



National Central Cooling Company PJSC and Its Subsidiaries

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTHS PERIOD ENDED
31 MARCH 2023**



NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Interim condensed consolidated financial statements
for the three-months period ended 31 March 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 31 March 2023, comprising of the consolidated interim statement of financial position as at 31 March 2023, and the related consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three 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 condensed consolidated interim 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

11 May 2023
Abu Dhabi

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Interim consolidated statement of profit or loss (unaudited)
For the three-months period ended 31 March 2023

	Notes	Three-months period ended 31 March	
		2023 AED'000	2022 AED'000
Revenue	5	463,712	419,929
Direct costs		(224,144)	(206,159)
Gross profit		239,568	213,770
Administrative and other expenses		(67,558)	(60,090)
Operating profit		172,010	153,680
Finance costs	15	(73,864)	(72,481)
Finance income		16,191	1,311
Other gains and losses, net	9 & 12	119,130	306
Share of results of associates and joint ventures, net		8,983	10,505
Profit for the period		242,450	93,321
Attributable to:			
Equity holders of the parent		236,363	88,211
Non-controlling interest		6,087	5,110
		242,450	93,321
Total basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	7	0.083	0.031

The attached notes 1 to 21 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 period ended 31 March 2023

	Three-months period ended	
	31 March	
	2023	2022
	AED'000	AED'000
Profit for the period	242,450	93,321
Other comprehensive (loss) income		
Exchange difference on translation of foreign operations	1,351	1,107
Net movement in fair value of derivatives in cash flow hedges	(44,817)	147,818
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges	(4,003)	6,940
Net other comprehensive (loss) income that may be reclassified subsequently to profit or loss	(47,469)	155,865
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)	-
	(148,073)	155,865
Total comprehensive income for the period	94,377	249,186
Attributable to:		
Equity holders of the parent	88,290	244,076
Non-controlling interest	6,087	5,110
	94,377	249,186

The attached notes 1 to 21 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 31 March 2023

		As at	
		31 March 2023 (Unaudited) AED '000	31 December 2022 (Audited) AED '000
ASSETS	Notes		
Non-current assets			
Property, plant and equipment	8	4,704,069	4,752,673
Capital work in progress		271,099	252,041
Right-of-use assets		186,946	192,849
Intangible assets		4,124,171	4,152,090
Investments in associates and joint ventures		509,770	457,288
Finance lease receivables	10	2,558,056	2,577,891
		<u>12,354,111</u>	<u>12,384,832</u>
Current assets			
Inventories		66,506	60,029
Trade and other receivables		748,673	908,476
Finance lease receivables	10	332,348	324,279
Cash and bank balances	11	1,389,364	1,773,301
		<u>2,536,891</u>	<u>3,066,085</u>
Total assets		<u>14,891,002</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		2,609,509	2,757,257
Foreign currency translation reserve		2,502	1,151
Cumulative changes in fair value of derivatives in cash flow hedges		202,066	351,490
Equity attributable to the equity holders of the parent		<u>6,178,989</u>	<u>6,474,810</u>
Non-controlling interests		661,952	679,265
Total equity		<u>6,840,941</u>	<u>7,154,075</u>
Liabilities			
Non-current liabilities			
Trade and other payables		218,559	218,559
Interest bearing loans and borrowings	12	2,141,780	2,468,855
Islamic financing arrangement	13	636,236	929,318
Non-convertible Bonds and Sukuk	14	3,649,628	3,648,295
Lease liabilities		158,682	170,487
Employees' end of service benefits		43,419	42,706
		<u>6,848,304</u>	<u>7,478,220</u>
Current liabilities			
Trade and other payables		1,124,424	726,601
Interest bearing loans and borrowings	12	29,389	37,626
Islamic financing arrangement	13	-	8,073
Lease liabilities		47,944	46,322
		<u>1,201,757</u>	<u>818,622</u>
Total liabilities		<u>8,050,061</u>	<u>8,296,842</u>
Total equity and liabilities		<u>14,891,002</u>	<u>15,450,917</u>



Khaled Abdulla Al Qubaisi
Chairman



Khalid Abdulla Al Marzooqi
Chief Executive Officer



Adel AlWahedi
Chief Financial Officer

The attached notes 1 to 21 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 three-months period ended 31 March 2023

	Attributable to equity holders of the parent						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	Cumulative changes in fair value of derivatives AED '000		
Balance at 1 January 2022 (audited)	2,775,874	(3,215)	456,648	2,460,147	2,721	53,970	700,251	6,446,396
Profit for the period	-	-	-	88,211	-	-	5,110	93,321
Other comprehensive income for the period	-	-	-	-	1,107	154,758	-	155,865
Total comprehensive income for the period	-	-	-	88,211	1,107	154,758	5,110	249,186
Dividend payable to ordinary shareholders	-	-	-	(166,348)	-	-	-	(166,348)
Bonus shares	69,387	(81)	-	(69,306)	-	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	(30,000)	(30,000)
Balance at 31 March 2022 (unaudited)	2,845,261	(3,296)	456,648	2,312,704	3,828	208,728	675,361	6,499,234
Balance at 1 January 2023 (audited)	2,845,261	(3,296)	522,947	2,757,257	1,151	351,490	679,265	7,154,075
Profit for the period	-	-	-	236,363	-	-	6,087	242,450
Other comprehensive income for the period	-	-	-	-	1,351	(149,424)	-	(148,073)
Total comprehensive income for the period	-	-	-	236,363	1,351	(149,424)	6,087	94,377
Dividend payable to ordinary shareholders (note 18)	-	-	-	(384,111)	-	-	-	(384,111)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(23,400)	(23,400)
Balance at 31 March 2023 (unaudited)	2,845,261	(3,296)	522,947	2,609,509	2,502	202,066	661,952	6,840,941

The attached notes 1 to 21 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 three-months period ended 31 March 2023

	Note	Three-months period ended 31 March	
		2023 AED '000	2022 AED '000
Operating activities			
Profit from continuing operations		242,450	93,321
Non-cash adjustments:			
Depreciation of property, plant and equipment	8	49,845	49,377
Depreciation of right-of-use assets		6,031	5,801
Amortisation of intangible assets		27,919	27,167
Finance lease income	10	(74,670)	(56,661)
Share of results of associates and joint ventures		(8,983)	(10,505)
Provision for employees' end of service benefits		1,320	3,432
Finance income		(16,191)	(1,311)
Finance costs	15	73,864	72,481
Other income and charges		(119,130)	(306)
Operating cash flows before changes in working capital		182,455	182,796
Working capital changes:			
Inventories		(6,477)	(1,969)
Trade and other receivables		82,995	93,322
Trade and other payables		(22,075)	34,553
Net cashflows from operation		236,898	308,702
Lease rentals received	10	86,436	84,231
Employees' end of service benefits paid		(607)	(1,773)
Net cash flows generated from operating activities		322,727	391,160
Investing activities			
Purchase of property, plant and equipment	8	(1,241)	(2,614)
Payments for capital work in progress		(15,653)	(30,730)
Finance income received		17,561	1,738
Net cash flows from (used in) investing activities		667	(31,606)
Financing activities			
Interest bearing loans and borrowings repaid		(348,652)	(9,456)
Islamic financing arrangement repaid		(312,371)	-
Principal portion of lease payments		(13,187)	(11,391)
Finance costs paid		(9,721)	(26,967)
Dividends paid to non-controlling interests		(23,400)	(30,000)
Net cash flows used in financing activities		(707,331)	(77,814)
Net (decrease) increase in cash and cash equivalents		(383,937)	281,740
Cash and cash equivalents at 1 January		1,773,301	1,197,273
Cash and cash equivalents at 31 March	11	1,389,364	1,479,013

The attached notes 1 to 21 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****31 March 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 three-months period ended 31 March 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
31 March 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.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 – Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

The Group will be subject to taxation commencing 1 January 2024. Based on the above, the Group assessed the deferred tax implication and concluded it is not expected to be significant as of and for the three months period ended 31 March 2023. As certain other cabinet decisions are pending as on the date of these interim condensed consolidated financial statements, the Group will continue to assess the impact of these pending cabinet decisions on deferred taxes as and when finalized and published.

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.

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

5 Revenue

	Three-months period ended 31 March (unaudited)	
	2023	2022
	AED '000	AED '000
Revenue from supply of chilled water business segment	446,864	405,739
Revenue from value chain business segment	16,848	14,190
	463,712	419,929
Timing of transfer of goods and services:		
At a point in time	7,920	5,593
Over time	455,792	414,336
	463,712	419,929
Geographical location:		
Inside UAE	440,519	400,229
Outside UAE	23,193	19,700
	463,712	419,929

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
31 March 2023 (unaudited)

6 SEGMENT INFORMATION (continued)

	Three-months period ended 31 March 2023 (unaudited)				Three-months period ended 31 March 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	446,865	16,847	-	463,712	405,739	14,190	-	419,929
Inter-segment revenue	-	8,898	(8,898)	-	-	8,022	(8,022)	-
Total revenue	446,865	25,745	(8,898)	463,712	405,739	22,212	(8,022)	419,929
Direct costs	(214,117)	(13,944)	3,917	(224,144)	(196,703)	(12,726)	3,270	(206,159)
Gross profit	232,748	11,801	(4,981)	239,568	209,036	9,486	(4,752)	213,770
Administrative and other expenses	(63,179)	(7,765)	3,386	(67,558)	(56,525)	(6,682)	3,117	(60,090)
Operating profit	169,569	4,036	(1,595)	172,010	152,511	2,804	(1,635)	153,680
Finance costs	(73,577)	(287)	-	(73,864)	(72,398)	(83)	-	(72,481)
Finance income	16,165	26	-	16,191	1,292	19	-	1,311
Other gains and losses, net	119,130	-	-	119,130	306	-	-	306
Share of results of associates and joint ventures, net	8,983	-	-	8,983	10,505	-	-	10,505
Profit for the period	240,270	3,775	(1,595)	242,450	92,216	2,740	(1,635)	93,321

Inter-segment revenues and expenses are eliminated on consolidation.

	31 March 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	14,767,088	123,914	14,891,002	15,339,757	111,160	15,450,917
Total liabilities	7,957,343	92,718	8,050,061	8,197,787	99,055	8,296,842

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the interim condensed consolidated financial statements
31 March 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:

	31 March 2023 (Unaudited)	31 March 2022 (Unaudited)
Profit attributable to the equity holders of the parent (AED '000)	<u>236,363</u>	<u>88,211</u>
Weighted average number of shares (excluding treasury shares) outstanding during the period ('000)	<u>2,841,965</u>	<u>2,841,965</u>
Total basic earnings per share (AED)	<u>0.083</u>	<u>0.031</u>

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 31 March 2023 and 2022.

8 PROPERTY, PLANT AND EQUIPMENT

	31 March 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
At beginning of the period / year	4,752,673	4,812,702
Additions	1,241	14,008
Acquisition of cooling plant	-	65,360
Transfer from capital work in progress	-	53,030
Depreciation expense	(49,845)	(192,165)
Disposals	-	(262)
At end of the period / year	<u>4,704,069</u>	<u>4,752,673</u>

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.

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

10 FINANCE LEASE RECEIVABLES

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

	31 March 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	55,300	220,896
Variable lease payment CPI indexation	19,370	6,340
Total finance lease income	74,670	227,236
Lease rentals received	(86,436)	(337,344)
At the end of the period / year	2,890,404	2,902,170

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

	31 March 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
Current	332,348	324,279
Non-current	2,558,056	2,577,891
	2,890,404	2,902,170

11 CASH AND CASH EQUIVALENTS

For the purposes of the interim condensed 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 condensed consolidated statement of cash flows can be reconciled to the related items in the interim condensed consolidated statement of financial position as follows:

	31 March 2023 AED '000 (Unaudited)	31 March 2022 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
Bank balances and cash	364,245	554,168	331,722
Bank deposits	1,025,119	924,845	1,441,579
Cash and cash equivalents	1,389,364	1,479,013	1,773,301

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

11 CASH AND CASH EQUIVALENTS (continued)

Geographical concentration of cash and cash equivalents is as follows:

	31 March 2023 AED '000 (Unaudited)	31 March 2022 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
Within UAE	1,365,930	1,446,156	1,746,373
Outside UAE	23,434	32,857	26,928
	<u>1,389,364</u>	<u>1,479,013</u>	<u>1,773,301</u>

12 INTEREST BEARING LOANS AND BORROWINGS

		31 March 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
	Effective interest rate %		
Term loan 1	LIBOR + margin	1,884,478	1,882,306
Term loan 2 (i)	LIBOR + margin	-	327,121
Term loan 3	EIBOR + margin	128,024	134,673
Term loan 4	5.75%	54,419	54,470
Term loan 5	5.75%	48,333	51,065
Term loan 6	EIBOR + margin	55,915	56,846
		<u>2,171,169</u>	<u>2,506,481</u>

(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.

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

12 INTEREST BEARING LOANS AND BORROWINGS (continued)

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

	31 March 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
Current portion	29,389	37,626
Non-current portion	2,141,780	2,468,855
	<u>2,171,169</u>	<u>2,506,481</u>

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

	31 March 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	(348,652)	(32,748)
Transaction cost – amortised / written off	13,340	9,181
At the end of the period / year	<u>2,171,169</u>	<u>2,506,481</u>

Included in the interest-bearing loans and borrowing is an amount of AED 19.7 million (31 December 2022: AED 33.0 million) of unamortised transaction cost.

13 ISLAMIC FINANCING ARRANGEMENT

		31 March 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
	Effective interest rate %		
Islamic financing arrangement - I	LIBOR + margin	636,236	635,604
Islamic financing arrangement - II	LIBOR + margin	-	301,787
		<u>636,236</u>	<u>937,391</u>

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13 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 condensed consolidated interim statement of financial position as follows:

	31 March 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
Current portion	-	8,073
Non-current portion	<u>636,236</u>	<u>929,318</u>
	<u>636,236</u>	<u>937,391</u>

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

	31 March 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	11,216	4,412
At the end of the period / year	<u>636,236</u>	<u>937,391</u>

Included in the Islamic financing arrangement is an amount of AED 4.8 million (31 December 2022: AED 16.0 million) of unamortised transaction cost.

14 NON-CONVERTIBLE BONDS AND SUKUK

	31 March 2023 AED '000 (Unaudited)	31 December 2022 AED '000 (Audited)
Non-convertible bonds (i)	1,816,847	1,815,842
Non-convertible sukuk (ii)	<u>1,832,781</u>	<u>1,832,453</u>
	<u>3,649,628</u>	<u>3,648,295</u>

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14 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 19.7 million, which are amortised to the interim condensed 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 3.7 million, which are amortised to the interim condensed consolidated statement of profit or loss over the repayment period of the sukuk using effective interest rate method.

15 FINANCE COSTS

	Three-months period ended	
	31 March (unaudited)	
	2023	2022
	AED '000	AED '000
Interest on interest bearing loans and borrowing	20,805	19,867
Interest on bonds	11,489	11,489
Profit on sukuk	25,307	25,306
Profit on Islamic financing arrangement	8,029	6,682
Amortization	4,377	4,358
Finance charges on lease liabilities	2,875	3,295
Others	982	1,484
	73,864	72,481

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16 COMMITMENTS AND CONTINGENCIES

Capital commitments

The authorised capital expenditure contracted as at 31 March 2023 but not provided for amounted to AED 437 million (31 December 2022: AED 339.7 million) and relates to capital work in progress.

Contingencies

	At 31 March 2023 AED '000 (Unaudited)	At 31 December 2022 AED '000 (Audited)
Performance guarantees	108,721	110,351
Advance payment guarantees	1,678	1,353
Financial guarantees	53	53
	<u>110,452</u>	<u>111,757</u>

17 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 condensed consolidated interim statement of profit or loss are as follows:

	Three-months period ended			
	31 March 2023 (unaudited)		31 March 2022 (unaudited)	
	Revenue AED '000	Direct costs AED '000	Revenue AED '000	Direct costs AED '000
Associated companies	<u>2,857</u>	<u>15,313</u>	<u>2,833</u>	<u>14,885</u>
Non-controlling interest shareholders	<u>34,056</u>	<u>-</u>	<u>52,095</u>	<u>-</u>

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17 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	31 March 2023 (unaudited)	
	Trade and other receivables AED '000	Trade and other Payables AED '000
Associated companies	4,117	29,101
Non-controlling interest shareholders	41,311	-
	45,428	29,101
	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:

	Three-months period ended 31 March	
	2023 AED'000 (Unaudited)	2022 AED'000 (Unaudited)
Short-term benefits	2,763	2,407
Employees' end of service benefits	32	42
	2,795	2,449
Number of key management personnel	6	5

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18 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 384.1 million was paid on 17 April 2023.

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.

19 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.

20 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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20 FAIR VALUE MEASUREMENT (continued)

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

	<i>Fair value as at</i>					
	<i>31 March</i>	<i>31 December</i>				
	<i>2023</i>	<i>2022</i>				
	<i>"000"</i>	<i>"000"</i>				
	<i>(unaudited)</i>	<i>(audited)</i>	<i>Fair value</i>	<i>Valuation</i>	<i>Significant</i>	<i>Relationship of</i>
	<i>AED</i>	<i>AED</i>	<i>hierarchy</i>	<i>techniques</i>	<i>unobservable</i>	<i>unobservable</i>
				<i>and key</i>	<i>input</i>	<i>inputs to</i>
				<i>inputs</i>		<i>fair value</i>
<i>Trade and other receivables</i>						
<i>Derivative financial assets (liabilities)</i>	191,444	263,789	Level 2	Significant Observable inputs	None	Not applicable

The reduction in the FV of derivative was mainly due to the settlement of hedge associated with Term Loan 2 (note 12). There were no transfers between each of levels during the period.

21 APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated interim financial information of the Group was authorised for issuance by the Board of Directors on 11 May 2023.