



National Central Cooling Company PJSC and Its Subsidiaries

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2023**



NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Interim condensed consolidated financial statements
For the six months period ended 30 June 2023

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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF NATIONAL CENTRAL COOLING COMPANY PJSC.**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of National Central Cooling Company PJSC (the "Company") and its subsidiaries (together referred to as the "Group") as at 30 June 2023, comprising of the interim consolidated statement of financial position as at 30 June 2023, and the related interim consolidated statements of profit or loss and comprehensive income for the three months and six months periods then ended, and the related interim consolidated statements of changes in equity and cashflow for the six months period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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



Signed by:
Raed Ahmad
Partner
Ernst & Young
Registration No 811

27 July 2023
Abu Dhabi

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Interim consolidated statement of profit or loss (unaudited)
For the three months and six months period ended 30 June 2023

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000
Revenue	5	603,775	555,799	1,067,487	975,728
Direct costs		(316,876)	(266,569)	(541,020)	(472,728)
Gross profit		286,899	289,230	526,467	503,000
Administrative and other expenses		(64,790)	(66,309)	(132,348)	(126,399)
Operating profit		222,109	222,921	394,119	376,601
Finance costs	16	(69,443)	(73,173)	(143,307)	(145,654)
Finance income		10,895	2,206	27,086	3,517
Other gains and losses, net		(12,424)	845	106,706	1,151
Share of results of associates and joint ventures, net		8,258	8,350	17,241	18,855
Profit for the period		159,395	161,149	401,845	254,470
Attributable to:					
Equity holders of the parent		150,031	152,157	386,394	240,368
Non-controlling interest		9,364	8,992	15,451	14,102
		159,395	161,149	401,845	254,470
Total basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)					
	7	0.053	0.054	0.136	0.085

The attached notes 1 to 24 form part of the interim condensed consolidated financial statements.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Interim consolidated statement of comprehensive income (unaudited)
For the three months and six months period ended 30 June 2023

	Three months ended 30 June		Six months ended 30 June	
	2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000
Profit for the period	159,395	161,149	401,845	254,470
Other comprehensive (loss) income				
Exchange difference on translation of foreign operations	(40)	(973)	1,311	134
Net movement in fair value of derivatives in cash flow hedges	6,130	59,741	(38,687)	207,559
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges	1,615	3,935	(2,388)	10,875
Net other comprehensive (loss) income that may be reclassified subsequently to profit or loss	7,705	62,703	(39,764)	218,568
Reclassification of fair value of derivatives in cash flow hedges to profit or loss statement upon termination (note 12)	-	-	(100,604)	-
Net other comprehensive loss reclassified to profit or loss	-	-	(100,604)	-
	7,705	62,703	(140,368)	218,568
Total comprehensive income for the period	167,100	223,852	261,477	473,038
Attributable to:				
Equity holders of the parent	157,736	214,860	246,026	458,936
Non-controlling interest	9,364	8,992	15,451	14,102
	167,100	223,852	261,477	473,038

The attached notes 1 to 24 form part of the interim condensed consolidated financial statements

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Interim consolidated statement of financial position
As at 30 June 2023

		As at	
		30 June 2023 (Unaudited) AED '000	31 December 2022 (Audited) AED '000
ASSETS	Notes		
Non-current assets			
Property, plant and equipment	8	4,731,397	4,752,673
Capital work in progress		229,333	252,041
Right-of-use assets		185,632	192,849
Intangible assets		4,100,759	4,152,090
Investments in associates and joint ventures		511,927	457,288
Finance lease receivables	10	2,545,711	2,577,891
Long term deposits	11	14,309	-
		<u>12,319,068</u>	<u>12,384,832</u>
Current assets			
Inventories		69,032	60,029
Trade and other receivables		782,721	908,476
Finance lease receivables	10	332,348	324,279
Cash and bank balances	12	1,192,408	1,773,301
		<u>2,376,509</u>	<u>3,066,085</u>
Total assets		<u>14,695,577</u>	<u>15,450,917</u>
EQUITY AND LIABILITIES			
Equity			
Issued share capital		2,845,261	2,845,261
Treasury shares		(3,296)	(3,296)
Statutory reserve		522,947	522,947
Retained earnings		2,759,985	2,757,257
Foreign currency translation reserve		2,462	1,151
Cumulative changes in fair value of derivatives in cash flow hedges		209,811	351,490
Equity attributable to the equity holders of the parent		<u>6,337,170</u>	<u>6,474,810</u>
Non-controlling interests		669,854	679,265
Total equity		<u>7,007,024</u>	<u>7,154,075</u>
Liabilities			
Non-current liabilities			
Trade and other payables		218,559	218,559
Interest bearing loans and borrowings	13	2,138,860	2,468,855
Islamic financing arrangement	14	636,869	929,318
Non-convertible bonds and sukuk	15	3,650,969	3,648,295
Lease liabilities		150,900	170,487
Employees' end of service benefits		45,357	42,706
		<u>6,841,514</u>	<u>7,478,220</u>
Current liabilities			
Trade and other payables		766,652	726,601
Interest bearing loans and borrowings	13	30,430	37,626
Islamic financing arrangement	14	-	8,073
Lease liabilities		49,957	46,322
		<u>847,039</u>	<u>818,622</u>
Total liabilities		<u>7,688,553</u>	<u>8,296,842</u>
Total equity and liabilities		<u>14,695,577</u>	<u>15,450,917</u>



Khaled Abdulla Al Qubaisi
Chairman



Khalid Abdulla Al Marzooqi
Chief Executive Officer



Adel Al Wahedi
Chief Financial Officer

The attached notes 1 to 24 form part of the interim condensed consolidated financial statements



NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Interim consolidated statement of changes in equity

For the six months period ended 30 June 2023

	Attributable to equity holders of the parent					Cumulative changes in fair value of derivatives in cash flow hedges		Non – controlling interests AED '000	Total equity AED '000
	Issued capital AED '000	Treasury shares AED '000	Statutory reserve AED '000	Retained earnings AED '000	Foreign currency translation reserve AED '000	AED '000	Total AED '000		
Balance at 1 January 2022 (audited)	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 period	-	-	-	240,368	-	-	240,368	14,102	254,470
Other comprehensive income for the period	-	-	-	-	134	218,434	218,568	-	218,568
Total comprehensive income for the period	-	-	-	240,368	134	218,434	458,936	14,102	473,038
Dividend paid to ordinary shareholders (note 19)	-	-	-	(166,348)	-	-	(166,348)	-	(166,348)
Issuance of bonus share (note 19)	69,387	(81)	-	(69,306)	-	-	-	-	(30,000)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(30,000)	(12,212)
Disposal of a subsidiary (note 20)	-	-	-	-	-	-	-	(12,212)	(12,212)
Balance at 30 June 2022 (unaudited)	2,845,261	(3,296)	456,648	2,464,861	2,855	272,404	6,038,733	672,141	6,710,874
Balance at 1 January 2023 (audited)	2,845,261	(3,296)	522,947	2,757,257	1,151	351,490	6,474,810	679,265	7,154,075
Profit for the period	-	-	-	386,394	-	-	386,394	15,451	401,845
Other comprehensive income for the period	-	-	-	-	1,311	(141,679)	(140,368)	-	(140,368)
Total comprehensive income for the period	-	-	-	386,394	1,311	(141,679)	246,026	15,451	261,477
Dividend paid to ordinary shareholders (note 19)	-	-	-	(383,666)	-	-	(383,666)	-	(383,666)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(24,860)	(24,860)
Others	-	-	-	-	-	-	-	(2)	(2)
Balance at 30 June 2023 (unaudited)	2,845,261	(3,296)	522,947	2,759,985	2,462	209,811	6,337,170	669,854	7,007,024

The attached notes 1 to 24 form part of the interim condensed consolidated financial statements

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Interim consolidated statement of cash flows (unaudited)
For the six months period ended 30 June 2023

	Notes	Six-months period ended 30 June	
		2023 AED '000	2022 AED '000
Operating activities			
Profit for the period		401,845	254,470
Non-cash adjustments:			
Depreciation of property, plant and equipment	8	107,299	94,228
Depreciation of right-of-use assets		13,272	11,791
Amortisation of intangible assets		51,331	52,703
Finance lease income	10	(148,768)	(114,677)
Share of results of associates and joint ventures		(17,241)	(18,855)
Provision for employees' end of service benefits		3,816	6,127
Finance income		(27,086)	(3,517)
Finance costs	16	143,307	145,654
Other income and charges		(106,706)	-
Loss on disposal of a subsidiary	20	-	2,016
Operating cash flows before changes in working capital		421,069	429,940
Working capital changes:			
Inventories		(9,003)	(2,627)
Trade and other receivables		64,897	(61,410)
Trade and other payables		60,168	66,997
Lease rentals received	10	172,879	168,672
Employees' end of service benefits paid		(1,165)	(4,278)
Net cash flows generated from operating activities		708,845	597,294
Investing activities			
Purchase of property, plant and equipment	8	(12,032)	(4,603)
Payments for capital work in progress		(64,419)	(80,622)
Dividends from associates and joint ventures		6,115	2,700
Finance income received		27,025	2,997
Long term deposits placed	11	(14,309)	-
Net cash paid on disposal of a subsidiary		-	(10,596)
Net cash flows used in investing activities		(57,620)	(90,124)
Financing activities			
Interest bearing loans and borrowings repaid		(352,630)	(15,790)
Islamic financing arrangement repaid		(312,371)	(3,577)
Principal portion of lease payments		(27,812)	(25,112)
Finance costs paid		(130,779)	(130,492)
Dividends paid to shareholders	19	(383,666)	(166,348)
Dividends paid to non-controlling interests		(24,860)	(30,000)
Net cash flows used in financing activities		(1,232,118)	(371,319)
Net (decrease)/increase in cash and cash equivalents		(580,893)	135,851
Cash and cash equivalents at 1 January		1,773,301	1,197,273
Cash and cash equivalents at 30 June	12	1,192,408	1,333,124

The attached notes 1 to 24 form part of the interim condensed consolidated financial statements

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the interim condensed consolidated financial statements
30 June 2023 (unaudited)

1 GENERAL INFORMATION

National Central Cooling Company PJSC ("Tabreed" or the "Company") 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's registered office is located at P.O. Box 32444, Dubai, United Arab Emirates.

These interim condensed consolidated financial statements include the results of operations and financial position of the Company and its subsidiaries (together referred to as the "Group").

The principal activities of 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.

The Group's non-convertible bonds and sukuk are listed on the London Stock Exchange (note 14).

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed consolidated financial statements are prepared under the historical cost basis, except for derivative financial instruments which are measured at fair value.

The interim condensed consolidated financial statements have been presented in United Arab Emirates Dirham (AED), which is the presentation currency of the Group and the functional currency of the Company. All values are rounded to the nearest thousand (AED '000) except otherwise indicated.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022. In addition, results for the six months period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the interim condensed consolidated financial statements
30 June 2023 (unaudited)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2022, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 17 Insurance Contracts
- 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

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

UAE Corporate Income Tax Law

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 is effective from 1 June 2023 and accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after 1 June 2023.

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to the 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. With the publication of this Decision, the UAE CT Law is considered to be substantively enacted for the purposes of accounting for Income Taxes.

The UAE CT Law shall apply to the Group with effect from 1 January 2024. The MoF continue to issue supplemental Decisions of the Cabinet of Ministers of the UAE (Decisions) to further clarify certain aspects of the UAE CT Law. Such Decisions, and other interpretive guidance of the UAE Federal Tax Authority, are required to fully evaluate the impact of the UAE CT Law on the Group.

Since the provisions of UAE CT law will apply to Tax Periods commencing on or after 1 June 2023, the related current taxes shall be accounted for in the consolidated financial statements for the period beginning 1 January 2024. However, the related deferred tax accounting impact has been considered for the financial period ended 30 June 2023. Following assessment of the potential impact of the UAE CT Law on the balance sheet, we do not consider there to be material temporary differences on which deferred taxes should be accounted.

The Group will continue to monitor the publication of subsequent decisions and related guidance, as well as continuing its more detailed review of its financial matters, to consider any changes to the position at subsequent reporting dates.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the interim condensed consolidated financial statements
30 June 2023 (unaudited)

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2022.

5 Revenue

	<i>Three months period ended 30 June (unaudited)</i>		<i>Six months period ended 30 June (unaudited)</i>	
	2023	2022	2023	2022
	AED'000	AED'000	AED'000	AED'000
Revenue from supply of chilled water business segment	579,461	540,768	1,026,325	946,507
Revenue from value chain business segment	24,314	15,031	41,162	29,221
	603,775	555,799	1,067,487	975,728
Timing of transfer of goods and services:				
At a point in time	15,369	8,530	23,289	14,123
Over time	588,406	547,269	1,044,198	961,605
	603,775	555,799	1,067,487	975,728
Geographical location:				
Inside UAE	573,968	525,826	1,014,487	926,055
Outside UAE	29,807	29,973	53,000	49,673
	603,775	555,799	1,067,487	975,728

6 SEGMENT INFORMATION

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 systems.
- The **Value Chain Business** segment is engaged in various ancillary activities relating to the Group's chilled water business. These services consist of manufacturing of preinsulated systems of pipes and fittings for applications involving the transport and distribution of hot and cold fluids, design and supervision of mechanical and electrical systems and its installations in buildings and specialized facilities.

Segment performance is evaluated based on operating profit or loss and is measured consistently with the Group's operating profit or loss in the condensed consolidated interim financial information.



NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the interim condensed consolidated financial statements
30 June 2023 (unaudited)

6 SEGMENT INFORMATION (continued)

	Six months period ended 30 June 2023 (unaudited)				Six months period ended 30 June 2022 (unaudited)			
	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
Revenue								
External revenue	1,026,326	41,161	-	1,067,487	946,507	29,221	-	975,728
Inter-segment revenue	-	26,187	(26,187)	-	-	18,765	(18,765)	-
Total revenue	1,026,326	67,348	(26,187)	1,067,487	946,507	47,986	(18,765)	975,728
Direct costs	(519,545)	(37,724)	16,249	(541,020)	(456,617)	(25,393)	9,282	(472,728)
Gross profit	506,781	29,624	(9,938)	526,467	489,890	22,593	(9,483)	503,000
Administrative and other expenses	(127,425)	(11,691)	6,768	(132,348)	(121,816)	(11,173)	6,590	(126,399)
Operating profit	379,356	17,933	(3,170)	394,119	368,074	11,420	(2,893)	376,601
Finance costs	(142,716)	(591)	-	(143,307)	(145,196)	(458)	-	(145,654)
Finance income	27,054	32	-	27,086	3,477	40	-	3,517
Other gains and losses, net	106,706	-	-	106,706	1,151	-	-	1,151
Share of results of associates and joint ventures, net	17,241	-	-	17,241	18,855	-	-	18,855
Profit for the period	387,641	17,374	(3,170)	401,845	246,361	11,002	(2,893)	254,470

Inter-segment revenues and expenses are eliminated on consolidation.

	30 June 2023 (unaudited)			31 December 2022 (Audited)		
	Chilled water AED'000	Value chain business AED'000	Total AED'000	Chilled water AED'000	Value chain business AED'000	Total AED'000
Total assets	14,598,540	97,037	14,695,577	15,339,757	111,160	15,450,917
Total liabilities	7,591,561	96,992	7,688,553	8,197,787	99,055	8,296,842

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the interim condensed consolidated financial statements
30 June 2023 (unaudited)

7 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Basic earnings per share are calculated by dividing the profit for the period attributed to the equity holders of the parent by the weighted average number of shares in issue throughout the period as follows:

	<i>Three months period ended 30 June (unaudited)</i>		<i>Six months period ended 30 June (unaudited)</i>	
	2023	2022	2023	2022
	AED'000	AED'000	AED'000	AED'000
Profit attributable to the equity holders of the parent (AED '000)	150,031	152,157	386,394	240,368
Weighted average number of shares (excluding treasury shares) outstanding during the period ('000)	2,841,965	2,841,965	2,841,965	2,841,965
Total basic earnings per share (AED)	0.053	0.054	0.136	0.085

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 period ended 30 June 2023 and 2022.

8 PROPERTY, PLANT AND EQUIPMENT

	30 June 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
At beginning of the period / year	4,752,673	4,812,702
Additions	12,032	14,008
Acquisition of cooling plant	-	65,360
Transfer from capital work in progress	73,991	53,030
Depreciation expense	(107,299)	(192,165)
Disposals	-	(262)
At end of the period / year	4,731,397	4,752,673

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the interim condensed consolidated financial statements
30 June 2023 (unaudited)

9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

During the period, an associate of the Group, Tabreed District Cooling Company (Saudi Tabreed), increased its share capital by issuing new shares to a new shareholder at a premium. As a result, the Group's ownership interest in Saudi Tabreed was diluted from 31.1% to 21.8% resulting in a gain of AED 49.1 million. The gain is recorded under 'other gains and losses' in the consolidated statement of profit or loss.

10 FINANCE LEASE RECEIVABLES

Movement in finance lease receivables during the period / year is as follows:

	30 June 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
At the beginning of the period / year	2,902,170	3,012,278
Finance lease income	110,028	220,896
Variable lease payment CPI indexation	38,740	6,340
Total finance lease income	148,768	227,236
Lease rentals received	(172,879)	(337,344)
At the end of the period / year	2,878,059	2,902,170

Disclosed in the interim condensed consolidated statement of financial position as follows:

	30 June 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
Current	332,348	324,279
Non-current	2,545,711	2,577,891
	2,878,059	2,902,170

11 LONG TERM DEPOSITS

During the period, multiple deposits amounting to AED 14.3m were placed by a subsidiary of the Company, for a tenure of 5 years at rates ranging between 4.5%-4.9%.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the interim condensed consolidated financial statements
30 June 2023 (unaudited)

12 CASH AND CASH EQUIVALENTS

For the purposes of the interim consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the interim consolidated statement of cash flows can be reconciled to the related items in the interim consolidated statement of financial position as follows:

	30 June 2023 AED '000 (Unaudited)	30 June 2022 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
Bank balances and cash	108,995	331,564	331,722
Bank deposits	1,083,413	1,001,560	1,441,579
Cash and cash equivalents	<u>1,192,408</u>	<u>1,333,124</u>	<u>1,773,301</u>

Geographical concentration of cash and cash equivalents is as follows:

	30 June 2023 AED '000 (Unaudited)	30 June 2022 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
Within UAE	1,159,762	1,289,553	1,746,373
Outside UAE	32,646	43,571	26,928
	<u>1,192,408</u>	<u>1,333,124</u>	<u>1,773,301</u>

13 INTEREST BEARING LOANS AND BORROWINGS

		30 June 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
Term loan 1	LIBOR + margin	1,886,650	1,882,306
Term loan 2 (i)	LIBOR + margin	-	327,121
Term loan 3	EIBOR + margin	127,873	134,673
Term loan 4	5.75%	51,169	54,470
Term loan 5	5.75%	48,632	51,065
Term loan 6	EIBOR + margin	54,966	56,846
		<u>2,169,290</u>	<u>2,506,481</u>

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13 INTEREST BEARING LOANS AND BORROWINGS (continued)

- (i) During the period, as permitted by the financing agreement, the Group early settled Term Loan 2 along with the associated hedging instrument as part of its liability management. This resulted in a reclassification of the cumulative fair value of derivatives in cash flow hedges amounting to AED 100.6 million, from other comprehensive income to profit or loss under 'other gains and losses'.

In addition, unamortized transaction cost of AED 10.5 million was written off as a result of the settlement. The write off is recorded under 'other gains and losses' in the consolidated statement of profit or loss.

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

	30 June 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
Current portion	30,430	37,626
Non-current portion	2,138,860	2,468,855
	<u>2,169,290</u>	<u>2,506,481</u>

Movement in the interest-bearing loans and borrowing during the period / year is as follows:

	30 June 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
Movement		
At the beginning of the period / year	2,506,481	2,530,048
Repayments during the period / year	(352,630)	(32,748)
Transaction cost – amortised / written off	15,439	9,181
At the end of the period / year	<u>2,169,290</u>	<u>2,506,481</u>

Included in the interest-bearing loans and borrowing is an amount of AED 17.6 million (31 December 2022: AED 33.0 million) of unamortised transaction cost.

14 ISLAMIC FINANCING ARRANGEMENT

		30 June 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
	Effective interest rate %		
Islamic financing arrangement - I	LIBOR + margin	636,869	635,604
Islamic financing arrangement - II	LIBOR + margin	-	301,787
		<u>636,869</u>	<u>937,391</u>

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14 ISLAMIC FINANCING ARRANGEMENT (continued)

During the period, as permitted by the financing agreement, the Group early settled Islamic financing arrangement - II as part of its liability management resulting in unamortized transaction cost of AED 10.3 million being written off. The write off is recorded under 'other gains and losses' in the consolidated statement of profit or loss.

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

	30 June 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
Current portion	-	8,073
Non-current portion	636,869	929,318
	<u>636,869</u>	<u>937,391</u>

Movement in the Islamic financing arrangement during the period / year is as follows:

	30 June 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
Movement		
At the beginning of the period / year	937,391	941,412
Repayments during the period / year	(312,371)	(8,433)
Transaction cost – amortised / written off	11,849	4,412
At the end of the period / year	<u>636,869</u>	<u>937,391</u>

Included in the Islamic financing arrangement is an amount of AED 4.1 million (31 December 2022: AED 16.0 million) of unamortised transaction cost.

15 NON-CONVERTIBLE BONDS AND SUKUK

	30 June 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
Non-convertible bonds (i)	1,817,856	1,815,842
Non-convertible sukuk (ii)	1,833,113	1,832,453
	<u>3,650,969</u>	<u>3,648,295</u>

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15 NON-CONVERTIBLE BONDS AND SUKUK (continued)

(i) Non-convertible bonds

In 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 loan and to fund the growth.

The bonds are stated net of discount and transaction costs incurred in connection with the bonds issuance, amounting to AED 18.4 million, which are amortised to the interim consolidated statement of profit or loss over the repayment period of the bonds using effective interest rate method.

(ii) Non-convertible sukuk

In 2018, the Group issued 7-year investment grade Islamic bonds (Sukuk) of US\$ 500 million which are listed on the London Stock Exchange. The sukuk carries a profit rate of 5.5% payable semi-annually. The sukuk is repayable on 31 October 2025.

The sukuk is stated net of discount and transaction costs incurred in connection with the arrangements, amounting to AED 3.3 million, which are amortised to the interim consolidated statement of profit or loss over the repayment period of the sukuk using effective interest rate method.

16 FINANCE COSTS

	Three months period ended 30 June (unaudited)		Six months period ended 30 June (unaudited)	
	2023	2022	2023	2022
	AED'000	AED'000	AED'000	AED'000
Interest on interest bearing loans	14,839	17,513	35,644	37,380
Profit on sukuk	25,194	25,198	50,501	50,504
Interest on bonds	11,466	11,467	22,955	22,956
Profit on Islamic financing arrangement	1,961	7,537	9,990	14,219
Amortisation of transaction costs	4,384	4,691	8,761	9,049
Finance cost related to lease liabilities	2,916	3,185	5,791	6,480
Other finance costs	8,683	3,582	9,665	5,066
	69,443	73,173	143,307	145,654

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17 COMMITMENTS AND CONTINGENCIES

Capital commitments

The authorised capital expenditure contracted as at 30 June 2023 but not provided for amounted to AED 430.0 million (31 December 2022: AED 339.7 million) and relates to capital work in progress.

Contingencies

	At 30 June 2023 AED '000 (Unaudited)	At 31 December 2022 AED '000 (Audited)
Performance guarantees	80,774	110,351
Advance payment guarantees	1,506	1,353
Financial guarantees	53	53
	82,333	111,757

18 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent associated companies, joint ventures, majority shareholder, directors, key management personnel of 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 parties included in the interim condensed consolidated statement of profit or loss are as follows:

	Six months period ended			
	30 June 2023 (unaudited)		30 June 2022 (unaudited)	
	Revenue AED '000	Direct costs AED '000	Revenue AED '000	Direct costs AED '000
Associated companies	5,604	30,536	5,661	30,605
Non-controlling interest shareholders	34,056	-	131,838	-

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18 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	30 June 2023 (unaudited)	
	Trade and other receivables AED '000	Trade and other payables AED '000
Associated companies	5,220	30,362
Non-controlling interest shareholders	75,472	-
	80,692	30,362
	31 December 2022 (Audited)	
	Trade and other receivables AED '000	Trade and other payables AED '000
Associated companies	9,530	28,092
Non-controlling interest shareholders	58,279	-
	67,809	28,092

Compensation of key management personnel

The remuneration of key management personnel during the period was as follows:

	Six months period ended 30 June	
	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited)
Short-term benefits	5,869	4,770
Employees' end of service benefits	79	79
	5,948	4,849
Number of key management personnel	6	5

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19 DIVIDENDS AND BOARD REMUNERATION

In 2023, the Board of Directors proposed the distribution of cash dividends of 13.5 fils per share in respect of the fiscal year ended 31 December 2022. The shareholders at the Annual General Assembly Meeting held on 20 March 2023 approved the dividend. Accordingly, dividend amounting to AED 383.6 million was paid on 17 April 2023.

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, 69,386,375 bonus shares were issued on 31 March 2022 and dividend amounting to AED 166.3 million was paid on 4 April 2022.

Furthermore, Board of Directors' remuneration of AED 8.6 million for the year ended 31 December 2022 was also approved at the Annual General Meeting held on 20 March 2023. Board remuneration of AED 8.6 million for the year ended 31 December 2021 was approved at the previous Annual General Meeting held on 21 March 2022.

20 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:

	20 May 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 liabilities	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

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20 DISPOSAL OF A SUBSIDIARY (continued)

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

	Period ended 20 May 2022 AED'000
Revenue	1,670
Expenses	(1,382)
Gross profit	288
Other administrative expenses	-
Profit for the period from discontinued operation (i)	288

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

	20 May 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 interim condensed consolidated profit or loss, as the amounts are insignificant.

21 SEASONALITY OF OPERATIONS

Interim results fluctuate due to the seasonal demands for chilled water, in line with the average temperatures in the region. Tabreed's operations generally produce higher revenues in the summer due to increased customer consumption, while certain expenses such as depreciation, interest and operating expenses remain more evenly distributed throughout the fiscal year. As a result, interim operational profits are not indicative of operational profits on an annual basis.

22 FAIR VALUE MEASUREMENT

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable and gives information about how the fair value of these financial assets are determined.

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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22 FAIR VALUE MEASUREMENT (continued)

The Group held the following financial instrument measured at fair value:

	<i>Fair value as at</i>		<i>Fair value hierarchy</i>	<i>Valuation techniques and key inputs</i>	<i>Significant unobservable input</i>	<i>Relationship of unobservable inputs to fair value</i>
	<i>30 June</i>	<i>31 December</i>				
	<i>2023</i>	<i>2022</i>				
	<i>"000"</i>	<i>"000"</i>				
	<i>(unaudited)</i>	<i>(audited)</i>				
	<i>AED</i>	<i>AED</i>				
Trade and other receivables						
Derivative financial assets	197,588	263,789	Level 2	Significant observable inputs	None	Not applicable

The reduction in the fair value of derivatives was mainly due to the settlement of hedge associated with Term Loan 2 (note 13). There were no transfers between each of the levels during the period.

23 SUBSEQUENT EVENTS

As of 1 January 2022, the four non-U.S. dollar LIBOR benchmark rates - the British pound (GBP), Japanese Yen (JPY), Swiss Franc (CHF) and Euro (EUR), along with the one-week and two-month USD LIBOR, stopped being published. The end of these rates is part of the final cessation of LIBOR and accordingly, all the remaining USD LIBOR rates have discontinued after 30 June 2023 and has been replaced by Secured Overnight Financing Rate (SOFR).

Tabreed has only one term loan denominated in USD with LIBOR as the benchmark rate. Further, the loan is 100% hedged through a plain vanilla interest rate swap (IRS). The Company has transitioned the loan and the associated hedge from LIBOR to SOFR and based on management's assessment, such transition will not result in an impact on the Group's profit or loss or equity.

24 APPROVAL OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements of the Group were authorised for issuance by the Board of Directors on 27 July 2023.