682 |
| **Profit for the year** | **611,855** | **27,826** | **(6,276)** | **633,405** | 597,552 | 22,560 | (9,367) | 610,745 |

## 4 Operating segments (continued)

Inter-segment transactions are eliminated on consolidation.

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

| | **For the year ended 31 December 2022** | | | For the year ended 31 December 2021 | | |
|---|---|---|---|---|---|---|
| | **Chilled water AED'000** | **Value chain business AED'000** | **Total AED'000** | Chilled water AED'000 | Value chain business AED'000 | Total AED'000 |
| Depreciation on property, plant and equipment (Note 11) | **187,770** | **4,395** | **192,165** | 184,859 | 3,520 | 188,379 |
| Depreciation on Right-of-use asset (Note 16) | **22,579** | **1,277** | **23,856** | 22,408 | 1,000 | 23,408 |
| | **210,349** | **5,672** | **216,021** | 207,267 | 4,520 | 211,787 |

Segment assets and liabilities are as follows:

| | **2022** | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Chilled water AED'000** | **Value chain business AED'000** | **Total AED'000** | Chilled water AED'000 | Value chain business AED'000 | Total AED'000 |
| Other segment assets | **14,882,469** | **111,160** | **14,993,629** | 14,300,835 | 159,702 | 14,460,537 |
| Investments in associates | **438,670** | **-** | **438,670** | 354,098 | - | 354,098 |
| Investment in joint ventures | **18,618** | **-** | **18,618** | 18,692 | - | 18,692 |
| **Total assets** | **15,339,757** | **111,160** | **15,450,917** | 14,673,625 | 159,702 | 14,833,327 |
| Segment liabilities | **8,197,787** | **99,055** | **8,296,842** | 8,306,227 | 80,704 | 8,386,931 |
| **Total liabilities** | **8,197,787** | **99,055** | **8,296,842** | 8,306,227 | 80,704 | 8,386,931 |

## 4 Operating segments (continued)

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

| | **2022** | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Chilled water AED'000** | **Value chain business AED'000** | **Total AED'000** | Chilled water AED'000 | Value chain business AED'000 | Total AED'000 |
| Capital expenditure: | | | | | | |
| Property, plant and equipment | **10,832** | **3,176** | **14,008** | 17,212 | 2,791 | 20,003 |
| Capital work in progress | **160,559** | **-** | **160,559** | 136,359 | - | 136,359 |

**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** | |
|---|---|---|---|---|
| | **2022 AED '000** | 2021 AED '000 | **2022 AED '000** | 2021 AED '000 |
| United Arab Emirates | **2,104,471** | 1,876,397 | **11,799,736** | 11,988,169 |
| Others | **111,685** | 78,688 | **585,096** | 582,452 |
| | **2,216,156** | 1,955,085 | **12,384,832** | 12,570,621 |

**Revenue from external customers**

The following table provides information relating to the Group's major customers, which individually contribute more than 10% towards the Group's revenue for the year ended 31 December 2022 and 31 December 2021.

| | **2022 AED'000** | 2021 AED'000 |
|---|---|---|
| **Chilled water segment:** | | |
| Customer 1 | **340,614** | 346,195 |
| Customer 2 | **315,950** | 303,565 |
| Customer 3 | **217,851** | 183,329 |
| | **874,415** | 833,089 |

## 5 Finance costs

| | **For the year ended 31 December 2022 AED '000** | For the year ended 31 December 2021 AED '000 |
|---|---|---|
| Interest charged to consolidated statement of profit or loss during the year | **289,444** | 257,708 |
| *Interest charged to consolidated statement of profit or loss comprises of:* | | |
| Interest on interest bearing loans and borrowings | **76,332** | 62,360 |
| Profit on Sukuk | **100,979** | 100,996 |
| Interest on bonds | **45,912** | 45,913 |
| Profit on Islamic financing arrangements | **27,818** | 14,926 |
| Amortisation of transaction costs (Note 19) | **20,925** | 15,976 |
| Finance cost related to lease liabilities (Note 17) | **12,534** | 14,013 |
| Other finance costs | **4,944** | 3,524 |
| | **289,444** | 257,708 |

## 6 Profit from operations

### 6.1 Direct costs

| | **For the year ended 31 December 2022 AED '000** | For the year ended 31 December 2021 AED '000 |
|---|---|---|
| Cost of inventories recognised as an expense (i) | **54,621** | 38,687 |
| Depreciation of property, plant and equipment (Note 11) | **183,411** | 179,046 |
| Depreciation of right-of-use assets (Note 16) | **15,470** | 15,128 |
| Amortisation of intangible assets (Note 14) | **103,835** | 61,385 |
| Utility costs | **681,604** | 646,042 |
| Purchase of chilled water from a related party (Note 28) | **63,300** | 62,256 |
| Staff costs (Note 6.3) | **72,236** | 76,622 |
| Others | **3,442** | 5,098 |
| | **1,177,919** | 1,084,264 |

(i) As at 31 December, the inventory balance represents stores and spares which are utilised for repairs and maintenance of the plants managed by the Group.

## 6 Profit from operations (continued)

### 6.2 Administrative and other expenses

| | **For the year ended 31 December 2022 AED '000** | For the year ended 31 December 2021 AED '000 |
|---|---|---|
| Staff costs (Note 6.3) | **155,878** | 153,559 |
| Depreciation of property, plant and equipment (Note 11) | **8,754** | 9,333 |
| Depreciation of right-of-use assets (Note 16) | **8,386** | 8,280 |
| Other expenses | **72,151** | 75,373 |
| | **245,169** | 246,545 |

### 6.3 Staff costs

| | **2022 AED '000** | 2021 AED '000 |
|---|---|---|
| Salaries, benefits and allowances | **218,437** | 223,264 |
| Employees' end of service benefits (Note 25) | **9,677** | 6,917 |
| | **228,114** | 230,181 |

Staff costs are allocated as follows:

| | | |
|---|---|---|
| Direct costs (Note 6.1) | **72,236** | 76,622 |
| Administrative and other expenses (Note 6.2) | **155,878** | 153,559 |
| | **228,114** | 230,181 |

### 6.4 Other gains and losses, net

During the year an amount of AED 130 million was received from a customer following the outcome of arbitration resulting in a gain of AED 45 million recognized in the consolidated statement of profit and loss for the year ended 31 December 2022.

## 7 Basic and diluted earnings per share attributable to ordinary equity holders of the parent

Basic earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

| | **For the year ended 31 December 2022 AED '000** | For the year ended 31 December 2021 AED '000 |
|---|---|---|
| Profit for the year attributable to ordinary equity holders of the parent for basic earnings (AED '000) | | |
| From continuing operations | **600,188** | 508,474 |
| From discontinued operation | **-** | 76,682 |
| | **600,188** | 585,156 |
| Weighted average number of shares (excluding treasury shares) outstanding during the year ('000) | **2,841,965** | 2,841,965 |
| Basic earnings per share from continuing operations (AED) | **0.21** | 0.18 |
| Basic earnings per share from discontinued operation (AED) | **-** | 0.03 |
| Total basic earnings per share (AED) | **0.21** | 0.21 |

The Company does not have any instruments which would have a dilutive impact on earnings per share. Therefore, basic and diluted earnings per share are same for the years ended 31 December 2022 and 2021.

## 8 Dividends and board remuneration

On 14 February 2023, the Board of Directors resolved to recommend to the shareholders at the upcoming Annual General Assembly meeting, the distribution of cash dividends of AED 383.7 million (13.5 fils per share) to the shareholders in respect of the fiscal year ended 31 December 2022.

In 2022, the Board of Directors proposed the distribution of cash dividends of 6.0 fils per share and bonus shares of 2.5% to the shareholders in respect of the fiscal year ended 31 December 2021. The shareholders at the Annual General Assembly Meeting held on 21 March 2022 approved the dividend and the bonus shares. Accordingly, the bonus shares of 69,386,375 were issued on 31 March 2022 and the dividend amounted to AED 166.3 million was paid on 4 April 2022.

In 2021, the Board of Directors proposed the distribution of cash dividends of 5.75 fils per share and bonus shares of 2.22% to the shareholders in respect of the fiscal year ended 31 December 2020. The shareholders at the Annual General Assembly Meeting held on 21 March 2021 approved the dividend and the bonus shares. Accordingly, the dividend amounted to AED 156.1 million and was paid in April 2021 and the bonus shares comprising 60,345,091 shares were issued in April 2021.

## 8 Dividends and board remuneration (continued)

Furthermore, Board of Directors' remuneration of AED 8.6 million for the year ended 31 December 2021 was also approved at the Annual General Meeting held on 21 March 2022. Board remuneration of AED 7.1 million for the year ended 31 December 2020 was approved at the previous Annual General Meeting held on 21 March 2021.

## 9 Subsidiaries

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in the following table:

| **Chilled water segment** | **Country of incorporation** | **Percentage of holding** | | **Principal activities** |
|---|---|---|---|---|
| | | **2022** | 2021 | |
| National Central Cooling Company Ras Al Khaimah LLC | UAE | **100** | 100 | Sale of chilled water |
| Summit District Cooling Company | UAE | **100** | 100 | Sale of chilled water |
| Bahrain District Cooling Company | Bahrain | **99.8** | 99.8 | Sale of chilled water |
| Tabreed Oman SAOC | Oman | **61** | 61 | Sale of chilled water |
| Tabreed Parks Investment LLC | UAE | **100** | 100 | Sale of chilled water |
| Prime District Cooling Company LLC | UAE | **75** | 75 | Sale of chilled water |
| S&T Cool District Cooling Company LLC | UAE | **100** | 100 | Sale of chilled water |
| Tabreed Amaravati District Cooling Private Limited (TADCPL) (ii) | India | **75** | 100 | Sale of chilled water |
| Tabreed Capital Med for Infrastructure and Central Cooling Services LLD (iii) | Egypt | **100** | - | Sale of chilled water |
| Kattameya D5 Infrastructure and Central Cooling Services LLD (iii) | Egypt | **60** | - | Sale of chilled water |
| Tabreed Al Mouj SPC (iii) | Oman | **61** | - | Sale of chilled water |

## 9 Subsidiaries (continued)

| **Chilled water segment** | **Country of incorporation** | **Percentage of holding** | | **Principal activities** |
|---|---|---|---|---|
| | | **2022** | 2021 | |
| Downtown District Cooling LLC | UAE | **80** | 80 | Sale of chilled water |
| Tabreed Sustainable City Limited | UAE | **100** | 100 | Sale of chilled water |
| Saadiyat District Cooling LLC | UAE | **100** | 100 | Sale of chilled water |
| Saadiyat Cooling LLC | UAE | **100** | 100 | Sale of chilled water |
| Business District Cooling Investment LLC | UAE | **100** | 100 | Sale of chilled water |

| **Value chain business segment:** | **Country of incorporation** | **2022** | 2021 | **Principal activities** |
|---|---|---|---|---|
| Gulf Energy Systems LLC | UAE | **100** | 100 | Construction of secondary networks |
| Tabreed Operation & Maintenance Zones Cooling Stations Company | UAE | **100** | 100 | Operation and maintenance of plants |
| Emirates Preinsulated Pipes Industries LLC | UAE | **65** | 65 | Manufacturing of pre-insulated pipes |
| Installation Integrity 2000 LLC | UAE | **100** | 100 | Commissioning and engineering services |
| CoolTech Energy Water Treatment LLC | UAE | **100** | 100 | Water treatment services and sale chilled water related products |
| Ian Banham and Associates (i) | UAE | - | 70 | Design and supervision consultancy |

## 9 Subsidiaries (continued)

| **Value chain business segment:** | **Country of incorporation** | **Percentage of holding** | | **Principal activities** |
|---|---|---|---|---|
| | | **2022** | 2021 | |
| Sahara Cooling and Air Conditioning LLC | UAE | **51** | 51 | Supervision services |
| Tasleem Metering and Payment LLC | UAE | **100** | 100 | Billing and collection of chilled water charges |
| Cooltech Water Treatment LLC | UAE | **100** | 100 | Water treatment services and sale chilled water related |
| Cooltech Water Service L.L.C. | UAE | **100** | 100 | Water treatment services and sale chilled water related |
| Tabreed Energy Service L.L.C. | UAE | **100** | 100 | Building energy efficiency service |

| **Others – Unallocated:** | **Country of incorporation** | **2022** | 2021 | **Principal activities** |
|---|---|---|---|---|
| Tabreed Holdings WLL | Bahrain | **100** | 100 | Act as a holding company |
| Tabreed Al Maryah District Cooling Investment LLC | UAE | **100** | 100 | Act as a holding company |
| District Utilities Energy Investments L.LC | UAE | **100** | 100 | Act as a holding company |
| Tabreed Energy Investments Sole Proprietorship LLC | UAE | **100** | 100 | Act as a holding company |
| Tabreed Utilities & Metering Energy Investment LLC | UAE | **100** | 100 | Act as a holding company |
| Central Utilities & Metering Energy Investment LLC | UAE | **100** | 100 | Act as a holding company |
| Tabreed India Private Limited (ii) | India | **75** | 100 | Act as a holding company |
| Tabreed Infopark Cooling Private Limited (ii) | India | **75** | 100 | Act as a holding company |
| Tabreed Asia Central Cooling Company LTE PTE (ii) | Singapore | **75** | - | Act as a holding company |
| Tabreed Company for Central Cooling Services LLC (Tabreed Misr) | Egypt | **100** | 99 | Act as a holding company |

## 9 Subsidiaries (continued)

(i) During the year, the Group disposed of its entire 70% shareholding in Ian Banham and Associates LLC to its existing non-controlling interest holder. (Note 27.1)

(ii) During the year, Tabreed Asia Central Cooling Company LTE PTE ("Tabreed Asia") was incorporated by the Group, with 75% shareholding. The ownership in Tabreed India and its subsidiaries, Tabreed Infopark Cooling Private Limited and Tabreed Amaravati District Cooling Private Limited, was subsequently transferred to Tabreed Asia resulting in reduction of Group's shareholding in Tabreed India Private Limited, Tabreed Amaravati District Cooling Private Limited (TADCPL) and Tabreed Infopark Cooling Private Limited from 100% to 75% respectively (Note 27.2).

(iii) These companies are established during the year ended 31 December 2022.

### 9.1 Partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

**Proportion of equity interest held by non-controlling interests:**

| **Name** | **Country of incorporation and operation** | **2022 Percentage** | 2021 Percentage |
|---|---|---|---|
| Downtown District Cooling LLC | UAE | **20** | 20 |
| Prime District Cooling Company LLC | UAE | **25** | 25 |
| Emirates Preinsulated Pipes Industries LLC | UAE | **35** | 35 |
| Ian Banham and Associates | UAE | **-** | 30 |
| Bahrain District Cooling Company | Bahrain | **0.02** | 0.02 |
| Tabreed Oman SAOC | Oman | **39** | 39 |
| Tabreed Asia Central Cooling Company LTE PTE | Singapore | **25** | - |

**Accumulated balances of material non-controlling interest:**

| **Name** | **2022 AED '000** | 2021 AED '000 |
|---|---|---|
| Downtown District Cooling LLC | **606,044** | 625,406 |
| Others | **73,221** | 74,845 |
| Total | **679,265** | 700,251 |

**Profit allocated to material non-controlling interest:**

| **Name** | **2022 AED '000** | 2021 AED '000 |
|---|---|---|
| Downtown District Cooling LLC | **28,638** | 26,347 |
| Others | **4,579** | (758) |
| Total | **33,217** | 25,589 |

## 9 Subsidiaries (continued)

### 9.1 Partly-owned subsidiaries (continued)

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

**Summarised statement of profit or loss for 2022:**

| | **Downtown District Cooling LLC AED000** | **Others AED '000** | **Total AED '000** |
|---|---|---|---|
| Revenue from contracts with customers | **382,007** | **157,407** | **539,414** |
| Cost of sales | **(235,321)** | **(105,509)** | **(340,830)** |
| Administrative expenses | **(5,174)** | **(19,465)** | **(24,639)** |
| Finance costs | **(2)** | **(12,117)** | **(12,119)** |
| Interest income | **1,339** | **104** | **1,443** |
| Other income | **341** | **1,113** | **1,454** |
| **Total comprehensive income** | **143,190** | **21,533** | **164,723** |
| Attributable to non-controlling interests | **28,638** | **4,579** | **33,217** |
| Dividends paid to non-controlling interests | **48,000** | **625** | **48,625** |

Summarised statement of profit or loss for 2021:

| | Downtown District Cooling LLC AED'000 | Others AED '000 | Total AED '000 |
|---|---|---|---|
| Revenue from contracts with customers | 356,073 | 133,397 | 489,470 |
| Cost of sales | (220,699) | (90,161) | (310,860) |
| Administrative expenses | (4,686) | (27,354) | (32,040) |
| Finance costs | (2) | (10,163) | (10,165) |
| Interest income | 475 | 193 | 668 |
| Other income | 575 | 676 | 1,251 |
| Total comprehensive income | 131,736 | 6,588 | 138,324 |
| Attributable to non-controlling interests | 26,347 | (758) | 25,589 |
| Dividends paid to non-controlling interests | 32,400 | 3,227 | 35,627 |

## 9 Subsidiaries (continued)

**Summarised statement of financial position as at 31 December 2022:**

| | **Downtown District Cooling LLC AED'000** | **Others AED'000** | **Total AED'000** |
|---|---|---|---|
| Inventories and cash and bank balances (current) | **214,617** | **108,061** | **322,678** |
| Property, plant and equipment and other non-current assets (non-current) | **2,900,508** | **683,455** | **3,583,963** |
| Trade payables and other liabilities | **(84,905)** | **(72,615)** | **(157,520)** |
| Interest-bearing loans and borrowing and lease liabilities | **-** | **(198,558)** | **(198,558)** |
| **Total equity** | **3,030,220** | **520,343** | **3,550,563** |
| *Attributable to:* | | | |
| Equity holders of parent | **2,424,176** | **447,122** | **2,871,298** |
| Non-controlling interest | **606,044** | **73,221** | **679,265** |
| | **3,030,220** | **520,343** | **3,550,563** |

**Summarised statement of financial position as at 31 December 2021:**

| | Downtown District Cooling LLC AED'000 | Others AED'000 | Total AED'000 |
|---|---|---|---|
| Inventories and cash and bank balances (current) | 245,997 | 115,203 | 361,200 |
| Property, plant and equipment and other non-current assets (non-current) | 2,970,835 | 715,490 | 3,686,325 |
| Trade and other payables (current) | (89,802) | (92,456) | (182,258) |
| Interest-bearing loans and borrowing and deferred tax liabilities (non-current) | - | (206,970) | (206,970) |
| Total equity | 3,127,030 | 531,267 | 3,658,297 |
| *Attributable to:* | | | |
| Equity holders of parent | 2,501,624 | 456,422 | 2,958,046 |
| Non-controlling interest | 625,406 | 74,845 | 700,251 |
| | 3,127,030 | 531,267 | 3,658,297 |

## 10 Capital work in progress

The movement in capital work in progress during the year was as follows:

| | **2022** | 2021 |
|---|---|---|
| | **AED '000** | AED '000 |
| At 1 January | **128,016** | 292,808 |
| Additions during the year | **160,559** | 136,359 |
| Acquisition through business combination | **-** | 17,463 |
| Transfer to property, plant and equipment (Note 11) | **(53,030)** | (278,145) |
| Transfer to finance lease receivable (Note 15) | **-** | (40,469) |
| | **235,545** | 128,016 |
| Advances (i) | **16,496** | 73,640 |
| At 31 December | **252,041** | 201,656 |

(i) In December 2021, the Group signed an Agreement with a developer in Oman to acquire a district cooling plant for a value of AED 65.3 million. The payment was made in December 2021 but the transaction was not completed and was subject to finalisation of certain conditions and is therefore recorded under capital work in progress. The transaction was completed subsequent to year end and accordingly, the amount was transferred from capital work in progress to Property plant and equipment during 2022.

(ii) Refer to note 11 for impairment indicators assessment of cash generating units.

## 11 Property, plant and equipment

| | Land, plant and buildings AED'000 | Distribution network AED'000 | Furniture and fixtures AED'000 | Office equipment and instruments AED'000 | Motor vehicles AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|
| **2022** | | | | | | |
| **Cost:** | | | | | | |
| At 1 January 2022 | 4,799,859 | 2,662,123 | 24,642 | 59,072 | 1,353 | 7,547,049 |
| Additions during the year (i) | 46,385 | 27,922 | 230 | 4,807 | 24 | 79,368 |
| Transfer from capital work in progress (Note 10) | 11,320 | 10,365 | | 31,345 | - | 53,030 |
| Disposal of a subsidiary (note 27.1) | - | - | (2,278) | (5) | | (2,283) |
| **At 31 December 2022** | 4,857,564 | 2,700,410 | 22,594 | 95,219 | 1,377 | 7,677,164 |
| **Accumulated depreciation:** | | | | | | |
| At 1 January 2022 | 1,144,886 | 527,666 | 11,244 | 47,534 | 1,344 | 1,732,674 |
| Charge for the year | 126,137 | 57,980 | 3,161 | 4,878 | 9 | 192,165 |
| Disposal of a subsidiary (note 27.1) | - | - | (2,018) | (3) | | (2,021) |
| **At 31 December 2022** | 1,271,023 | 585,646 | 12,387 | 52,409 | 1,353 | 1,922,818 |
| Net carrying amount before accumulated impairment: | | | | | | |
| At 31 December 2022 | 3,586,541 | 2,114,764 | 10,207 | 42,810 | 24 | 5,754,346 |
| **Accumulated impairment:** | | | | | | |
| At 1 January 2022 and at 31 December 2022 | 527,691 | 473,982 | - | - | - | 1,001,673 |
| **Net carrying amount after accumulated impairment:** | | | | | | |
| **At 31 December 2022** | 3,058,850 | 1,640,782 | 10,207 | 42,810 | 24 | 4,752,673 |

(i) During the year, the Group acquired a district cooling plant from a real estate developer in Oman for a total consideration of AED 65.36 million.

## 11 Property, plant and equipment (continued)

| | Land, plant and buildings AED'000 | Distribution network AED'000 | Furniture and fixtures AED'000 | Office equipment and instruments AED'000 | Motor vehicles AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|
| 2021 | | | | | | |
| Cost: | | | | | | |
| At 1 January 2021 | 4,326,786 | 2,576,593 | 24,004 | 54,538 | 1,329 | 6,983,250 |
| Additions during the year | 10,647 | 4,395 | 403 | 4,534 | 24 | 20,003 |
| Acquisition through business combination | 265,651 | - | - | - | - | 265,651 |
| Transfer from capital work in progress (Note 10) | 196,775 | 81,135 | 235 | - | - | 278,145 |
| At 31 December 2021 | 4,799,859 | 2,662,123 | 24,642 | 59,072 | 1,353 | 7,547,049 |
| Accumulated depreciation: | | | | | | |
| At 1 January 2021 | 1,020,989 | 467,861 | 9,939 | 44,218 | 1,288 | 1,544,295 |
| Depreciation for the year | 123,897 | 59,805 | 1,305 | 3,316 | 56 | 188,379 |
| At 31 December 2021 | 1,144,886 | 527,666 | 11,244 | 47,534 | 1,344 | 1,732,674 |
| Net carrying amount before accumulated impairment: | | | | | | |
| At 31 December 2021 | 3,654,973 | 2,134,457 | 13,398 | 11,538 | 9 | 5,814,375 |
| Accumulated impairment: | | | | | | |
| A t 1 January 2021 and at 31 December 2021 | 527,691 | 473,982 | - | - | - | 1,001,673 |
| Net carrying amount after accumulated impairment: | | | | | | |
| At 31 December 2021 | 3,127,282 | 1,660,475 | 13,398 | 11,538 | 9 | 4,812,702 |

## 11 Property, plant and equipment (continued)

The depreciation charge for the year has been allocated as follows:

| | **2022** | 2021 |
|---|---|---|
| | **AED '000** | AED '000 |
| Included in direct costs (Note 6.1) | **183,411** | 179,046 |
| Included in administrative and other expenses (Note 6.2) | **8,754** | 9,333 |
| | **192,165** | 188,379 |

Property, plant and equipment of AED 394.5 million (2021: AED 339.8 million) have been pledged as security against interest-bearing loans (Note 22).

Management undertakes an annual strategic review of all its projects with the view of assessing the impact of any internal or external factors on the recoverable amount of the Group's property, plant and equipment, customer and other contracts and capital work in progress.

Where required, the Group applies the value in use methodology using cash flow projections to estimate the recoverable amount of its property, plant and equipment, customer and other contracts and capital work in progress approved by the Group's management and Board of Directors.

The calculation of value in use is most sensitive in the following judgements and assumptions:

- Identification of cash generating units;
- Estimated use of the plant measured by its Equivalent Full Load Hours (EFLH) defined as annual ton-hours of cooling actually supplied divided by the supplying chiller's design capacity in tons;
- Amount and timing of revenue relating to capacity of the plant:
- Contracted but not connected at year end;
- Inflation rate used to extrapolate cash flows beyond the period of the initial agreement with the respective customer;
- Cost of construction relating to plant and equipment under construction based on contracts signed to date and estimate of cost required to complete;
- Discount rate based on the Group's weighted average cost of capital (WACC) of 6.5% - 10%; and
- Terminal value of distribution assets and buildings.

Revenue estimates are based on discussions with existing and potential customers and expected future loads. Cash inflows are based on the term of the existing contracts with the respective customers extended to the period of expected usage of the plant.

During the year ended 31 December 2022, no borrowing cost is capitalised (2021: Nil).

## 12 Investments in associates

The Group has the following investments in associates:

| | Country of incorporation | Principal activities | Ownership **2022** | Ownership 2021 | Carrying value **2022** | Carrying value 2021 |
|---|---|---|---|---|---|---|
| Industrial City Cooling Company | United Arab Emirates | Sale of chilled water | 20% | - | **937** | - |
| Tabreed District Cooling Company (Saudi) | Kingdom of Saudi Arabia | Sale of chilled water | 30.3% | 28.2% | **386,330** | 313,572 |
| Sahara Cooling Limited | United Arab Emirates | Sale of chilled water | 40% | 40% | **51,403** | 40,526 |
| | | | | | **438,670** | 354,098 |

The Group's interest in associates is accounted for using the equity method in the consolidated financial statements. Movement in investments in associates is as follows:

| | **For the year ended 31 December 2022 AED '000** | For the year ended 31 December 2021 AED '000 |
|---|---|---|
| At 1 January | **354,098** | 339,063 |
| Share of results for the year from continuing operations | **29,681** | 21,026 |
| Share of results for the year from discontinued operation (i) | **-** | 24,732 |
| Additions (ii) | **53,485** | - |
| Dividends received | **(9,514)** | (8,835) |
| Share of changes in fair value of effective cash flow hedges | **17,489** | 10,715 |
| Adjustments for inter group transactions | **(6,569)** | (7,871) |
| Classified as held for sale (i) | **-** | (24,732) |
| At 31 December | **438,670** | 354,098 |

Below is the movement of assets held for sale:

| | **For the year ended 31 December 2022 AED '000** | For the year ended 31 December 2021 AED '000 |
|---|---|---|
| At 1 January | **-** | 329,885 |
| Classified as held for sale | **-** | - |
| Share of results for the year from discontinued operation (i) | **-** | 24,732 |
| Disposed off during the year (i) | **-** | (354,617) |
| At 31 December | **-** | - |

## 12 Investments in associates (continued)

The associates are involved in the same business activity as Tabreed. The reporting dates for the associates are the same as for Tabreed. The investments are considered strategic to the Group.

(i) On 15 August 2021, the group disposed of its interest in Qatar Central Cooling Company PJSC to its existing shareholders for a consideration of AED 406.6 million (net of tax). The carrying value of investment at the time of disposal was AED 354.6 million which accordingly resulted in a gain of AED 52 million upon disposal, and was reported under profit from discontinued operation in the consolidated statement of profit or loss.

(ii) During the year 2022, the Group purchased of 2.3% additional shares purchased from an existing shareholder of Tabreed District Cooling Company (Saudi), at a price of AED 53.5 million. The transaction resulted in an increase in the Group's shareholding in Tabreed District Cooling Company (Saudi) from 28% to 30.3% in 2022.

The following illustrates summarised financial information of the Group's investments in associates. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Group's share of those amounts.

| | **Tabreed District Cooling Company (Saudi) AED '000** | **Others AED '000** | **Total AED '000** |
|---|---|---|---|
| **2022** | | | |
| Total current assets | **566,304** | **70,104** | **636,408** |
| Total non-current assets | **2,022,091** | **296,963** | **2,319,054** |
| Total current liabilities | **(248,634)** | **(17,522)** | **(266,156)** |
| Total non-current liabilities | **(1,151,026)** | **(216,353)** | **(1,367,379)** |
| Net assets | **1,188,735** | **133,192** | **1,321,927** |
| Tabreed's share of net assets | **332,845** | **52,340** | **385,185** |
| Impact of additional investment | **53,485** | **-** | **53,485** |
| Tabreed's share of net assets | **386,330** | **52,340** | **438,670** |

| | Tabreed District Cooling Company (Saudi) AED '000 | Others AED '000 | Total AED '000 |
|---|---|---|---|
| 2021 | | | |
| Total current assets | 501,624 | 68,821 | 570,445 |
| Total non-current assets | 1,977,840 | 324,544 | 2,302,384 |
| Total current liabilities | (247,702) | (35,371) | (283,073) |
| Total non-current liabilities | (1,111,861) | (256,678) | (1,368,539) |
| Net assets | 1,119,901 | 101,316 | 1,221,217 |
| Tabreed's share of net assets | 313,572 | 40,526 | 354,098 |

## 12 Investments in associates (continued)

**Reconciliation of carrying amounts**

| | **Tabreed District Cooling Company (Saudi) AED '000** | **Others AED '000** | **Total AED '000** |
|---|---|---|---|
| **2022** | | | |
| Opening net assets | **1,119,901** | **101,316** | **1,221,217** |
| Profit for the year | **29,105** | **57,692** | **86,797** |
| Other comprehensive income | **39,729** | **15,914** | **55,643** |
| Dividends paid | **-** | **(23,785)** | **(23,785)** |
| Other adjustments | **-** | **(17,945)** | **(17,945)** |
| Closing net assets | **1,188,735** | **133,192** | **1,321,927** |
| Tabreed's share of net assets | **332,845** | **52,340** | **385,185** |
| Impact of Additional Investment | **53,485** | **-** | **53,485** |
| Tabreed's share of net assets | **386,330** | **52,340** | **438,670** |

| | Tabreed District Cooling Company (Saudi) AED 000' | Others AED 000' | Total AED 000' |
|---|---|---|---|
| 2021 | | | |
| Opening net assets | 1,093,569 | 92,511 | 1,186,080 |
| Profit for the year | 5,000 | 42,778 | 47,778 |
| Other comprehensive income | 26,100 | 8,518 | 34,618 |
| Dividends paid | - | (24,710) | (24,710) |
| Other adjustments | (4,768) | (17,781) | (22,549) |
| Closing net assets | 1,119,901 | 101,316 | 1,221,217 |
| Tabreed's share of net assets | 313,572 | 40,526 | 354,098 |

## 12 Investments in associates (continued)

**Reconciliation of carrying amounts** (continued)

| | **Tabreed District Cooling Company (Saudi) AED 000'** | **Others AED 000'** | **Total AED 000'** |
|---|---|---|---|
| **2022** | | | |
| Revenue | **330,049** | **119,311** | **449,360** |
| Cost of sales | **(159,080)** | **(51,099)** | **(210,179)** |
| Administrative and other expenses | **(84,131)** | **(3,903)** | **(88,034)** |
| Other income | **4,346** | **170** | **4,516** |
| Net finance cost | **(62,079)** | **(6,787)** | **(68,866)** |
| Profit for the year | **29,105** | **57,692** | **86,797** |
| Tabreed's share of results for the year | **8,149** | **21,532** | **29,681** |

| | Tabreed District Cooling Company (Saudi) AED 000' | Others AED 000' | Total AED 000' |
|---|---|---|---|
| 2021 | | | |
| Revenue | 260,956 | 118,968 | 379,924 |
| Cost of sales | (98,163) | (43,333) | (141,496) |
| Administrative and other expenses | (82,250) | (23,753) | (106,003) |
| Other income | 2,211 | 121 | 2,332 |
| Net finance cost | (77,754) | (9,225) | (86,979) |
| Profit for the year | 5,000 | 42,778 | 47,778 |
| Tabreed's share of results for the year | 1,400 | 19,626 | 21,026 |

## 12 Investments in associates (continued)

Net assets of associates include the Group's share of fair value of derivatives of associates amounting to AED 14.6 million (2021: AED 2.9 million). Summarised financial information of the Group's investments in associates is adjusted for intercompany transactions.

Commitments and contingent liabilities in respect of the associates are disclosed in notes 29 and 30.

## 13 Investments in joint ventures

The Group has the following investment in joint ventures:

| | Country of incorporation | Principal activities | Ownership | | Carrying value | |
|---|---|---|---|---|---|---|
| | | | **2022** | 2021 | **2022 AED 000'** | 2021 AED 000' |
| SNC Lavalin Gulf Contractors LLC (i) | United Arab Emirates | Construction business | **51%** | 51% | **18,618** | 18,692 |

SNC Lavalin Gulf Contractors LLC (SLGC), a limited liability company is involved in engineering, procurement, construction and construction management in the field of District Cooling. The Group's interest in SLGC is accounted for using the equity method in the consolidated financial statements as both the shareholders jointly control and have equal rights to the net assets.

The reporting date for the joint venture was the same as for Tabreed.

Movement in investments in joint ventures was as follows:

| | **For the year ended 31 December 2022 AED '000** | For the year ended 31 December 2021 AED '000 |
|---|---|---|
| At 1 January | **18,692** | 19,195 |
| Share of results for the year | **(74)** | 14,647 |
| Dividends paid | **-** | (5,751) |
| Share of changes in fair value of effective cash flow hedges | **-** | 20,385 |
| Adjustments for inter group transactions | **-** | (4,929) |
| De-recognition of investment in joint ventures and recognition as a subsidiary | **-** | (24,855) |
| At 31 December | **18,618** | 18,692 |

Share of the joint ventures' revenues and profits:

| | | |
|---|---|---|
| Revenues | **8,233** | 69,217 |
| (Loss) profit for the year | **(74)** | 14,647 |

## 13 Investments in joint ventures (continued)

The following illustrates summarised financial information of the Group's investments in joint ventures:

| | **For the year ended 31 December 2022 AED '000** | For the year ended 31 December 2021 AED '000 |
|---|---|---|
| Revenue | **16,144** | 138,119 |
| Cost of sales | **(14,077)** | (62,482) |
| Administrative and other expenses | **(2,127)** | (14,530) |
| Other income | **(5)** | 264 |
| Net finance cost | **(81)** | (32,064) |
| (Loss) profit for the year | **(146)** | 29,307 |
| Tabreed's share of results for the year | **(74)** | 14,647 |
| | | |
| Total current assets | **52,138** | 51,399 |
| Total non-current assets | **1,123** | 299 |
| Total current liabilities | **(16,525)** | (15,536) |
| Total non-current liabilities | **(231)** | 488 |
| Net assets | **36,505** | 36,650 |
| Tabreed's share of net assets | **18,618** | 18,692 |

**Reconciliation of carrying amounts:**

| | | |
|---|---|---|
| Opening net assets | **36,650** | 38,389 |
| (Loss) profit for the year | **(146)** | 29,307 |
| Other comprehensive income | **-** | 30,820 |
| Dividends paid | **-** | (11,502) |
| De-recognition of investment in joint ventures and recognition as a subsidiary | **-** | (49,709) |
| Other adjustments | **-** | (655) |
| Closing net assets | **36,504** | 36,650 |
| | | |
| Tabreed's share of net assets | **18,618** | 18,692 |

Summarised financial information of the Group's investments in joint ventures is adjusted for intercompany transactions.

Commitments and contingent liabilities in respect of the joint ventures are disclosed in Notes 29 and 30.

## 14 Intangible assets

### Goodwill

| | **2022** | 2021 |
|---|---|---|
| | **AED '000** | AED '000 |
| At 1 January | **347,734** | 107,446 |
| Acquisition through business combinations | **-** | 240,288 |
| Disposal of a subsidiary (Note 27.1) | **(28,527)** | - |
| At 31 December | **319,207** | 347,734 |

| | **2022** | 2021 |
|---|---|---|
| | **AED '000** | AED '000 |
| Ian Banham & Associates (note 27.1) | **-** | 28,527 |
| Downtown District Cooling LLC | **78,919** | 78,919 |
| Business District Cooling Investment LLC | **240,288** | 240,288 |
| | **319,207** | 347,734 |

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of the goodwill for each cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the board covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth and inflation rates. These growth rates are consistent with forecasts from previous years and industry specific benchmarks in which each CGU operates.

The goodwill comprises of the fair value of expected synergies and future connections that may result through acquired district cooling plants and networks.

During the year ended 31 December 2022, management performed its annual impairment review of goodwill, using the discounted cashflow model and trading multiples of comparable companies' approach.

Following key assumptions were used in the discounted cashflow review:
- Consumer price index: 2.5%
- Discount rate: 7%

The recoverable amounts of the CGUs are most sensitive to the discount rate used for the value-in-use calculation. A change in discount rate by 1% would result in a reduction in the difference between the carrying value of the CGU (including allocated goodwill) and the recoverable amount by 45%, without resulting in an impairment loss.

Management has assessed that no impairment loss is required to be recognised against goodwill at the reporting date.

## 14 Intangible assets (continued)

### Contracts

| | 2022 AED '000 | 2021 AED '000 |
|---|---|---|
| At 1 January | **3,936,718** | 2,252,681 |
| Acquisition through business combinations | **-** | 1,745,422 |
| Amortisation charge for the year (Note 6.1) | **(103,835)** | (61,385) |
| At 31 December | **3,832,883** | 3,936,718 |

The customer contracts and contractual rights were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition, and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

## 15 Finance lease receivables

Movement in the finance lease receivables during the year was as follows:

| | 2022 AED '000 | 2021 AED '000 |
|---|---|---|
| At 1 January, net | **3,012,278** | 3,108,650 |
| Finance lease income | **220,896** | 227,062 |
| Variable lease payment CPI indexation | **6,340** | (37,073) |
| Total finance lease income (Note 3) | **227,236** | 189,989 |
| Initial recognition of new finance lease receivables | **-** | 40,469 |
| Lease rentals received | **(337,344)** | (326,830) |
| At 31 December, net | **2,902,170** | 3,012,278 |

Finance lease receivable is allocated in the consolidated statement of financial position as follows:

| | 2022 AED '000 | 2021 AED '000 |
|---|---|---|
| Current assets | **324,279** | 323,588 |
| Non-current assets | **2,577,891** | 2,688,690 |
| | **2,902,170** | 3,012,278 |

## 15 Finance lease receivables (continued)

Future minimum lease receivables under finance leases together with the present value of net minimum lease receivables are as follows:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **Minimum lease receivables AED '000** | **Present value of minimum lease AED '000** | Minimum lease receivables AED '000 | Present value of minimum lease AED '000 |
| Within one year | **337,345** | **324,279** | 336,623 | 323,588 |
| After one but no more than five years | **1,349,379** | **1,083,553** | 1,346,490 | 1,081,289 |
| More than five years | **3,100,307** | **1,494,338** | 3,428,911 | 1,607,401 |
| | **4,787,031** | **2,902,170** | 5,112,024 | 3,012,278 |
| Unearned finance income | **(1,884,861)** | **-** | (2,099,746) | - |
| | **2,902,170** | **2,902,170** | 3,012,278 | 3,012,278 |

Movement in unearned finance income was as follows:

| | **2022** | 2021 |
|---|---|---|
| | **AED '000** | AED '000 |
| At 1 January | **2,099,746** | 2,321,644 |
| Finance income recognised during the year | **(220,896)** | (227,062) |
| Variable lease payment CPI indexation | **6,011** | (29,907) |
| Relating to new finance leases | **-** | 35,071 |
| At 31 December | **1,884,861** | 2,099,746 |

No unguaranteed residual value to the benefit of the lessor is assumed for the purpose of the above calculation.

The Group leases represent district cooling plants. Contracts are usually made for fixed periods of 15 years to 30 years. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. The Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

## 16 Right-of-use assets

Movement in right-of-use asset was summarised as follows:

| | Land, plant and buildings AED'000 | Distribution network AED'000 | Motor vehicles AED'000 | Total AED'000 |
|---|---|---|---|---|
| **2022** | | | | |
| **Cost:** | | | | |
| At 1 January 2022 | **255,847** | **90,760** | **17,023** | **363,630** |
| Additions during the year | **-** | **-** | **6,374** | **6,374** |
| **At 31 December 2022** | **255,847** | **90,760** | **23,397** | **370,004** |
| **Depreciation:** | | | | |
| At 1 January 2022 | **54,291** | **1,859** | **8,896** | **65,046** |
| Depreciation for the year | **18,604** | **1,905** | **3,347** | **23,856** |
| **At 31 December 2022** | **72,895** | **3,764** | **12,243** | **88,902** |
| Net carrying amount before accumulated impairment: | | | | |
| At 31 December 2022 | **182,952** | **86,996** | **11,154** | **281,102** |
| **Impairment:** | | | | |
| At 1 January 2021 and at 31 December 2022 | **88,253** | **-** | **-** | **88,253** |
| **Net carrying amount after accumulated impairment:** | | | | |
| **At 31 December 2022** | **94,699** | **86,996** | **11,154** | **192,849** |
| 2021 | | | | |
| Cost: | | | | |
| At 1 January 2021 | 239,527 | 45,100 | 10,733 | 295,360 |
| Acquisition through business combination | - | 45,660 | - | 45,660 |
| Additions during the year | 16,320 | - | 6,290 | 22,610 |
| At 31 December 2021 | 255,847 | 90,760 | 17,023 | 363,630 |
| Depreciation: | | | | |
| At 1 January 2021 | 35,907 | 82 | 5,649 | 41,638 |
| Depreciation for the year | 18,384 | 1,777 | 3,247 | 23,408 |
| At 31 December 2021 | 54,291 | 1,859 | 8,896 | 65,046 |
| Net carrying amount before accumulated impairment: | | | | |
| At 31 December 2021 | 201,556 | 88,901 | 8,127 | 298,584 |
| Impairment: | | | | |
| At 1 January 2021 and at 31 December 2021 | 88,253 | - | - | 88,253 |
| Net carrying amount after accumulated impairment: | | | | |
| At 31 December 2021 | 113,303 | 88,901 | 8,127 | 210,331 |

## 16 Right-of-use assets (continued)

The depreciation charge for the year has been allocated as follows:

| | 2022<br>AED '000 | 2021<br>AED '000 |
|---|---|---|
| Included in direct costs (Note 6.1) | **15,470** | 15,128 |
| Included in administrative and other expenses (Note 6.2) | **8,386** | 8,280 |
| | **23,856** | 23,408 |

## 17 Lease liabilities

Movement in the lease liabilities during the year is as follows:

| | 2022<br>AED '000 | 2021<br>AED '000 |
|---|---|---|
| At 1 January 2022 | **247,264** | 264,400 |
| Addition | **6,374** | 22,610 |
| Accretion (Note 5) | **12,534** | 14,013 |
| Repayment | **(49,363)** | (53,759) |
| **At 31 December 2022** | **216,809** | 247,264 |

Lease liabilities are allocated in the consolidated statement of financial position as follows:

| | 2022<br>AED '000 | 2021<br>AED '000 |
|---|---|---|
| Current | **46,322** | 46,685 |
| Non-current | **170,487** | 200,579 |
| | **216,809** | 247,264 |

Management has not considered the potential exposure of termination and extension clauses in determining lease liabilities.

Amounts recognised in the consolidated statement of comprehensive income as follows:

The statement of comprehensive income shows the following amounts relating to leases:

| | 2022<br>AED '000 | 2021<br>AED '000 |
|---|---|---|
| Depreciation of right-of-use asset (Note 16) | **23,856** | 23,408 |
| Finance cost on lease liabilities (Note 5 & 17) | **12,534** | 14,013 |
| | **36,390** | 37,421 |

## 17 Lease liabilities (continued)

The statement of cash flows shows the following movement relating to leases:

| | 2022<br>AED '000 | 2021<br>AED '000 |
|---|---|---|
| Principle elements of lease payments | **36,829** | 39,746 |
| Finance cost on lease liabilities (Note 5 & 17) | **12,534** | 14,013 |
| | **49,363** | 53,759 |

## 18 Trade and other receivables

| | 31 December<br>2022<br>AED '000 | 31 December<br>2021<br>AED '000 |
|---|---|---|
| Trade receivables, net | **442,251** | 500,936 |
| Amounts due from related parties (Note 28) | **67,809** | 57,523 |
| Advances to suppliers and employees | **10,538** | 20,540 |
| Deposits, accruals and other receivables | **108,907** | 97,676 |
| Derivative financial instruments (Note 26i) | **263,789** | - |
| Prepayments | **15,182** | 14,332 |
| | **908,476** | 691,007 |

As at 31 December 2022, trade receivables with a nominal value of AED 24.7 million (2021: AED 41.7 million) were provided for as per the requirements of IFRS 9 expected credit loss model. Movement in the provision for impairment of trade receivables is as follows:

| | 31 December<br>2022<br>AED '000 | 31 December<br>2021<br>AED '000 |
|---|---|---|
| At 1 January | **41,677** | 48,866 |
| (Reversal of) provision for the year | **(8,830)** | 1,096 |
| Amounts written off | **(8,145)** | (8,285) |
| At 31 December | **24,702** | 41,677 |

The following table details the risk profile of trade receivables and amounts due from related parties based on the Group's provision matrix. Group's provision for loss allowance is based on past due status between the Group's different customer base for majority of the customers.

## 18 Trade and other receivables (continued)

As at 31 December, the ageing analysis of trade receivables and amounts due from related parties is as follows:

| | | | | *Past due* | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Total** | ***Current*** | ***< 30 days*** | ***30 – 60 days*** | ***60 – 90 days*** | ***90 – 120 days*** | ***120 – 365 days*** | ***>365 days*** |
| **2022** | | | | | | | | |
| **Gross receivable (AED'000)** | **534,762** | **262,036** | **104,844** | **54,762** | **14,504** | **14,217** | **32,383** | **52,016** |
| **Provision %** | **4.6%** | **0.7%** | **1.1%** | **1.5%** | **3.4%** | **4.2%** | **10.1%** | **31.9%** |
| **Provision (AED'000)** | **24,702** | **1,811** | **1,125** | **816** | **490** | **601** | **3,284** | **16,575** |
| **Net receivable (AED'000)** | **510,060** | **260,225** | **103,719** | **53,946** | **14,014** | **13,616** | **29,099** | **35,441** |
| 2021 | | | | | | | | |
| Gross receivable (AED'000) | 600,136 | 248,970 | 69,583 | 89,412 | 39,108 | 20,242 | 54,946 | 77,875 |
| Provision % | 6.9% | 0.1% | 0.2% | 0.2% | 1.0% | 1.7% | 16.7% | 39.9% |
| Provision (AED'000) | 41,677 | 290 | 168 | 199 | 403 | 334 | 9,194 | 31,089 |
| Net receivable (AED'000) | 558,459 | 248,680 | 69,415 | 89,213 | 38,705 | 19,908 | 45,752 | 46,786 |

Trade receivables are non-interest bearing and are generally on 30 – 60 days terms. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured. For terms and conditions relating to related party receivables, refer to Note 28.

## 19 Cash and bank balances

Bank balances and cash included in the consolidated statement of financial position and in the consolidated statement of cash flows are as follows:

| | **2022 AED '000** | 2021 AED '000 |
|---|---|---|
| Bank balances and cash | **331,722** | 354,217 |
| Bank deposits | **1,441,579** | 843,056 |
| Cash and cash equivalents as at 31 December | **1,773,301** | 1,197,273 |

Included in the bank balances is an amount of AED 15.2 million (2021: AED 8.6 million) placed in debt service reserve accounts in relation to bank facilities and an amount of AED 1.9 million (2021: AED 3.7 million) held as cash margin against trade related bank guarantees and letters of credit.

## 19 Cash and bank balances (continued)

Bank deposits attract a fixed rate of interest ranging from 3.9% to 4.5% per annum (2021: 0.17% to 1.85% per annum).

Geographical concentration of cash and bank balances is as follows:

| | **2022** **AED '000** | 2021 AED '000 |
|---|---|---|
| Within UAE | **1,746,373** | 1,166,399 |
| Outside UAE | **26,928** | 30,874 |
| | **1,773,301** | 1,197,273 |

The table below details changes in the Group's labilities arising from financing activities, including both cash and non-cash changes.

| | **2022** **AED '000** | 2021 AED '000 |
|---|---|---|
| Cash and bank balances | **1,773,301** | 1,197,273 |
| Interest bearing loans and borrowings | **(2,506,481)** | (2,530,048) |
| Islamic financing arrangements | **(937,391)** | (941,412) |
| Non-convertible bonds and Sukuk | **(3,648,295)** | (3,643,080) |
| Lease liabilities | **(216,809)** | (247,264) |
| **Net debt** | **(5,535,675)** | (6,164,531) |

## 19 Cash and bank balances (continued)

| | Cash and bank balances AED'000 | Interest bearing loans and borrowings AED'000 | Islamic financing arrange-ments AED'000 | Non- converti-ble Bonds and Sukuk AED'000 | Lease liabilities AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|
| **Net debt** | | | | | | |
| **Balance at 1 January 2022** | **1,197,273** | **(2,530,048)** | **(941,412)** | **(3,643,080)** | **(247,264)** | **(6,164,531)** |
| Cash flows | **576,028** | **32,748** | **8,433** | **-** | **49,363** | **666,572** |
| Non-cash transaction: | | | | | | |
| Amortisation of transaction cost (Note 5) | - | **(11,298)** | **(4,412)** | **(5,215)** | - | **(20,925)** |
| Non cash adjustment | - | **2,117** | - | - | - | **2,117** |
| Addition (Note 17) | - | - | - | - | **(6,374)** | **(6,374)** |
| Accretion (Note 5) | - | - | - | - | **(12,534)** | **(12,534)** |
| **Balance at 31 December 2022** | **1,773,301** | **(2,506,481)** | **(937,391)** | **(3,648,295)** | **(216,809)** | **(5,535,675)** |

| | Cash and bank balances AED'000 | Interest bearing loans and borrowings AED'000 | Islamic financing arrangem-ents AED'000 | Non-convertible Sukuk AED'000 | Lease liabilities AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|
| **Net debt** | | | | | | |
| **Balance at 1 January 2021** | 1,312,894 | (2,156,407) | (630,681) | (3,639,348) | (264,400) | (5,377,942) |
| Cash flows | (115,621) | (24,479) | 5,115 | - | 53,759 | (81,226) |
| Non-cash transaction: | | | | | | |
| Amortisation of transaction cost (Note 5) | - | (9,725) | (2,519) | (3,732) | - | (15,976) |
| Addition (Note 17, 22 and 23) | - | (339,437) | (313,327) | - | (22,610) | (675,374) |
| Accretion (Note 5) | - | - | - | - | (14,013) | (14,013) |
| **Balance at 31 December 2021** | 1,197,273 | (2,530,048) | (941,412) | (3,643,080) | (247,264) | (6,164,531) |

## 20 Issued capital

| | **2022 AED '000** | 2021 AED '000 |
|---|---|---|
| **Authorised, issued and fully paid up share capital** | | |
| Shares 2,845,260,590 (2021: 2,775,874,215) ordinary shares of AED 1 each (Note 8) | **2,845,261** | 2,775,874 |

Total of 69,386,375 of bonus shares were issued on 31 March 2022 (Note 8).

## 21 Statutory reserve

As required by the UAE Federal Law No. (32) of 2021, and the articles of association of companies registered in UAE, 10% of the profit of the parent and relevant subsidiaries for the year is transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve equals 50% of the issued capital. The reserve is not available for distribution.

## 22 Interest bearing loans and borrowings

| | Effective interest rate % | 2022 AED '000 | 2021 AED '000 |
|---|---|---|---|
| Term loan 1(i) | LIBOR + margin | **1,882,306** | 1,873,755 |
| Term loan 2(ii) | LIBOR + margin | **327,121** | 334,297 |
| Term loan 3 (iii) | EIBOR + margin | **134,673** | 146,474 |
| Term loan 4(iv) | 5.75% | **54,470** | 63,416 |
| Term loan 5(v) | 5.75% | **51,065** | 51,651 |
| Term loan 6(vi) | EIBOR + margin | **56,846** | 60,455 |
| Term loan 7(vii) | EIBOR + Margin | **-** | - |
| | | **2,506,481** | 2,530,048 |

Interest bearing loans and borrowings are allocated in the consolidated statement of financial position as follows:

| | 2022 AED '000 | 2021 AED '000 |
|---|---|---|
| Current portion | **37,626** | 35,014 |
| Non-current portion | **2,468,855** | 2,495,034 |
| | **2,506,481** | 2,530,048 |

(i) Term loan 1

During the year 2020, the Group secured a facility of AED 1,900.4 million (US$ 517.4 million) from a syndicate of banks to finance the acquisition of a subsidiary. The facility carries interest rate of LIBOR plus a margin. The interest is payable in cash on a flexible basis as agreed with the bank at every interest reset period. The facility is repayable with a 100% bullet payment in March 2025.

It is an un-secured facility, ranks pari passu with all other unsecured and unsubordinated liabilities of the Group.

(ii) Term loan 2

Term loan 2 relates to a subsidiary (Business District Cooling Investment LLC or "BDCI") and represents borrowing with a local commercial bank. The loan was acquired during 2021 as part of the business combination. The loan carries interest rate of LIBOR plus a margin, payable in cash on a quarterly basis and is secured against shares of the subsidiary pledged with the bank. The facility is repayable in semi-annual instalments with the last instalment due on 30 June 2034. During the year, total repayments of AED 9.1 million were made against this facility (2021: AED 5.5 million), the payment of 2021 pertains to the period covering post acquisition. .

(iii) Term loan 3

Term loan 3 relates to a subsidiary and represents borrowing with a local commercial bank. The facility amounting to AED 192.5 million was obtained to finance the construction of a plant. The facility carries interest rate of EIBOR plus a margin, payable in cash on a quarterly basis and is secured against the plant for which facility was obtained. The facility is repayable in 23 semi-annual instalments which commenced on March 2017 with a bullet payment of AED 48.1 million in March 2028. During the year, total repayments of AED 12.0 million were made against this facility (2021: AED 10.8 million).

## 22 Interest bearing loans and borrowings (continued)

(iv) Term loan 4

Term loan 4 relates to a subsidiary and represents borrowing with a local commercial bank. This facility is secured against the receivables and commercial charge over property, plant and equipment (plant & machinery). The loan is repayable in quarterly instalments and maturing in June 2029 and carries fixed interest of 5.75% per annum (December 2021: 5.75% per annum). During the year total repayments of AED 6.7 million were made (2021: AED 1.7 million).

(v) Term loan 5

During 2021, the Group acquired a new facility through a subsidiary which represents borrowing with a local commercial bank. This facility is secured against the receivables and commercial charge over property, plant and equipment (plant & machinery). The loan is repayable in quarterly instalments and maturing in December 2033 and carries fixed interest of 5.75% per annum (2021:5.75%). During the year total repayments of AED 1.2 million were made (2021: AED nil).

(vi) Term loan 6

Term loan 6 relates to a subsidiary and represents borrowing with a local commercial bank. The facility amounting to AED 77.9 million was obtained to finance the acquisition of a plant. The facility carries interest rate of EIBOR plus a margin, payable in cash on a quarterly basis and is secured against the plant for which facility was obtained. The facility is repayable in 60 quarterly instalments with the last instalment due on 31 December 2031. During the year, total repayments of AED 3.7 million were made against this facility (2021: AED 6.7 million).

(vii) Term loan 7

The Group has a revolving facility of AED 590 million to be utilised in form of cash withdrawals. The revolving facility carries interest at EIBOR plus a margin and will expire on 31 December 2023. As of 31 December 2022, the Group has not utilised balance from this revolving facility. This facility is unsecured.

Included in the interest-bearing loans and borrowings is an amount of AED 33.0 million of unamortised transaction cost (2021: AED 44.3 million).

The Group has complied with all the applicable financial covenants at the reporting date.

## 23 Islamic financing arrangement

| | Effective interest rate % | 2022 AED '000 | 2021 AED '000 |
|---|---|---|---|
| Islamic financing arrangement (1) | LIBOR + margin | **635,604** | 632,990 |
| Islamic financing arrangement (2) | LIBOR + margin | **301,787** | 308,422 |
| | | **937,391** | 941,412 |

Islamic financing arrangement are allocated in the consolidated statement of financial position as follows:

| | 2022 AED '000 | 2021 AED '000 |
|---|---|---|
| Current portion | **8,073** | 8,418 |
| Non-current portion | **929,318** | 932,994 |
| | **937,391** | 941,412 |

## 23 Islamic financing arrangement (continued)

*Islamic financing arrangement (1)*

During the year 2020, the Group secured a new Islamic facility of AED 641.3 million (US$ 174.6 million) from a syndicate of banks to finance the acquisition of a subsidiary. The facility carries profit rate of LIBOR plus a margin. The profit is payable in cash on a flexible basis as agreed with the Bank at every profit reset period. The facility is repayable with a 100% bullet payment in March 2025.

*Islamic financing arrangement (2)*

During the year 2021, the Group acquired an Islamic financing facility of AED 313.3 million as part of the business combination of a subsidiary. The facility carries profit rate of LIBOR plus a margin, payable in cash on a quarterly basis and is secured against shares of a subsidiary pledged with the bank. The facility is repayable in semi-annual instalments with the last instalment due on 30 June 2034. During the year, total repayments of AED 8.4 million were made against this facility (2021(post acquisition): AED 5.1 million).

Included in the Islamic financing arrangement is an amount of AED 16.0 million of unamortised transaction cost (2021:AED 20.4 million)

The Group has complied with all the applicable financial covenants at the reporting date.

## 24 Non-convertible Bonds and Sukuk

### Non-convertible Sukuk

| | **2022** | 2021 |
|---|---|---|
| | **AED '000** | AED '000 |
| | **1,832,453** | 1,831,186 |

In 2018, the Group issued a 7 year investment grade Islamic Bond (Sukuk) of US$ 500 million which is listed on the London Stock Exchange. The bond carries profit rate of 5.5% payable semi-annually. The bonds are repayable on 31 October 2025. The proceeds of the bonds were utilised to repay the portion of previous term loans and Islamic financing arrangements.

The Sukuk is stated net of discount and transaction costs incurred in connection with the Sukuk arrangements, amounting to AED 4.0 million, which are amortised to the consolidated statement of profit or loss over the repayment period of Sukuk using effective interest rate method.

### Non-convertible bonds

| | **2022** | 2021 |
|---|---|---|
| | **AED '000** | AED '000 |
| | **1,815,842** | 1,811,894 |

During the year 2020, the Group issued 7-year investment grade bonds of US$ 500 million which is listed on the London Stock Exchange. The bonds carry coupon rate of 2.5% payable semi-annually. The bonds are repayable on 31 October 2027. The proceeds of the bonds were utilised to repay the previous term Loans and to fund the future growth.

## 24 Non-convertible Bonds and Sukuk (continued)

The bonds are stated net of discount and transaction costs incurred in connection with the bonds issuance, amounting to AED 20.7 million, which are amortised to the consolidated statement of profit or loss over the repayment period of the Bonds using effective interest rate method.

There are no covenants applied on non-convertible bonds and Sukuk, as long as the Group maintains investment grade credit rating status.

## 25 Employees' end of service benefits

The Group provides for employees' end of service benefits in respect of its non-UAE employees in accordance with the employees' contracts of employment. The movement in the provision recognised in the consolidated statement of financial position is as follows:

| | **2022** | 2021 |
|---|---|---|
| | **AED '000** | AED '000 |
| At 1 January | **41,291** | 36,486 |
| Charge for the year (Note 6.3) | **9,677** | 6,917 |
| Payments made during the year | **(8,262)** | (2,112) |
| At 31 December | **42,706** | 41,291 |

## 26 Trade and other payables

| | **2022** | 2021 |
|---|---|---|
| | **AED '000** | AED '000 |
| **Non-current liabilities** | | |
| *Relating to capital expenditure:* | | |
| Contractor payable and retentions | **10,569** | 10,069 |
| *Others:* | | |
| Contract liabilities | **207,990** | 204,990 |
| | **218,559** | 215,059 |
| **Current liabilities** | | |
| *Relating to capital expenditure:* | | |
| Contractor payable and retentions | **7,754** | 16,773 |
| Accrued expenses | **98,752** | 91,892 |
| | **106,506** | 108,665 |
| *Others:* | | |
| Trade payables | **61,117** | 54,165 |
| Due to related parties (Note 28) | **28,092** | 26,189 |
| Accrued expenses | **255,045** | 320,370 |
| Derivative financial instruments(i) | **-** | 16,242 |
| Contract liabilities | **79,813** | 79,006 |
| Deferred income | **23,861** | 21,775 |
| Dividend payable | **3,057** | 3,058 |
| VAT payable | **2,126** | 2,602 |
| Deposits | **100,397** | 92,984 |
| Other payables | **66,587** | 43,721 |
| | **620,095** | 660,112 |
| | **726,601** | 768,777 |

## 26 Trade and other payables (continued)

(i) The Group has entered into interest rate swaps (IRS) for the interest-bearing loans denominated in AED and USD which are designated as a hedging instrument (Note 31). During the year ended December 2022, the fair value movement of IRS amounting to AED 280.0 million was recorded in the consolidated statement of comprehensive income (2021: AED 81.3 million). The fair value of IRS as at 31 December 2022 was AED 263.8 million (debit) and is therefore recorded under trade and other receivables (2021: 16.2 million (credit))

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 contracts.

For terms and conditions relating to related parties, refer to note 28.

Movement in contract liabilities is as follows:

| | **2022** | 2021 |
|---|---|---|
| | **AED '000** | AED '000 |
| Contract liabilities | **287,803** | 283,996 |

Contract liabilities represent un-satisfied performance obligation related to connection fees.

During the year ended 31 December 2022, total addition of AED 17.5 million (2021: AED 94.8 million). The revenue recognised during the year is AED 13.7 million (2021: AED 10.6 million).

## 27 Business combination

### 27.1 Disposal of a subsidiary

Effective 20 May 2022, the Group disposed of its entire 70% shareholding in Ian Banham and Associates LLC to its existing non-controlling interest holder for a consideration of AED 5 million. The carrying value of the identifiable assets and liabilities disposed on the date of disposal are as follows:

| | **2022** |
|---|---|
| | **AED '000** |
| Current assets | 25,368 |
| Non-current assets | 28,527 |
| **Total assets** | **53,895** |
| Current liabilities | 31,664 |
| Non-current liabilities | 3,003 |
| **Total assets** | **34,667** |
| **Net assets** | **19,228** |
| Less: non-controlling interest | (12,212) |
| Net assets attributable to equity holders of the parent | 7,016 |
| Less: consideration received on disposal | (5,000) |
| **Loss on disposal** | **2,016** |

The results of Ian Banham and Associates LLC for the period are presented below:

| | **Period ended 31st May 2022** | Period ended 31 Dec 2022 |
|---|---|---|
| | **2022** | 2021 |
| | **AED'000** | AED'000 |
| Revenue | **1,670** | 15,766 |
| Expenses | **(1,382)** | (8,165) |
| **Gross profit** | **288** | 7,601 |
| Other administrative expenses | **-** | (7,601) |
| **Profit for the period from discontinued operation (i)** | **288** | - |

## 27 Business combination (continued)

### 27.1 Disposal of a subsidiary (continued)

The net cash outflows generated from the sale are as follows:

| | 2022 AED'000 |
|---|---|
| Cash received from sale | **5,000** |
| Cash sold as part of the sale | **(15,596)** |
| **Net cash outflow on date of disposal** | **(10,596)** |

(i) The results of the operations of Ian Banham and Associates LLC were not segregated on the face of the consolidated profit or loss, as the amounts are not material.

### 27.2 Incorporation of a subsidiary

During the year, Tabreed Asia Central Cooling Company Pte. Ltd ("Tabreed Asia") was incorporated by the Group with 75% shareholding by contributing a share capital of AED 16,526 thousand. Remaining portion of the share capital amounting to AED 5,509 thousand was contributed by a non-controlling interest.

### 27.3 Partial disposal of shareholding in a subsidiary due to reorganisation

During the year, the Group's shareholding in Tabreed India decreased as a result of transfer of its entire ownership to Tabreed Asia. Following is a summary of the reduction in shareholding, with corresponding increase in non-controlling interests:

| | Tabreed India AED'000 |
|---|---|
| Carrying value of the shareholding disposed-off | 1,125 |
| Less: consideration | - |
| **Difference recognised directly in retained earnings** | **1,125** |

### 27.4 Acquisition of subsidiaries

*Business District Cooling Investment LLC*

On 25 October 2021, the Group acquired remaining 50% of the shares of Business District Cooling Investment LLC, from a joint venture partner and became 100% owner of this entity. The acquisition has been accounted for using step acquisition method in accordance with IFRS 3 Business Combinations.

The net assets recognised in the 31 December 2021 financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation for the assets and liabilities owned by Business District Cooling Investment LLC. In 2022, the purchase price allocation exercise was completed, and the acquisition date fair value of the assets and liabilities remain unchanged.

## 27 Business combination (continued)

### 27.4 Acquisition of a subsidiary (continued)

The purchase consideration and the fair value of the identifiable assets and liabilities of the acquired entity at the date of acquisition are as follows:

| | 2021<br>AED '000 |
|---|---|
| Intangible assets: contracts (i) | 1,122,316 |
| Inventories | 1,184 |
| Trade and other receivables (ii) | 25,286 |
| Bank balances and cash | 61,127 |
| Derivatives | (71,263) |
| Trade and other payables | (103,174) |
| Interest bearing loans and borrowings | (339,437) |
| Islamic finance arrangements | (313,327) |
| **Fair value of net assets acquired** | 382,712 |
| Goodwill arising on acquisition | 240,288 |
| **Purchase consideration** | 623,000 |
| | |
| Fair value of existing 50% share holding | 311,500 |
| Less: carrying value of existing 50% investment | (24,855) |
| Less: reclassification adjustment for amounts recognized in profit or loss on derivative | (35,631) |
| **Gain on fair valuation of existing shareholding** | 251,014 |
| | |
| Cash consideration | 311,500 |
| Fair value of existing share holding | 311,500 |
| **Purchase consideration** | 623,000 |

The gain resulted due to fair valuation of existing ownership of 50% of AED 251.0 million is recorded under 'other gains and losses' in the consolidated statement of profit or loss.

**Revenue and profit contribution:**

The acquired business contributed revenues of AED 21.3 million and net profit of AED 2.1 million to the Group for the period from acquisition date to 31 December 2021.

If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and profit for the year ended 31 December 2021 would have been AED 133.8 million and AED 22.1 million, respectively.

## 27 Business combination (continued)

### 27.4 Acquisition of a subsidiary (continued)

(i) Includes customer contracts and concession right and are recorded at their fair value at the acquisition date. This represents the expected cash flows from Business District Cooling Investment LLC discounted at the target's Weighted Average Cost of Capital ("WACC"). The valuation technique adopted was multi-period excess earning method. The customer contracts and concession contract are amortised over their estimated remaining useful life.

(ii) The fair value and the gross contractual amount for trade receivables acquired was AED 25.3 million, with no loss allowance recognised on acquisition.

*Saadiyat District Cooling and Saadiyat Cooling L.L.C*

On 18 February 2021, the Group acquired 100% of the shares of Saadiyat Cooling L.L.C. and Saadiyat District Cooling L.L.C., cooling service providers in Saadiyat island in Abu Dhabi, from an Abu Dhabi based real estate developer. This acquisition has been accounted for in accordance with IFRS 3 Business Combinations.

The purchase consideration and the fair value of the identifiable assets and liabilities of the acquired entities at the date of acquisition are as follows:

| | 2021<br>AED '000 |
|---|---|
| **Purchase consideration** | |
| Cash consideration | 961,762 |
| | 961,762 |
| | |
| **Assets** | |
| Land | 55,411 |
| Property, plant and equipment (i) | 210,240 |
| Capital work in progress | 17,463 |
| Intangible assets: customer contracts (ii) | 623,106 |
| Right-of-use assets | 45,660 |
| Trade and other receivables | 63,981 |
| Trade and other payables | (54,099) |
| **Net assets acquired** | 961,762 |

## 27 Business combination (continued)

### 27.5 Saadiyat District Cooling and Saadiyat Cooling L.L.C (continued)

(i) Property, plant and equipment are recorded at their fair value at the acquisition date.
(ii) Customer contracts are recorded at their fair value at the acquisition date. This represents the expected cash flows from Saadiyat District Cooling and Saadiyat Cooling L.L.C discounted at the target's Weighted Average Cost of Capital ("WACC"). The valuation technique adopted was multi-period excess earning method. The customer contracts are amortised over 50 years, which represent their estimated remaining useful life.
(iii) The fair value and the gross contractual amount for trade receivables acquired was AED 64.0 million, with no loss allowance recognised on acquisition.

**Revenue and profit contribution:**

The acquired business contributed revenues of AED 80.2 million and net profit of AED 26.9 million to the Group for the period from 18 February 2021 to 31 December 2021.

If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and profit for the year ended 31 December 2021 would have been AED 89.5 million and AED 30.6 million, respectively.

## 28 Related party transactions and balances

Related parties represent associated companies, joint ventures, directors and key management personnel of the Group, management entities engaged by the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related party includes purchase and sale of chilled water and provision of management services. Significant transactions with related parties included in the consolidated statement of profit or loss are as follows:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **Revenue AED '000** | **Direct costs AED '000** | Revenue AED '000 | Direct costs AED '000 |
| Associated companies | **11,375** | **63,300** | 11,245 | 62,256 |
| Joint Ventures | **-** | **-** | 4,975 | - |
| Non-controlling interest | **333,314** | **-** | 321,092 | - |

## 28 Related party transactions and balances (continued)

Balances with related parties included in the consolidated statement of financial position are as follows:

| | **2022** | |
|---|---|---|
| | **Trade receivables AED '000** | **Trade payables and advances AED '000** |
| Associated companies | **9,530** | **28,092** |
| Non-controlling interest | **58,279** | **-** |
| | **67,809** | **28,092** |

| | 2021 | |
|---|---|---|
| | Trade receivables AED '000 | Trade payables and advances AED '000 |
| Associated companies | 9,666 | 26,189 |
| Non-controlling interest | 47,857 | - |
| Associated companies | 57,523 | 26,189 |

The Group has entered into a management and technical services agreement with a shareholder amounting to AED 3.6 million (2021: AED 3.0 million).

**Terms and conditions of transactions with related parties**
Transactions with related parties are made at agreed terms and conditions approved by management and are analysed as follows:

| | **Terms and conditions** | **2022 AED '000** | 2021 AED '000 |
|---|---|---|---|
| Trade receivables | Interest free, unsecured, settled over agreed payment terms | **67,809** | 57,523 |
| Trade payables and advances | Interest free, unsecured, settled over normal credit period | **28,092** | 26,189 |

**Compensation of key management personnel**
The remuneration of key management personnel during the year was as follows:

| | **2022 AED '000** | 2021 AED '000 |
|---|---|---|
| Short-term benefits | **12,555** | 14,293 |
| Employees' end of service benefits | **152** | 173 |
| | **12,707** | 14,466 |
| Number of key management personnel | **6** | 5 |

## 29 Contingent liabilities

**Bank guarantees**

The banks have issued guarantees on behalf of the Group as follows:

| | **2022** **AED '000** | 2021 AED '000 |
|---|---|---|
| Performance guarantees | **110,351** | 96,508 |
| Advance payment guarantees | **1,353** | 633 |
| Financial guarantees | **53** | 50 |
| | **111,757** | 97,191 |

The Group's share of contingencies of associates and joint ventures as of 31 December 2022 amounted to AED 45.3 million (2021: AED 37.0 million) and AED Nil million (2021: AED 0.1 million), respectively. The Group expects no outflow of economic resources and accordingly no provision has been made in the consolidated financial statements.

## 30 Commitments

**Contractual commitments**

The authorised contractual commitments as at 31 December 2022, contracted but not provided for amounted to AED 339.7 million (2021: AED 195 million). The Group's share of authorised future capital expenditure of associates at 31 December 2022 amounted to AED13.9 million (2021: AED 25.4 million) and the Group's share of authorised future capital expenditure for joint ventures amounted to Nil (2021: Nil).

**Operating lease commitments - lessor**

The Group enters into cooling service agreements with its customers for the provision of chilled water. Some of these agreements qualify to be classified as a lease and have been accounted for as an operating lease as the Group does not transfer substantially all the risks and rewards of ownership of the asset to the customer.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

| | **2022** **AED '000** | 2021 AED '000 |
|---|---|---|
| Within one year | **77,274** | 77,101 |
| After one year but not more than five years | **307,630** | 308,406 |
| More than five years | **758,072** | 831,693 |
| | **1,142,976** | 1,217,200 |

## 31 Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise interest bearing loans and borrowings, Islamic financing, lease liabilities, non-convertible bonds and Sukuk, trade payables and due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as finance lease receivables, trade receivables, due from related parties and cash and bank balances, which arise directly from its operations.

The Group enters into derivative transactions to manage the interest rate risk arising from the Group's sources of finance. It is, and has been throughout 2022 and 2021 the Group's policy that no trading in derivatives shall be undertaken.

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

*(a) Market risk*

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise the following types of risk: interest rate risk and currency risk.

Financial instruments affected by market risk include loans and borrowings, Islamic financing arrangements, deposits, finance lease receivables, lease liabilities and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 31 December 2022 and 2021.

The sensitivity analysis have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2022 and 2021.

The following assumptions have been made in calculating the sensitivity analyses:

- The consolidated statement of financial position sensitivity relates to derivatives instruments.
- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2022 and 2021 including the effect of hedge accounting.

*(b) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's cash flow exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations and deposits with floating interest rates.

To manage the cash flow risk relating to its variable interest borrowings, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2022, after taking into account the effect of interest rate swaps, approximately 99% of the Group's borrowings are at a fixed rate of interest (2021: 98%).

## 31 Financial risk management objectives and policies (continued)

**Interest rate sensitivity**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's profit for one year (through the impact on unhedged portion of loans and borrowings).

| | *Effect on profit AED '000* |
|---|---|
| **2022** | |
| +100 basis point increase | **(451)** |
| -100 basis point decrease | **451** |
| 2021 | |
| +100 basis point increase | (571) |
| -100 basis point decrease | 571 |

*(c) Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The majority of the transactions and balances are in either UAE Dirham or US Dollar or currencies that are pegged to US Dollar. As the UAE Dirham is pegged to the US Dollar, balances in US Dollar are not considered to represent significant foreign currency risk.

*(d) Credit risk*

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The maximum exposure relating to trade receivables, contract assets and finance lease receivables is the carrying amount as disclosed in notes 18 and 15. The Group's three largest customers accounted for 55% of outstanding trade and related party receivable balances at 31 December 2022 (2021: 3 customers, including a related party, account for approximately 55%). Amounts due in respect of finance lease receivables are from three customers (2021: three customers).

The Group applies IFRS 9 simplified approach to measure expected credit losses which uses a expected loss allowance for all trade receivables, contract assets and finance lease receivables.

To measure the expected credit losses, trade receivables, contract assets and finance lease receivables have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

## 31 Financial risk management objectives and policies (continued)

*(d) Credit risk* (continued)

The expected loss rates are based on the payment profiles of sales 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.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and bank balances and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, maximum is equal to the carrying amount of these instruments. 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.

For finance lease receivables, the Group uses simplified approach, requiring lifetime ECL recognition at all times. ECL provision is based on the Group's historical information adjusted for future expectations using macro-economic indicators. The finance lease receivables are concentrated with a few parties which are owned by Government of UAE and thus carries very low credit risk leading towards immaterial provision allowance.

*(e) Liquidity risk*

The Group monitors its risk to a shortage of funds using a cash flow model. This tool considers the maturity of its financial assets (trade receivables, finance lease receivables and other financial assets) and projected cash outflows from operations and capital projects.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of term loans.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2022 and 2021 based on undiscounted payments and current market interest rates.

## 31 Financial risk management objectives and policies (continued)

*(e) Liquidity risk* (continued)

| | On demand AED'000 | Less than 3 months AED'000 | 3 to 12 months AED'000 | 1 to 5 years AED'000 | >5 years AED'000 | Total AED'000 | Carrying value AED'000 |
|---|---|---|---|---|---|---|---|
| Interest bearing loans and borrowings | **-** | **33,708** | **68,065** | **2,264,295** | **435,822** | **2,801,890** | **2,506,481** |
| Islamic financing arrangements | **-** | **13,294** | **21,451** | **777,338** | **271,728** | **1,083,811** | **937,391** |
| Non-convertible bonds and Sukuk | **-** | **-** | **146,920** | **4,058,665** | **-** | **4,205,585** | **3,648,295** |
| Lease liabilities | **-** | **12,704** | **35,698** | **178,543** | **28,344** | **255,289** | **216,809** |
| Trade and retention payables, due to related parties and other financial liabilities | **-** | **173,669** | **356,191** | **10,569** | **-** | **540,429** | **546,429** |
| **At 31 December 2022** | **-** | **233,375** | **628,325** | **7,289,410** | **735,894** | **8,887,004** | **7,855,405** |
| | | | | | | | |
| Interest bearing loans and borrowings | - | 21,146 | 87,351 | 2,364,287 | 516,155 | 2,988,939 | 2,530,048 |
| Islamic financing arrangements | - | 2,730 | 32,590 | 782,071 | 302,413 | 1,119,804 | 941,412 |
| Non-convertible Bonds and Sukuk | - | - | 146,920 | 2,323,173 | 1,882,413 | 4,352,506 | 3,643,080 |
| Lease liabilities | - | 12,092 | 36,277 | 185,008 | 64,838 | 298,215 | 247,264 |
| Trade and retention payables, due to related parties and other financial liabilities | - | 206,243 | 342,008 | 10,069 | - | 558,320 | 558,320 |
| At 31 December 2021 | - | 242,211 | 645,146 | 5,664,608 | 2,765,819 | 9,317,784 | 7,920,124 |

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

| | 2022 AED '000 | 2021 AED '000 |
|---|---|---|
| Expiring beyond one year (bank loans) | **590,000** | 590,000 |

*(f) Capital management*

The primary objective of the Group's capital management is to achieve strong credit metrics and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and adjusts it, in the light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, Islamic financing arrangement, non-convertible bonds and Sukuk and lease liabilities less cash and bank balances. Capital includes total equity excluding non-controlling interests less cumulative changes in fair value of derivatives.

## 31 Financial risk management objectives and policies (continued)

*(f)* *Capital management* (continued)

| | 2022<br>AED '000 | 2021<br>AED '000 |
|---|---|---|
| Interest bearing loans and borrowings | **2,506,481** | 2,530,048 |
| Islamic financing arrangement | **937,391** | 941,412 |
| Non-convertible Bonds and Sukuk | **3,648,295** | 3,643,080 |
| Lease liabilities | **216,809** | 247,264 |
| | **7,308,976** | 7,361,804 |
| Less: cash and bank balances | **(1,773,301)** | (1,197,273) |
| Net debt | **5,535,675** | 6,164,531 |
| Equity attributable to equity holders of the parent | **6,474,810** | 5,746,145 |
| Adjustment for cumulative changes in fair values of derivatives | **(351,490)** | (53,970) |
| Total capital | **6,123,320** | 5,692,175 |
| Capital and net debt | **11,658,995** | 11,856,706 |
| Gearing ratio | **47%** | 52% |

## 32 Financial instruments and fair value measurement

### 32.1 Financial instruments

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

| | 2022<br>AED '000 | 2021<br>AED '000 |
|---|---|---|
| **Derivative financial instruments** | **263,789** | (16,242) |
| Trade and other receivables | **510,060** | 558,459 |
| Finance lease receivables | **2,902,170** | 3,012,278 |
| Cash and bank balances | **1,772,784** | 1,197,273 |
| **Financial assets measured at amortised cost** | **5,185,014** | 4,768,010 |
| Trade and other payables | **118,253** | 107,789 |
| Interest bearing loans and borrowings | **2,506,481** | 2,530,048 |
| Islamic financing arrangement | **937,391** | 941,412 |
| Non-convertible Bonds and Sukuk | **3,648,295** | 3,643,080 |
| Lease liabilities | **216,809** | 247,264 |
| **Financial liabilities measured at amortised cost** | **7,427,229** | 7,469,593 |

For the purpose of the financial instrument's disclosure, non-financial assets and non-financial liabilities have been excluded from 'trade and other receivables' and 'trade and other payables', respectively.

## 32 Financial instruments and fair value measurement (continued)

### 32.1 Financial instruments (continued)

**Fair values of financial instruments**

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values at the reporting date except for finance lease receivables, interest bearing loans and borrowings, Islamic financing arrangement, non-convertible bonds and Sukuk and lease liabilities. Set out below is a comparison of carrying amounts and fair values of such instruments:

| | Carrying Amount | | Fair Value | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **AED '000** | AED '000 | **AED '000** | AED '000 |
| ***Asset (liabilities) measured at fair value*** | | | | |
| Interest rate swaps | **263,789** | (16,242) | **263,789** | (16,242) |
| ***Assets (liabilities) for which fair value is disclosed*** | | | | |
| **Financial assets** | | | | |
| Finance lease receivables | **2,902,170** | 3,012,278 | **3,291,232** | 3,897,725 |
| **Financial liabilities** | | | | |
| Interest bearing loans and borrowings | **2,506,481** | 2,530,048 | **2,603,773** | 2,499,958 |
| Islamic financing arrangement | **937,391** | 941,412 | **983,205** | 907,887 |
| Non-convertible bonds and Sukuk | **3,648,295** | 3,643,080 | **3,489,350** | 3,891,176 |
| Lease liabilities | **216,809** | 247,264 | **215,078** | 269,774 |

## 32 Financial instruments and fair value measurement (continued)

### 32.2 Fair value hierarchy

As at 31 December 2022 and 2021, the fair value measurement hierarchy of the Group's assets and liabilities is as follows:

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | **31 December 2022 AED'000** | **Level 1 AED'000** | **Level 2 AED'000** | **Level 3 AED'000** | 31 December 2021 AED'000 | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 |
| **Assets /(Liabilities) measured at fair value** | | | | | | | | |
| Interest rate swaps | **263,789** | **-** | **263,789** | **-** | (16,242) | - | (16,242) | - |
| **Assets for which fair values are disclosed** | | | | | | | | |
| Finance lease receivables | **3,291,232** | **-** | **-** | **3,291,232** | 3,897,725 | - | - | 3,897,725 |
| **Liabilities for which fair values are disclosed** | | | | | | | | |
| Interest bearing loans and borrowings | **2,603,773** | **-** | **-** | **2,603,773** | 2,499,958 | - | - | 2,499,958 |
| Islamic financing arrangement | **983,205** | **-** | **-** | **983,205** | 907,887 | - | - | 907,887 |
| Non-convertible bonds and Sukuk | **3,489,350** | **3,489,350** | **-** | **-** | 3,891,176 | 3,891,176 | - | - |
| Lease liabilities | **215,078** | **-** | **-** | **215,078** | 269,774 | - | - | 269,774 |
| | **7,291,406** | **3,489,350** | **-** | **3,802,056** | 7,568,795 | 3,891,176 | - | 3,677,619 |

During the reporting years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

## 32 Financial instruments and fair value measurement (continued)

### 32.2 Fair value hierarchy (continued)

The following methods and assumptions were used to estimate the fair values for assets and liabilities measured at fair value:

**Derivative financial instruments**
The Group enters into derivative financial instruments with various banks and financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying commodity.

**Other financial assets (liabilities)**
Fair values of other financial assets and liabilities are estimated by discounting future cash flows using prevailing current market rates.

### 32.3 Hedging activities

*Cash flow hedges*
The Group is exposed to variability in future interest cash flows on interest bearing loans and borrowings which bear interest at a variable rate.

In order to hedge its exposure to variable interest rate fluctuations on its interest bearing loans the Group has entered into interest rate swaps with counter-party banks designated as cash flow hedges for notional amounts that mirror the drawdown and repayment schedule of the respective loans. The cashflow hedges are assessed as fully effective based on management qualitative assessment of the critical terms of the hedging arrangements. The notional amount of the interest rate swaps was AED 3,343 billion as at 31 December 2022 (2021: AED 3,366 billion).

Upon derecognition, the cumulative fair value change recognized in OCI is recycled to consolidated profit and loss account. During the year no amounts were recycled to consolidated profit and loss account.

The schedule indicating the maturity profile of the derivative related assets and liabilities as at 31 December is as follows:

| | **Within 1 year AED '000** | **More than 1 Year AED '000** | **Total AED '000** |
|---|---|---|---|
| **2022** | | | |
| Cash inflows (assets) | **166,907** | **295,091** | **461,998** |
| Cash outflows (liabilities) | **(32,895)** | **(148,401)** | **(181,296)** |
| Net cash outflows | **134,012** | **146,690** | **280,702** |
| 2021 | | | |
| Cash inflows (assets) | 18,526 | 176,769 | 195,295 |
| Cash outflows (liabilities) | (34,735) | (181,080) | (215,815) |
| Net cash outflows | (16,209) | (4,311) | (20,520) |

All derivative contracts are with counterparty banks in UAE.