# Dubai Electricity and Water Authority

## Consolidated financial statements
*for the year ended 31 December 2020*

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*for the year ended 31 December 2020*

KPMG Lower Gulf Limited
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# Independent Auditors' Report

To the Owner of Dubai Electricity and Water Authority

## Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dubai Electricity and Water Authority ("the Authority") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

*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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (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 as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 2 February 2020.

*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 IFRS 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.

*Auditors' 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 auditors' 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.

- 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.

_Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)_

- 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 auditors' 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 auditors' 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 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.

KPMG Lower Gulf Limited

Emilio Pera
Registration No.: 1015
Dubai, United Arab Emirates

Date: 31 JAN 2021

# Dubai Electricity and Water Authority

## Consolidated statement of financial position

| | *Note* | At 31 December<br>**2020**<br>**AED'000** | <br>2019<br>AED'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *7* | **137,876,386** | 127,786,936 |
| Right-of-use assets | *8* | **3,123,020** | 24,368 |
| Intangible assets | *9* | **161,862** | 132,591 |
| Investments accounted for using the equity method | *6.3* | **5,720** | 5,083 |
| Derivative financial instruments | *30* | **4,655** | 88,770 |
| Other assets | *10* | **606,888** | 585,522 |
| Trade receivables | *11* | **698,459** | 843,142 |
| | | **142,476,990** | 129,466,412 |
| **Current assets** | | | |
| Inventories | *12* | **1,415,403** | 1,286,920 |
| Other assets | *10* | **1,136,976** | 1,399,184 |
| Trade receivables | *11* | **5,245,480** | 4,586,932 |
| Other financial assets at amortised cost | *13* | **2,767,099** | 1,805,084 |
| Cash and bank balances | *14* | **6,883,018** | 11,778,208 |
| | | **17,447,976** | 20,856,328 |
| **Total assets** | | **159,924,966** | 150,322,740 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Government of Dubai account | *15* | **39,829,878** | 38,410,937 |
| General reserve | *15* | **52,239,576** | 49,452,877 |
| Statutory reserve | *15* | **352,103** | 351,953 |
| Hedging reserve | *15* | **(1,982,987)** | (857,543) |
| | | **90,438,570** | 87,358,224 |
| Non-controlling interests | | **(416,991)** | 516,125 |
| **Total equity** | | **90,021,579** | 87,874,349 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | *16* | **16,534,142** | 10,655,686 |
| Retirement benefit obligations | *17* | **1,036,398** | 967,117 |
| Derivative financial instruments | *30* | **3,825,387** | 1,723,128 |
| Lease liabilities | *18* | **14,887** | 19,860 |
| Other long term liabilities | *19* | **30,611,159** | 28,361,679 |
| | | **52,021,973** | 41,727,470 |
| **Current liabilities** | | | |
| Trade and other payables | *20* | **14,649,234** | 13,678,108 |
| Borrowings | *16* | **2,265,240** | 6,255,989 |
| Derivative financial instruments | *30* | **12,254** | 32,626 |
| Lease liabilities | *18* | **6,438** | 7,152 |
| | | **16,933,166** | 19,973,875 |
| **Total liabilities** | | **68,955,139** | 61,701,345 |
| **Total equity and liabilities** | | **158,976,718** | 149,575,694 |
| Regulatory deferral account credit balance | *32* | **948,248** | 747,046 |
| **Total equity, liabilities and regulatory deferral account credit balance** | | **159,924,966** | 150,322,740 |

To the best of our knowledge, these consolidated financial statements fairly represents in all material respects, the consolidated financial position, results of operation and cash flows for the Group as of and for, the year ended 31 December 2020

These consolidated financial statements were approved by the Board of Directors on 31 January 2021 and signed on its behalf by:

................................
Managing Director &
Chief Executive Officer

................................
Chairman

................................
Chief Financial Officer

................................
Director

The independent auditors' report is set out on pages 1 and 3.
The notes on pages 9 to 66 form an integral part of these consolidate financial statements.

# Dubai Electricity and Water Authority

## Consolidated statements of profit or loss and other comprehensive income

*for the year ended 31 December 2020*

| | Note | For the year ended 31 December 2020 AED'000 | 2019 AED'000 |
|---|---|---|---|
| Revenue | *22* | **22,260,693** | 22,886,986 |
| Cost of sales | *23* | **(14,181,722)** | (14,119,335) |
| **Gross profit** | | **8,078,971** | 8,767,651 |
| Administrative expenses | *24* | **(3,031,802)** | (2,696,870) |
| Credit impairment losses | *11* | **(87,970)** | (21,212) |
| Other income | | **378,018** | 331,890 |
| **Operating profit** | | **5,337,217** | 6,381,459 |
| Finance costs | *26* | **(267,966)** | (243,778) |
| Finance income | *26* | **239,479** | 501,869 |
| Finance income/cost – net | *26* | **(28,487)** | 258,091 |
| Share of loss from investments in joint ventures | *6.3* | **(2,392)** | (2,467) |
| **Profit for the year** | | **5,306,338** | 6,637,083 |
| **Other comprehensive income:** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Remeasurements of retirement benefit obligations | *17.1* | **19,696** | 83,133 |
| *Items that may be reclassified to profit or loss* | | | |
| Hedging losses reclassified to profit or loss | | **210,323** | 19,384 |
| Cash flow hedges | *30* | **(2,353,739)** | (1,883,023) |
| Other comprehensive loss for the year | | **(2,123,720)** | (1,780,506) |
| **Total comprehensive income for the year** | | **3,182,618** | 4,856,577 |
| **Profit for the year attributable to** | | | |
| - Government of Dubai | | **5,094,728** | 6,414,663 |
| - Non-controlling interests | | **211,610** | 222,420 |
| | | **5,306,338** | 6,637,083 |
| **Total comprehensive income for the year attributable to** | | | |
| - Government of Dubai | | **3,988,980** | 5,531,767 |
| - Non-controlling interests | | **(806,362)** | (675,190) |
| | | **3,182,618** | 4,856,577 |

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# Dubai Electricity and Water Authority

## Consolidated statement of changes in equity

| | Attributable to the owner | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Government of Dubai account AED'000** | **General reserve AED'000** | **Statutory reserve AED'000** | **Hedging reserve AED'000** | **Retained earnings AED'000** | **Total AED'000** | **Non-controlling interests AED'000** | **Total equity AED'000** |
| **At 1 January 2019** | 38,092,123 | 48,433,035 | 309,131 | 108,486 | (2,012) | 86,940,763 | 1,276,999 | 88,217,762 |
| **Total comprehensive income for the period** | | | | | | | | |
| Profit for the year | - | - | - | - | 6,414,663 | 6,414,663 | 222,420 | 6,637,083 |
| Other comprehensive income | - | - | - | (966,029) | 83,133 | (882,896) | (897,610) | (1,780,506) |
| **Total comprehensive income for the year** | - | - | - | (966,029) | 6,497,796 | 5,531,767 | (675,190) | 4,856,577 |
| Transfer to reserve | - | 5,519,842 | 42,822 | - | (5,562,664) | - | - | - |
| ***Transactions with the Owner*** | | | | | | | | |
| Non-cash distribution (refer note 15) | - | - | - | - | (933,120) | (933,120) | - | (933,120) |
| Capital contribution by non-controlling interests | - | - | - | - | - | - | 6,710 | 6,710 |
| Capital contribution by Government of Dubai – value of lands (net) | 318,814 | - | - | - | - | 318,814 | - | 318,814 |
| Dividend paid (refer note 31) | - | (4,500,000) | - | - | - | (4,500,000) | (92,394) | (4,592,394) |
| **At 31 December 2019** | 38,410,937 | 49,452,877 | 351,953 | (857,543) | - | 87,358,224 | 516,125 | 87,874,349 |

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# Dubai Electricity and Water Authority

## Consolidated statement of changes in equity *(continued)*

| | Attributable to the owner | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Government of Dubai account AED'000** | **General reserve AED'000** | **Statutory reserve AED'000** | **Hedging reserve AED'000** | **Retained earnings AED'000** | **Total AED'000** | **Non-controlling interests AED'000** | **Total equity AED'000** |
| **At 1 January 2020** | 38,410,937 | 49,452,877 | 351,953 | (857,543) | - | 87,358,224 | 516,125 | 87,874,349 |
| **Total comprehensive income for the year** | | | | | | | | |
| Profit for the year | - | - | - | - | 5,094,728 | 5,094,728 | 211,610 | 5,306,338 |
| Other comprehensive income | - | - | - | (1,125,444) | 19,696 | (1,105,748) | (1,017,972) | (2,123,720) |
| **Total comprehensive income for the year** | - | | - | (1,125,444) | 5,114,424 | 3,988,980 | (806,362) | 3,182,618 |
| Transfer to reserve | - | 4,286,699 | 150 | | (4,286,849) | - | - | - |
| ***Transactions with the owner*** | | | | - | | | | |
| Non-cash distribution (Note 15) | - | - | - | - | (827,575) | (827,575) | - | (827,575) |
| Reclassification of capital contribution by non-controlling interest to borrowings* | - | - | - | - | | - | (6,713) | (6,713) |
| Capital contribution by non-controlling interests | - | | - | - | - | - | 2,000 | 2,000 |
| Capital contribution by Government of Dubai – value of lands (net) | 1,418,941 | | - | - | - | 1,418,941 | | 1,418,941 |
| Dividend paid (refer note 31) | - | (1,500,000) | - | - | - | (1,500,000) | (122,041) | (1,622,041) |
| **At 31 December 2020** | 39,829,878 | 52,239,576 | 352,103 | (1,982,987) | - | 90,438,570 | (416,991) | 90,021,579 |

* The amount of loan amounting to AED 6.7 million treated as capital contribution by non-controlling interest in 2019 has been reclassified to borrowings during the year ended 31 December 2020.

The independent auditors' report is set out on pages 1 and 3.

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# Dubai Electricity and Water Authority

## Consolidated statement of cash flows

| | *Note* | For the year ended 31 December 2020 AED | 2019 AED |
|---|---|---|---|
| **Net cash inflows from generated operating activities** | *27* | **8,285,974** | 10,303,423 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment net of movements in trade payables and other long term liabilities | | **(13,172,696)** | (11,864,079) |
| Movement in term deposits with original maturity of greater than three months | *14* | **7,670,692** | 554,192 |
| Purchase of intangible assets | *9* | **(32,543)** | (18,794) |
| Interest received | | **256,675** | 443,992 |
| Movement in other financial assets at amortised cost | | **96,156** | (16,628) |
| Proceeds from disposal of property, plant and equipment | | **1,877** | 5,334 |
| **Net cash outflow from investing activities** | | **(5,179,839)** | (10,895,983) |
| **Cash flows from financing activities** | | | |
| Repayments of borrowings | | **(5,605,224)** | (630,408) |
| Proceeds from borrowings | | **7,717,351** | 6,013,610 |
| Interest paid | | **(1,024,347)** | (1,108,101) |
| Payment of lease liabilities | *18* | **(8,397)** | (6,850) |
| Capital contribution by the non-controlling interest | | **2,000** | - |
| Dividends paid to owner | *31* | **(1,500,000)** | (4,500,000) |
| Dividends paid to non-controlling interests in subsidiaries | | **(92,041)** | (92,394) |
| **Net cash outflow from financing activities** | | **(510,658)** | (324,143) |
| Movement in regulatory deferral account credit balance | *32* | **201,202** | 219,426 |
| **Net increase /(decrease) in cash and cash equivalents** | | **2,796,679** | (697,277) |
| Cash and cash equivalents at the beginning of the year | *14* | **2,505,835** | 3,203,112 |
| **Cash and cash equivalents at the end of the year** | *14* | **5,302,514** | 2,505,835 |

Material non-cash transactions:

- Transfer of land to the Group by the Land Department of the Government of Dubai recorded through equity amounting to AED 1,419 million *(2019: AED 319 million)* (Note 7).

- During the year, non-cash distributions to the Government of Dubai amounted to AED 828 million *(2019: AED 933 million).*

The independent auditors' report is set out on pages 1 and 3.

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## 1 Establishment and operations

Dubai Electricity and Water Authority ("DEWA" or the "Authority") was incorporated on 1 January 1992 in the Emirate of Dubai by a Decree (the "Original Decree") issued by H.H The Ruler of Dubai, effective 1 January 1992, as an independent public authority having the status of a body corporate, financially and administratively independent from the Government of Dubai.

In accordance with the Original Decree, all rights, property and assets of Dubai Electricity Company (the "DEC") and Dubai Water Department (the "Department") belonging to the Government of Dubai, were vested in the Authority, and the Authority was held responsible for all liabilities and debts of the DEC and the Department, of any kind whatsoever. Together, the DEC and the Department formed DEWA from the effective date of the Original Decree.

The Authority is wholly owned by the Government of Dubai (the "owner"). The principal activities of the Authority, in accordance with the Original Decree and Decree No. 13 of 1999 which amended some of the provisions of the Original Decree, comprise water desalination and distribution and the generation, transmission and distribution of electricity, throughout the Emirate of Dubai. The registered address of the Authority is P.O. Box 564, Dubai, United Arab Emirates ("UAE").

DEWA and its subsidiaries are collectively referred to as "the Group"

The Group is domiciled in UAE and is not subject to tax other than Value Added Tax ("VAT").

The Group has either directly or indirectly the following subsidiaries domiciled in UAE:

| Name of the entity | Percentage of beneficial ownership % **2020** | 2019 | Principal business activities |
|---|---|---|---|
| Al Etihad Energy Services Company LLC | **100** | 100 | Implement energy efficiency measures in buildings |
| Jumeriah Energy International Holdings LLC | **100** | 100 | Holding Company |
| Jumeirah Energy International LLC (JEIH) | **100** | 100 | Holding Company |
| Mai Dubai LLC | **100** | 100 | Purification of potable water |
| Hassyan Energy 1 Holdings LLC | **100** | 100 | Holding Company |
| Shuaa Energy 2 Holdings LLC | **100** | 100 | Holding Company |
| Shuaa Energy 3 Holdings LLC | **100** | - | Holding Company |
| Jumeirah Energy International Capital Holding LLC | **100** | 100 | Holding Company |
| Jumeirah Energy International Silicon Valley LLC | **100** | 100 | Holding Company |
| Noor Energy 1 Holdings LLC | **100** | 100 | Holding Company |
| Data Hub Integrated Solutions LLC (MORO) | **100** | 100 | Established to provide services including IT, and infrastructure, networking and computer system housing services |
| Digital DEWA LLC | **100** | 100 | Investment in commercial, industrial, retail trade and energy enterprises and management |
| Infra X | **100** | 100 | To provide services including IT and computer housing services |

## 1 Establishment and operations *(continued)*

| Name of the entity | Percentage of beneficial ownership % 2020 | 2019 | Principal business activities |
|---|---|---|---|
| Dubai Green Fund Investments LLC | **100** | 100 | To invest and manage commercial, industrial, retail trade and energy enterprises |
| Utilities Management Company | **85** | 85 | Holding Company |
| Emirates Central Cooling Systems Corporation (EMPOWER) | **70** | 70 | Provision of district cooling services, management, maintenance of central cooling plants and related distribution networks |
| Palm Utilities LLC | **70** | 70 | Establish and operate district cooling projects and provide air conditioning, ventilator and refrigeration services |
| Palm District Cooling LLC (PDC) | **70** | 70 | Establish and operate district cooling projects and provide air conditioning, ventilator and refrigeration services. |
| Empower Logstor LLC | **67.9** | 67.9 | Manufacturing of pre-insulated pipes, mainly for district cooling |
| Shuaa Energy 2 P.S.C | **60** | 60 | Establish and provide full range of services for generation of electricity |
| Innogy International Middle East LLC | **51** | 51 | Energy projects consultancy, desalination and sewage treatment plants operations and maintenance |
| Shuaa Energy 1 P.S.C. | **51** | 51 | Establish and provide full range of services for generation of electricity |
| Hassyan Energy Phase 1 P.S.C | **51** | 51 | Establish and provide full range of services for generation of electricity |
| Noor Energy 1 P.S.C | **51** | 51 | Establish and provide full range of services for generation of electricity |
| Digitial X LLC | **100** | - | Establish and provide full range of services for information technology, data entry, network consultancies |
| Smart Energy X LLC | **100** | - | Establish and provide full range of services for parking management electronic systems installation and maintenance |
| Hassyan by Products | **100** | - | Establish for sale of cement products trading, fly ash trading, cement and gypsum trading, repackaging and refilling services |
| Shuaa Energy 3 P.S.C.* | **60** | - | Establish and provide full range of services for generation of electricity |
| Forward Investments Limited** | **100** | - | Holding Company |
| Dubai Carbon Centre of Excellence*** | **100** | - | Energy projects engineering consultancy and carbon control systems trading |

## 1 Establishment and operations *(continued)*

* During the year the ownership Data Hub Integrated Solutions LLC (MORO) has been transferred to Digital DEWA LLC.

** During the period the Group has established Shuaa Energy 3 Holdings LLC with 100% ownership, with the purpose to establish Shuaa Energy 3 P.S.C. a private joint stock company for the purposes of generation of electricity and associated activities. Shuaa Energy 3 Holdings LLC holds 60% shareholding in Shuaa Energy 3 P.S.C.

*** During the period the Group has invested in Forward Investments Limited a Holding Company through Jumeirah Energy International Capital Holding LLC, with 100% ownership. The purpose of this Holding Company is to make Investment in Commercial Enterprises & Management.

**** During the year the Authority sold its interest of 25% in Dubai Carbon Centre of Excellence being the joint venture, to Al Etihad Energy Services Company LLC, a 100% subsidiary of the Authority. The purpose was to acquire 100% interest in Dubai Carbon Centre of Excellence through investing into Al Etihad Energy Services Company LLC.

## 2 Basis of preparation

### 2.1 Statement of compliance

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

These Group's consolidated financial statements are presented in UAE Dirhams (AED), which is also the Authority's functional currency. Subsidiaries and joint ventures determine their own functional currency and items included in the financial statements of these companies are measured using that functional currency.

### 2.2 Basis of measurement

The financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities measured at fair value.

### 2.3 Use of estimates and judgements

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Authority's financial statements are disclosed in Note 5.

## 3 Significant accounting policies

### 3.1 New standards, amendments and interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted, however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

| | **Effective date** |
|---|---|
| Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) | 1 January 2020 |
| Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37) | 1 January 2022 |
| Annual improvements to IFRS Standards 2018-2020 | 1 January 2022 |
| Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) | 1 January 2022 |
| Classification of Liabilities as Current and Non-current (Amendments to IAS 1) | 1 January 2023 |
| IFRS 17 Insurance Contracts and amendments to IFRS 16 Insurance Contracts | 1 January 2023 |
| Sale or Contribution of Assets between and Investor its Associates or Joint Venture (Amendments to IFRS 10 and 28) | Effective date deferred indefinitely |

### 3.2 Other new or amended standards

The following new or amended standards that are required to be adopted in annual periods beginning on 1 January 2020 and are not expected to have a significant impact on the Group's financial statements:

| | **Effective date** |
|---|---|
| Covid-19 Related Rent Concessions (Amendment to IFRS 16) | 1 June 2020 |
| Amendments to References to Conceptual Framework in IFRS Standards | 1 January 2020 |
| Definition to Material *(Amendments to IAS 1 and IAS 8)* | 1 January 2020 |
| Definition of Business *(Amendments to IFRS 3)* | 1 January 2020 |
| Interest Rate Benchmark Reform *(Amendments to IFRS 9, IAS 39 and IFRS 7)* | 1 January 2020 |

### 3.3 Basis of consolidation

*(a) Business combinations*

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

## 3 Significant accounting policies *(continued)*

### 3.3 Basis of consolidation *(continued)*

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

*(b) Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

*(c) Non-controlling interests*

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

*(d) Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

*(e) Interests in equity-accounted investees*

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

## 3 Significant accounting policies *(continued)*

### 3.3 Basis of consolidation *(continued)*

*(e) Interests in equity-accounted investees (continued)*

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

*(f) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 3.4 Property, plant and equipment

Property, plant and equipment, other than land and capital work in progress, are stated at historical cost less accumulated depreciation and any provisions for impairment. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different than other parts and are required to be replaced at different intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major overhaul is performed, the directly attributable cost of the overhaul is recognised in the carrying amount of the plant and equipment if the recognition criteria are satisfied. This is recorded as a separate component with a useful life generally equal to the time period up to the next scheduled major overhaul.

Subsequent expenditure incurred to replace a component of an item of property, plant and equipment or to improve its operational performance, that is accounted for separately, is included in the asset's carrying amount or recognised as a separate asset as appropriate when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced asset is subsequently derecognised.

Expenditure on major inspection and overhauls of production plant is capitalised when it meets the asset recognition criteria and is depreciated over the period until the next major overhaul. All other repair and maintenance costs are charged to the consolidated statement of profit or loss during the year in which they are incurred.

Generation and desalination plants, supply lines and substation equipment are capitalised from the date these are available for use, after satisfactory completion of trial and reliability runs.

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

## 3 Significant accounting policies *(continued)*

### 3.4 Property, plant and equipment *(continued)*

Land is stated at cost and is not depreciated. Depreciation on other assets is calculated using the straight line method at rates calculated to reduce the cost of assets to their estimated residual values over their estimated useful lives or in case of leased assets, the shorter term.
The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

| | **Years** |
|---|---|
| Buildings | 10 to 30 |
| Generation and desalination plants | 10 to 38 |
| Transmission and distribution networks | 10 to 30 |
| Other equipment and assets | 2 to 20 |

Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Any gain and loss on disposal of an item of property, plant and equipment is recognised in statement of profit of loss and determined as the difference between the proceeds received and the asset's carrying amount.

Insurance spares acquired together with the plant or purchased subsequently but related to a particular plant and are; i) only expected to be used during emergency breakdown situations, ii) critical to the plant operation and must be available at stand-by at all times, iii) capitalised within property, plant and equipment and depreciated from purchase date over the remaining useful life of the plant in which it is to be utilised. These do not form part of inventory provided the capitalisation criteria for property, plant and equipment is met.

Capital spares are spare parts that are regularly replaced, repaired or overhauled usually as part of a replacement programme and are; i) only expected to be used in connection with an item of property, plant and equipment; ii) expected to be used during more than one period. These are carried under capital work in progress until they are put to use.

### 3.5 Intangible assets

*(a) Recognition and measurement*

Intangible assets mainly include expenditure incurred on computer software by the Group. These are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The costs of acquired computer software are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs directly associated with the development of computer software programmes that are expected to generate economic benefits over a period in excess of one year are also capitalised and amortised over their estimated useful lives. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

## 3 Significant accounting policies *(continued)*

### 3.5 Intangible assets *(continued)*

*(b) Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

*(c) Amortisation*

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. The estimated useful lives for current and comparative periods are 3 to 5 years.

Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Gains or losses arising from derecognising an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

### 3.6 Financial instruments

*(i) Recognition and initial measurement*

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

*(ii) Classification and subsequent measurement*

*Financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**3 Significant accounting policies** *(continued)*

**3.6 Financial instruments** *(continued)*

*(ii) Classification and subsequent measurement (continued)*

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Financial assets – Business model assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.
  Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

*Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

## 3 Significant accounting policies *(continued)*

### 3.6 Financial instruments *(continued)*

*(ii) Classification and subsequent measurement (continued)*

*Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest (continued)*

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

*Financial assets – Subsequent measurement and gains and losses*

| | |
|---|---|
| **Financial assets at FVTPL** | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss |
| **Financial assets at amortised cost** | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| **Debt investments at FVOCI** | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| **Equity investments at FVOCI** | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

## 3 Significant accounting policies *(continued)*

### 3.6 Financial instruments *(continued)*

*(ii) Classification and subsequent measurement (continued)*

*Financial liabilities – Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

*(iii) Derecognition*

*Financial assets*

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

*Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

*(iv) Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

## 3 Significant accounting policies *(continued)*

### 3.6 Financial instruments *(continued)*

*(v) Derivative financial instruments and hedge accounting*

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

*Hedges directly affected by interest rate benchmark reform*

For the purpose of evaluating whether there is an economic relationship between the hedged item(s) and the hedging instrument(s), the Group assumes that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

The Group will cease to apply the specific policy for assessing the economic relationship between the hedged item and the hedging instrument (i) to a hedged item or hedging instrument when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the respective item or instrument or (ii) when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will no longer apply the specific policy when the uncertainty arising from interest rate benchmark reform about the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

*Cash flow hedges*

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

## 3 Significant accounting policies *(continued)*

### 3.6 Financial instruments *(continued)*

*(v) Derivative financial instruments and hedge accounting (continued)*

*Cash flow hedges (continued)*

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

*Net investment hedges*

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of a derivative or foreign exchange gains and losses for a non-derivative is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the nonderivative is recognised immediately in profit or loss. The amount recognised in OCI is fully or partially reclassified to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation, respectively.

## 3 Significant accounting policies *(continued)*

### 3.7 Impairment

*(i) Non-derivative financial assets*

*Financial instruments and contract assets*

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group also recognises loss allowances for ECLs on lease receivables, which are disclosed as part of trade and other receivables.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring
- over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables (including lease receivables) and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

The Group considers the credit risk on the investments in government bonds and bank deposits to be low at the reporting date, as these financial assets have low risk of default, the borrowers have strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

## 3 Significant accounting policies *(continued)*

### 3.7 Impairment *(continued)*

*(i) Non-derivative financial assets (continued)*

*Measurement of ECLs*

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

*Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

*Write-off*

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) financial asset has become more than 12 months overdue, (ii) ceasing enforcement activity and (iii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

## 3 Significant accounting policies *(continued)*

### 3.7 Impairment *(continued)*

*(ii) Non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The Group's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units ("CGU") to which the individual asset is allocated. Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset.

### 3.8 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration

*(i) As a lessee*

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

## 3 Significant accounting policies *(continued)*

### 3.8 Leases *(continued)*

*(i) As a lessee (continued)*

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

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

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

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

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## 3 Significant accounting policies *(continued)*

### 3.8 Leases *(continued)*

*(ii) As a lessor*

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

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

To classify each lease, the Group makes an overall assessment of whether the lease transfers 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.

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.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other revenue'.

**COVID-19-related rent concessions**

The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

### 3.9 Inventories

Inventories comprise consumables and repair spares and operating stock of fuel. Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle. Cost comprises of direct materials, and where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

## 3 Significant accounting policies *(continued)*

### 3.10 Borrowing costs

Borrowing costs consists of interest and other costs that the Group incurs in connection with the borrowing of funds. General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. The Group has determined the substantial period to be greater than 1 year.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the year in which they are incurred.

### 3.11 Trade receivables

Trade receivables comprise of trade receivables, due from related parties and accrued revenue. Trade receivables are amounts due from customers for goods sold or services provided in the ordinary course of business. Trade receivables are recognised initially at fair value, which is the original invoice amount, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade receivables are impaired as per the policy explained in Notes 3.7 and 11 to this consolidated financial statements which is in compliance with requirements of IFRS 9.

The carrying amount of an asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of profit or loss.

### 3.12 Cash and bank balances

Cash and bank balances comprise of cash in hand, current and call accounts with the banks and other institutions and term deposits held with banks. Term deposits with banks with remaining maturities greater than twelve months are disclosed as non-current assets. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

For the purposes of presentation in the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at current and call accounts with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

### 3.13 Advance received for new connections and security deposits

*(a) Advances for new connections*

The Group receives amounts from customers for construction and installation of equipment. These amounts are classified as advances received for new connections until the construction or installation of the equipment is completed. On completion, these amounts are transferred from advances received for new connections to deferred revenue under liabilities.

Management estimates the current portion of the advances for new connections based on historical experience and anticipated installations. The remaining amounts are classified as non-current liabilities.

## 3 Significant accounting policies *(continued)*

### 3.13 Advance received for new connections and security deposits *(continued)*

*(b) Security deposits*

The Group receives security deposits against electricity and water connections from its customers. These deposits are refundable to the customers only at the time of disconnection. The Group classifies all amounts received as security deposits as current liabilities as these amounts are repayable to the customer on demand upon disconnection.

### 3.14 Deferred revenue

Deferred revenue represents amounts transferred from advances for new connections upon completion of construction and installation of equipment. Deferred revenue is amortised and recognised in the statement of profit or loss on a straight-line basis over the estimated useful life of the related equipment. Deferred revenue also includes the assets taken over by the Authority at free of cost.

### 3.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

### 3.16 Employee benefits

**Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Liabilities for wages and salaries, including non-monetary benefits and accumulating leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current liability in the consolidated balance sheet.

## 3 Significant accounting policies *(continued)*

### 3.16 Employee benefits *(continued)*

**Post-employment obligations**

*(a) Pension obligations for eligible UAE nationals*

The Group operates a defined benefit pension plan for eligible UAE national employees retired before 1 January 2003. The cost of providing pensions is charged to the consolidated statement of profit or loss.

Effective 1 January 2003, the Group joined the pension scheme operated by the Federal Pension General and Social Security Group which is a defined contribution plan. The Group's contributions for eligible active UAE National employees are calculated as a percentage of the employees' salaries and charged to the consolidated statement of profit or loss, in accordance with the provisions of Federal Law No. 7 of 1999 on Pension and Social Security.

The Group has no legal or constructive obligation to pay any further contributions.

*(b) Post-employment benefit obligations for eligible expatriates*

The Group operates a defined benefit payment plan for eligible expatriates and specific UAE national employees in accordance with the Dubai Government Human Resource Management Law No.27 of 2006. The liability recognised in the consolidated balance sheet in respect of this defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market for such bonds, the market rates on government bonds are used.

The net interest and current service cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated balance sheet.

### 3.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within twelve months after the reporting year. Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method. Trade and other payables are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

## 3 Significant accounting policies *(continued)*

### 3.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised in profit and loss.

### 3.19 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value measurement recognised directly in equity.

### 3.20 Government of Dubai account

Amounts contributed to the Authority by the Government of Dubai to finance the activities of the Authority are classified as equity. There is no contractual obligation for the Authority to pay these funds back to the Government of Dubai. Increases in the Government of Dubai account are generally additional contributions either monetary or non-monetary. Non-monetary contributions are measured at fair value.

### 3.21 General reserves

General reserve represents surplus distributable profit of the Group. The transfer to general reserve is determined based on the profit for the year after deducting cash and non-cash distributions.

### 3.22 Statutory reserve

In accordance with Article 103 of the UAE Federal Commercial Companies Law, a minimum of 10% of the net profit of the subsidiaries that fall under the definition of UAE Federal Commercial Companies Law, are allocated each year to a non-distributable legal reserve. Such allocations may cease when the legal reserve equals half of the nominal value of the paid up share capital. This reserve is not available for distribution.

**3 Significant accounting policies** *(continued)*

**3.23 Revenue from contracts with customers**

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

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

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

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

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

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

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

*(a) Supply of electricity and water*

Revenue from the supply of electricity and water is recognised on the basis of electricity and water supplied during the period on an accruals basis with reference to meter readings. A management estimate is included for the value of units supplied to customers between the date of their last meter reading and the accounting period end. The estimate is calculated using historical consumption patterns and is included in trade and other receivables as accrued revenue.

## 3 Significant accounting policies *(continued)*

### 3.23 Revenue from contracts with customers *(continued)*

*(b) Meter rental*

Meter rental income is recognised on a time proportion basis over the period during which the meter is provided to the customer.

*(c) Interest income*

Interest income is recognised on a time-proportion basis using the effective interest rate method.

*(d) Dividends*

Dividends are recognised as other income when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

*(e) Amortisation of deferred revenue*

Deferred revenue is amortised and recognised as income on a straight line basis over the estimate useful life of the related equipment. Refer Note 3.13 and 3.14.

*(f) Other services*

Revenue from other services is recognised in the accounting period in which the services are rendered.

### 3.24 Foreign currency translations

*(a) Functional and presentation currency*

These consolidated financial statements are presented in UAE Dirhams (AED), which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated. Subsidiaries and joint ventures determine their own functional currency and items included in the financial statements of these companies are measured using that functional currency.

*(b) Transactions and balances*

Transactions in foreign currencies are translated into the respective functional currency of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

## 3 Significant accounting policies *(continued)*

### 3.25 Regulatory deferral account credit balance

Regulatory deferral account credit balance arises on account of amounts billed to and collected from customers as fuel surcharge in excess of amounts to be billed to customers. The Group has been allowed by the Supreme Council of Energy (the "regulator") to bill the increase in fuel prices considering 2010 as the base year. This balance is initially measured and subsequently carried at an amount billed to the customer. The deferral account credit balance is deferred and adjusted against the next increase in tariff approved by the regulator. Regulatory deferral account credit balance is not described as a liability for the purposes of the Group's consolidated financial statements and is disclosed as a separate line item in the consolidated balance sheet.

## 4 Financial risk management

### 4.1 Financial risk factors

*Risk management framework*

The Groups's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Board of the Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and products offered. The Group, through its management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Board of Directors review and agree policies for managing each of these risks which are summarised below. The Group has exposure to the following risks arising from financial instruments:

(i) credit risk
(ii) liquidity risk
(iii) market risk

*(i) Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amounts of financial assets represent the maximum credit exposure. Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

| *In thousands of AED* | **2020 AED'000** | 2019 **AED'000** |
|---|---|---|
| Impairment loss on trade receivables | **87,970** | 21,212 |

## 4 Financial risk management *(continued)*

### 4.1 Financial risk factors *(continued)*

*(a) Trade receivables*

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated balance sheet are net of provision for impairment of receivables.

The Group has a wide customer base in the Emirate of Dubai and services commercial, industrial and governmental organisations as well as residential customers including UAE nationals and expatriates. Out of the total trade receivables and accrued revenue of AED 6,289 million *(2019: AED 5,687 million)*, an amount of AED 4,403 million *(2019: AED 2,377 million)* is due from customers other than government entities and is considered subject to credit risk. Carrying amount of trade receivables best represent the maximum exposure to credit risk at the end of each reporting period presented.

The Group taking into consideration the exposure to the customer, when appropriate, manages credit risk by requesting additional deposits, and implementing payment plans for customers in arrears.

Due to large and diversified customer base, concentration of credit risk on few customers is limited.

*Expected credit loss assessment for customers*

The Group uses an allowance matrix to measure the ECLs of fee receivables from customers. Loss rates are calculated using "roll rate" method based on the profitability of a receivable progressing through successive stages of delinquency to write off. Roll rates are calculated separately to exposures in different segments based on common credit risks characteristics.

The Group considers the credit risk on the outstanding balances from Government customers to be low at the reporting date, as these financial assets have low risk of default, the counterparties have strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparties to fulfil its contractual cash flow obligations.

To measure the expected credit losses, trade receivables and accrued revenue have been grouped together based on its shared credit risk characteristics and the days past due. Accrued revenue has substantially the same risk characteristics aş the trade receivables and therefore concluded that the expected loss rates for trade receivables and accrued revenue are a reasonable approximation of the loss rates for the contract assets.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers for 2020 and 2019:

| **As at 31 December 2020** | **Expected loss rate** | **Gross carrying amount AED'000** | **Loss allowance AED'000** | **Credit impaired** |
|---|---|---|---|---|
| Current | **0.47%** | **1,953,932** | **9,192** | **No** |
| More than 30 days past due | **2.10%** | **376,905** | **7,930** | **No** |
| More than 60 days past due | **12.01%** | **246,377** | **29,578** | **No** |
| More than 120 days past due | **22.75%** | **333,445** | **75,865** | **No** |
| More than 360 days past due | **52.73%** | **421,243** | **222,109** | **No** |
| | | **3,331,902** | **344,674** | |

## 4 Financial risk management *(continued)*

### 4.1 Financial risk factors *(continued)*

*(i) Credit risk (continued)*

*(a) Trade receivables (continued)*

| As at 31 December 2019 | Expected loss rate | Gross carrying amount AED'000 | Loss allowance AED'000 | Credit impaired |
|---|---|---|---|---|
| Current | 2.71% | 1,741,260 | 47,188 | No |
| More than 30 days past due | 3.77% | 217,424 | 8,197 | No |
| More than 60 days past due | 14.08% | 117,003 | 16,474 | No |
| More than 120 days past due | 38.19% | 114,852 | 43,862 | No |
| More than 360 days past due | 75.74% | 186,142 | 140,983 | No |
| | | 2,376,681 | 256,704 | |

Total receivables include amount of AED 2,957 million *(2019: AED 3,310 million)* related to government receivables.

Movements in the allowance for impairment in respect of trade receivables

| | **2020 AED'000** | 2019 AED'000 |
|---|---|---|
| At 1 January | **256,704** | 235,492 |
| Add: charge for the year | **87,970** | 21,212 |
| Less: specific provision | **(172,467)** | (142,391) |
| At 31 December | **172,207** | 114,313 |

*(b) Other financial assets*

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and bank balances, other financial assets at amortised cost and due from related parties, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group limits its credit risks with regard to bank deposits by dealing only with reputable banks.

Other financial assets at amortised cost include investments in UAE National bonds which are unrated and other receivables are held with reputed counter parties which management do not expect any loss from their non-performance. Where non-performance is identified a provision is made.

Balances due from related parties are held with reputed counter parties which management do not expect any loss from their non-performance. A provision is made, where non-performance is identified.

*(c) Cash and cash equivalents*

The Group held cash and cash equivalents of AED 6,883 million at 31 December 2020 *(2019: AED 11,778 million)*. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated below:

## 4 Financial risk management *(continued)*

### 4.1 Financial risk factors *(continued)*

*(i) Credit risk (continued)*

*(c) Cash and cash equivalents (continued)*

*As determined by Moody's*

| | 2020 AED'000 | 2019 AED'000 |
|---|---|---|
| A | 6,345,529 | 11,199,452 |
| B | 434,696 | 550,269 |
| Unrated (including cash in hand) | 102,793 | 28,487 |
| | 6,883,018 | 11,778,208 |

All other financial assets are unrated.

*(ii) Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents, deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group monitors its risk of shortage of funds using cash flow budgeting in which it considers both the cash outflows as well as their sources of funding.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

| | Less than 1 year AED'000 | 1 to 2 years AED'000 | Over 2 years AED'000 | Total AED'000 | Carrying amount AED'000 |
|---|---|---|---|---|---|
| **31 December 2020** | | | | | |
| **Borrowings*** | 2,727,034 | 915,454 | 22,133,110 | 25,775,598 | 18,799,382 |
| **Trade and other payables**** | 12,882,211 | - | - | 12,882,211 | 12,882,211 |
| **Other long term liabilities **** | - | 271,699 | 413,086 | 684,785 | 664,803 |
| **Lease liabilities** | 6,438 | 6,864 | 8,023 | 21,325 | 21,325 |
| | 15,615,683 | 1,194,017 | 22,554,219 | 39,363,919 | 32,367,721 |

## 4 Financial risk management *(continued)*

### 4.1 Financial risk factors *(continued)*

*(ii) Liquidity risk (continued)*

| | Less than 1 year AED'000 | 1 to 2 years AED'000 | Over 2 years AED'000 | Total AED'000 | Carrying amount AED'000 |
|---|---|---|---|---|---|
| 31 December 2019 | | | | | |
| Borrowings* | 7,054,527 | 579,805 | 16,204,411 | 23,838,743 | 16,911,675 |
| Trade and other payables** | 11,770,574 | - | - | 11,770,574 | 11,770,574 |
| Other long term liabilities ** | - | 286,500 | 440,084 | 726,584 | 678,363 |
| Lease liabilities | 7,152 | 11,521 | 8339 | 27,012 | 27,012 |
| | 18,832,253 | 877,826 | 16,652,834 | 36,362,913 | 29,387,624 |

* These do not include deferred borrowing costs.

** These do not include advances for new connections, deferred revenue and retirement benefits obligations as these are non-financial liabilities.

*(iii) Market risk*

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*(a) Foreign exchange risk*

Currency risk arises on recognised assets or liabilities that are primarily denominated in a currency that is not entity's functional currency. The Group has no significant exposure to this risk as the majority of its transactions are denominated is AED, or in currencies AED is pegged with. The Group has certain transactions in foreign currencies, mainly in Euros. However, the foreign currency exposure arising out of foreign currency denominated balances as at 31 December 2020 and 2019 are not material.

*(b) Price risk*

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual instrument or its issuers or factors affecting all the instruments traded in the market. Hence, the Group has no exposure to price risk as there is no price sensitive financial instruments.

*(c) Cash flow and fair value interest rate risk*

The Group's interest rate risk arises from long term borrowings. The Group is exposed to cash flow interest rate risk on its variable rate borrowings. The Group is not exposed to the fair value interest rate risk as fixed rate borrowings of the Group are carried at amortised cost in these consolidated financial statements.

## 4 Financial risk management *(continued)*

### 4.1 Financial risk factors *(continued)*

*(iii) Market risk (continued)*

The variable rate borrowings of the Group are based on LIBOR and EIBOR. The Group has entered into interest rate swaps to mitigate the risk of variable rate borrowings (refer Note 30). The table below shows the exposure of Group's variable and fixed rate borrowings:

| | **2020** | 2019 |
|---|---|---|
| | **AED'000** | AED'000 |
| Variable rate borrowings | **16,281,477** | 10,224,633 |
| Fixed rate borrowings | **2,517,905** | 6,687,042 |
| | **18,799,382** | 16,911,675 |

### 4.2 Capital risk management

The Group monitors and responds pragmatically to market conditions and business developments both locally and internationally, and ensures adequate funds are available to meet the needs of its businesses and support sound value enhancement objectives. The Group's strategic focus is the active management of the business portfolio in order to deal with its debt service obligations and to enhance the value of the owner's equity.

### 4.3 Fair value estimation

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at amortised cost except for loans to related parties which are measured at fair value through profit or loss.

The carrying value of financial assets and financial liabilities approximates their fair value except derivatives, which are the only financial instruments which are carried at fair value and fall into level 2 of the fair value hierarchy (Note 30).

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

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

## 5 Critical accounting estimates and judgements

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 require a material adjustment to the carrying amount of asset or liability affected in future periods.

### 5.1 Critical accounting estimates

*(a) Revenue recognition – unread electricity, water and district cooling meters*

Revenue for electricity, water supply and cooling services includes an assessment of electricity, water and cooling services supplied to customers between the date of the last meter reading and the year end (unread). Unread electricity, water and cooling services supplied is estimated by using historical consumption patterns of respective customer categories. Management applies judgement to the measurement of the estimated electricity, water and cooling units supplied to customers and the valuation such units consumed. The application of a 5% increase to management estimate of total units for all customer categories, in isolation would result in the increase in revenue and profit by AED 40 million *(AED 2019: AED 41 million)*. The application of a 5% decrease to management estimate of total units for all customer categories, in isolation would result in the decrease in revenue and profit by AED 40 million *(2019: AED 41 million)*.

### 5.2 Critical accounting judgements

*(a) Component parts of property, plant and equipment*

The Group's assets, classified within property, plant and equipment, are depreciated on a straight-line basis over their useful lives. When determining the useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset, its pattern of consumption and its replacement cycle/maintenance schedule.

*(b) Useful life and residual values of property, plant and equipment*

The Group determines the estimated useful lives and residual values of its property, plant and equipment. This review is performed by engineers of various divisions with reference to the estimated period over which the assets are expected to be available for use. The estimated useful lives and residual values of property, plant and equipment are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets.

*(c) Determination of control over certain subsidiaries*

The Group has entered into various agreements to establish Shuaa Energy 1 P.S.C, Hassyan Energy Phase 1 P.S.C, Shuaa Energy 2 P.S.C and Noor Energy 1 P.S.C for construction of power plant and generation of electricity from renewable and non-renewable sources. To determine control over these entities, the Group considers the purpose and design of these entities along with the fact that whether it has the power to govern the financial and operational strategy of the respective entity and whether a significant portion of the entity's activities are carried on the behalf of the Group.

## 5 Critical accounting estimates and judgements *(continued)*

*(c) Determination of control over certain subsidiaries*

Management has therefore concluded that the relevant activities of these entities are pre-determined and directed via contractual arrangements in the normal course of business and consequently has consolidated the results of these entities in these consolidated financial statements. The Group will continue to evaluate these circumstances at each balance sheet date to determine whether this judgement continues to be valid. If the Group determines that it no longer has control over any of these entities, it will be de-consolidate the entities and account for these entities using the equity method from the date that control is deemed to cease.

## 6 Interests in other entities

### 6.1 Material subsidiaries

The Group's principal subsidiaries are set out in Note 1.

### 6.2 Non-controlling interest

The group's material subsidiaries are Jumeirah Energy International Holdings LLC ("JEIHL) and EMPOWER. JEIHL holds investment in Shuaa Energy 1 P.S.C, Shuaa Energy 2 P.S.C, Hassyan Energy Phase 1 P.S.C and Noor Energy 1 P.S.C. Proportion of ownership interests held by non-controlling interest is as follows:

| | **2020** | 2019 |
|---|---|---|
| | **%** | % |
| Shuaa Energy 1 P.S.C | **49** | 49 |
| Shuaa Energy 2 P.S.C | **40** | 40 |
| Hassyan Energy Phase 1 P.S.C | **49** | 49 |
| Noor Energy 1 P.S.C. | **49** | 49 |
| Shuaa Energy 3 P.S.C | **40** | - |
| EMPOWER | **30** | 30 |
| Innogy International Middle East LLC | **49** | 49 |

The summarised financial information for JEIH and EMPOWER group before inter-company eliminations is as follows:

**Summarised statements of financial position**

| | **JEIH** | | **EMPOWER** | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **AED'000** | AED'000 | **AED'000** | AED'000 |
| **Non-current** | | | | |
| Assets | **18,577,904** | 12,878,301 | **6,772,244** | 6,223,776 |
| Liabilities | **(22,939,144)** | (14,391,328) | **(1,588,575)** | (786,023) |
| | **(4,361,240)** | (1,513,027) | **5,183,669** | 5,437,753 |
| **Current** | | | | |
| Assets | **1,377,435** | 937,191 | **1,442,849** | 646,595 |
| Liabilities | **(952,264)** | (1,022,198) | **(1,849,268)** | (1,810,641) |
| | **425,171** | (85,007) | **(406,419)** | (1,164,046) |
| Net assets (100%) | **(3,936,069)** | (1,598,034) | **4,777,250** | 4,273,707 |
| Net assets attributable to NCI | **(1,873,673)** | (806,068) | **1,468,691** | 1,321,221 |

Other non-material subsidiary includes negative net assets attributable to NCI amounting to AED 12,009 thousand *(2019: positive net assets of AED 972 thousand).*

### 6 Interests in other entities *(continued)*

### 6.2 Non-controlling interest *(continued)*

**Summarised statements of profit or loss and other comprehensive income**

| | JEIH | | EMPOWER | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **AED'000** | AED'000 | **AED'000** | AED'000 |
| Revenue | **418,340** | 192,216 | **2,255,115** | 2,189,340 |
| Profit for the year | **(106,625)** | 17,364 | **901,262** | 871,135 |
| Total comprehensive income | **(2,252,322)** | (1,654,427) | **903,543** | 871,135 |
| Total comprehensive (loss)/ income allocated to non-controlling interests | **(1,067,563)** | (795,399) | **266,784** | 257,216 |
| Dividends paid to non-controlling interests | **2,041** | (2,394) | **120,000** | 90,000 |

Total comprehensive loss allocated to non-controlling interest of other non-material subsidiary amounts to AED 6,286 thousand *(2019: AED 2,034 thousand).*

**Summarised statement of cash flows**

| | JEIH | | EMPOWER | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **AED'000** | AED'000 | **AED'000** | AED'000 |
| Net cash generated from operations | **(100,100)** | 232,084 | **1,029,634** | 1,014,613 |
| Net cash used in investing activities | **(6,044,433)** | (5,856,210) | **(843,727)** | (669,435) |
| Net cash used in financing activities | **6,424,632** | 6,243,392 | **552,042** | (67,879) |
| **Net increase in cash and cash equivalents** | **280,099** | 619,266 | **737,949** | 277,299 |
| Cash and cash equivalents, as at 1 January | **772,441** | 153,176 | 331,247 | 53,948 |
| **Cash and cash equivalents, as at 31 December** | **1,052,040** | 772,441 | **1,069,196** | 331,247 |

## 6 Interests in other entities *(continued)*

### 6.3 Investments accounted for using the equity method

The entities listed below have share capital solely consisting of ordinary shares, which are held directly by the Group.

| **Name of the entity** | **Country of incorporation** | **Effective % of holding** | | **Carrying value** | |
|---|---|---|---|---|---|
| | | **2020** | 2019 | **2020** | 2019 |
| | | **%** | % | **AED'000** | AED'000 |
| Utility Management LLC | UAE | **50** | - | **489** | 489 |
| Etihad Energy Solutions | KSA | **50** | - | **1,450** | - |
| Dubai Carbon Centre of Excellence | UAE | **-** | 25 | **-** | 1,131 |
| Ducab HV Cable Systems P.S.C | UAE | **25** | 25 | **3,781** | 3,463 |
| | | | | **5,720** | 5,083 |

All joint ventures are accounted for using the equity method of accounting and are immaterial to the Group individually.

*Movement of investments in joint ventures*

| | **2020** | 2019 |
|---|---|---|
| | **AED'000** | AED'000 |
| At 1 January | **5,083** | 7,550 |
| Addition during the year | **4,160** | - |
| Disposal during the year | **(1,131)** | - |
| Share of loss from joint ventures | **(2,392)** | (2,467) |
| At 31 December | **5,720** | 5,083 |

During the year, the Group recognised its share of loss from joint ventures amounting to AED 2.4 million *(2019: AED 2.5 million).*

No investments in joint ventures were impaired during 2020 and 2019.

## 7 Property, plant and equipment

| | Land and buildings AED'000 | Generation and desalination plants AED'000 | Transmission and distribution networks AED'000 | Other equipment and assets AED'000 | Capital work in progress AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2019** | | | | | | |
| Opening net book amount | 34,804,639 | 23,498,737 | 41,337,276 | 487,869 | 17,891,856 | 118,020,377 |
| Additions | 318,814 | 17,454 | 877,140 | 74,270 | 12,899,029 | 14,186,707 |
| Reversal of impairment (Note 7(h)) | - | - | - | - | 80,294 | 80,294 |
| Transfers | 876,087 | 2,718,791 | 3,107,328 | 366,920 | (7,069,126) | - |
| Transfers to intangible assets (Note 9) | - | - | - | - | (97,209) | (97,209) |
| Disposals, net | (408) | (1,587) | (3,528) | (324) | - | (5,847) |
| Depreciation | (292,407) | (1,752,788) | (2,087,921) | (264,270) | - | (4,397,386) |
| **Closing net book amount** | 35,706,725 | 24,480,607 | 43,230,295 | 664,465 | 23,704,844 | 127,786,936 |
| **At 31 December 2019** | | | | | | |
| Cost | 38,960,267 | 41,884,523 | 63,527,693 | 2,559,574 | 23,704,844 | 170,636,901 |
| Accumulated depreciation | (3,253,542) | (17,403,916) | (20,297,398) | (1,895,109) | - | (42,849,965) |
| **Net book amount** | 35,706,725 | 24,480,607 | 43,230,295 | 664,465 | 23,704,844 | 127,786,936 |
| **Year ended 31 December 2020** | | | | | | |
| Opening net book amount | 35,706,725 | 24,480,607 | 43,230,295 | 664,465 | 23,704,844 | 127,786,936 |
| Additions | 1,350,828 | 1,256,638 | 1,574,957 | 235,445 | 13,504,400 | 17,922,268 |
| Transfer to right of use assets (refer note 8) | - | - | - | - | (3,103,916) | (3,103,916) |
| Reversal of impairment (Note 7(h)) | - | - | - | - | 53,529 | 53,529 |
| Transfers | 657,057 | 1,785,590 | 3,433,843 | 200,125 | (6,076,615) | - |
| Transfers to intangible assets (Note 9) | - | - | - | - | (54,347) | (54,347) |
| Disposals, net | - | (2,063) | (192) | (1,050) | - | (3,305) |
| Depreciation | (304,459) | (1,871,192) | (2,266,320) | (282,808) | - | (4,724,779) |
| **Closing net book amount** | 37,410,151 | 25,649,580 | 45,972,583 | 816,177 | 28,027,895 | 137,876,386 |
| **At 31 December 2020** | | | | | | |
| Cost | 40,968,153 | 44,492,773 | 68,535,991 | 2,976,753 | 28,027,895 | 185,001,565 |
| Accumulated depreciation | (3,558,002) | (18,843,193) | (22,563,408) | (2,160,576) | - | (47,125,179) |
| **Net book amount** | **37,410,151** | **25,649,580** | **45,972,583** | **816,177** | **28,027,895** | **137,876,386** |

## 7 Property, plant and equipment *(continued)*

(a) The Group has engaged in a joint operation pertaining to the Emirates National Grid Corporation ("ENGC"). The Group's share in the carrying amount of ENGC's assets as at 31 December 2020 is AED 124 million *(2019: AED 132 million)* and is included under transmission and distribution networks.

(b) During 2008, by way of a Decree issued by H.H. The Ruler of Dubai, all existing plots of land held by the Authority were transferred to the Authority. As a result, the Authority has capitalised this land on the basis of valuations obtained from the Land Department of Dubai which has been treated as a capital contribution by the Government of Dubai.

(c) The carrying value of property, plant and equipment, pledged as collateral on borrowings, amounts to AED 15,349 million *(2019: AED 8,310 million)* (Note 16).

(d) Capital work in progress mainly comprises construction of additional electricity generation, water desalination facilities, transmission and distribution networks and district cooling facilities.

(e) The interest rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to general borrowings during the year which amounts to 5.22% per annum *(2019: 5.89% per annum)* for the Authority. The interest on general borrowings capitalised using this weighted average interest rate is AED 265 million *(2019: AED 298 million)*. The amount of interest on specific borrowings capitalised is AED 211 million *(2019: AED 278 million)* (Note 26).

(f) During the year, the Group received plots of land from the Land Department of the Government of Dubai amounting to AED 1,419 million *(2019: AED 319 million)*.

(g) Depreciation is allocated as detailed below:

| | **2020**<br>**AED'000** | 2019<br>AED'000 |
|---|---|---|
| Cost of sales | | |
| -Generation and desalination expenditure (Note 23.1) | **1,972,666** | 1,860,815 |
| -Transmission and distribution expenditure (Note 23.2) | **2,466,794** | 2,269,244 |
| Administrative expenses (Note 24) | **285,319** | 267,327 |
| | **4,724,779** | 4,397,386 |

(h) Prior to its acquisition of Palm District Cooling LLC (PDC) by the Group, PDC had impaired costs relating to projects, which did not develop as anticipated. During 2017, the Group commenced services to the Jumeirah Village Project. This resulted in the reduction of the impairment of pipe network cost. Accordingly, as at 31 December 2020, The Group assessed the impairment of assets related to the Jumeirah Village Project and reversed AED 54 million *(2019: reversal of AED 80 million)*.

## 8 Right-of-use-assets

| | Plant AED'000 | Buildings AED'000 | Total AED'000 |
|---|---|---|---|
| **Year ended 31 December 2019** | | | |
| Cost | | | |
| At 1 January 2019 | 24,259 | 4,924 | 29,183 |
| Additions | 1,805 | - | 1,805 |
| At 31 December 2019 | 26,064 | 4,924 | 30,988 |
| Accumulated Depreciation | | | |
| At 1 January 2019 | - | - | - |
| Charge for the year | 4,582 | 2,038 | 6,620 |
| At 31 December 2019 | 4,582 | 2,038 | 6,620 |
| Net book amount | | | |
| 31 December 2019 | 21,482 | 2,886 | 24,368 |
| **Year ended 31 December 2020** | | | |
| **Cost** | | | |
| At 1 January 2020 | 26,064 | 4,924 | 30,988 |
| Additions | 1,178 | 1,532 | 2,710 |
| Transfer from property, plant and equipment (Note 7) | 3,103,916 | - | 3,103,916 |
| At 31 December 2020 | 3,131,158 | 6,456 | 3,137,614 |
| **Accumulated Depreciation** | | | |
| At 1 January 2020 | 4,582 | 2,038 | 6,620 |
| Charge for the year | 4,979 | 2,995 | 7,974 |
| At 31 December 2020 | 9,561 | 5,033 | 14,594 |
| **Net book amount** | | | |
| **31 December 2020** | **3,121,597** | **1,423** | **3,123,020** |

Depreciation charge of AED 5 million *(2019: AED 5 million)* and AED 3 million *(2019: AED 2 million)* is included in cost of sales (Note 23.1) and administrative (Note 24) expenses respectively.

## 9 Intangible assets

| | Computer software AED'000 |
|---|---|
| **Year ended 31 December 2019** | |
| Opening net book amount | 83,148 |
| Additions | 18,794 |
| Transfer from property, plant and equipment (Note 7) | 97,209 |
| Amortisation (Note 24) | (66,560) |
| **Closing net book amount** | 132,591 |

## 9 Intangible assets *(continued)*

| | Computer software AED'000 |
|---|---|
| **At 31 December 2019** | |
| Cost | 352,061 |
| Accumulated amortisation | (219,470) |
| **Net book amount** | 132,591 |
| **Year ended 31 December 2020** | |
| Opening net book amount | **132,591** |
| Additions | **32,543** |
| Transfer from property, plant and equipment (Note 7) | **54,347** |
| Amortisation (Note 24) | **(57,619)** |
| **Closing net book amount** | **161,862** |
| **At 31 December 2020** | |
| Cost | **438,951** |
| Accumulated amortisation | **(277,089)** |
| **Net book amount** | **161,862** |

## 10 Other assets

| | **2020 AED'000** | 2019 AED'000 |
|---|---|---|
| Advances to suppliers | **1,616,444** | 1,936,478 |
| Prepayments | **127,420** | 48,228 |
| | **1,743,864** | 1,984,706 |
| Less: Non-current portion | **(606,888)** | (585,522) |
| Current portion | **1,136,976** | 1,399,184 |

## 11 Trade receivables

| | **2020 AED'000** | 2019 AED'000 |
|---|---|---|
| Trade receivables | **5,482,717** | 4,872,054 |
| Accrued revenue | **805,896** | 814,724 |
| Less: provision for impairment of receivables | **(344,674)** | (256,704) |
| Trade receivables and accrued revenue – net | **5,943,939** | 5,430,074 |
| Less: non-current portion | **(698,459)** | (843,142) |
| Current portion | **5,245,480** | 4,586,932 |

## 11 Trade receivables *(continued)*

The Group holds trade receivables with the objective to collect the contractual cash flows and therefore measures these receivables subsequently at amortised cost using the effective interest rate method. Information about methods and assumptions used in determining the impairment loss has been explained in Note 3.7.

The Group considers the credit risk on the outstanding balances from Government customers to be low at the reporting date, as these financial assets have low risk of default, the counterparties have strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparties to fulfil its contractual cash flow obligations.

Total trade receivables and accrued revenue balances excluding Government customers as at 31 December 2020 amounts to AED 3,332 million *(2019: AED 2,377 million).*

*Impairment of trade receivables:*

The movement in the provision for impairment of trade receivables is as follows:

| | **2020**<br>**AED'000** | 2019<br>AED'000 |
|---|---|---|
| At 1 January | **256,704** | 235,492 |
| Charge for the year | **87,970** | 21,212 |
| 31 December | **344,674** | 256,704 |
| Less: specific provision | **(172,467)** | (142,391) |
| Collective provision | **172,207** | 114,313 |

The carrying amount of the Group's trade receivables is primarily denominated in AED and approximates its fair value.

The Authority supplies electricity and water to a diversified customer base and the standard credit period applied to all customers is 14 days from the date of the invoice. The Authority entered into an agreement in 2011 with certain government related entities allowing them to settle their outstanding balances in fixed instalments on a monthly basis irrespective of their monthly consumption. Accordingly, certain affiliates settle their invoices in arrears of more than 12 months. Therefore, the Authority applies discounting based on the one-year Emirates Interbank Offered Rate (EIBOR) while recognising trade receivables from these customers. At each balance sheet date, the trade receivables which are expected to be collected after twelve months from the reporting date are classified as non-current receivables.

## 12 Inventories

| | 2020 AED'000 | 2019 AED'000 |
|---|---|---|
| Consumables and others | **563,629** | 407,655 |
| Less: provision for slow moving and obsolete inventories | **(177,032)** | (157,524) |
| | **386,597** | 250,131 |
| Fuel | **1,028,806** | 1,036,789 |
| | **1,415,403** | 1,286,920 |

Movements in the provision for slow moving and obsolete inventories were as follows:

| | 2020 AED'000 | 2019 AED'000 |
|---|---|---|
| At 1 January | **157,524** | 149,655 |
| Charge for the year (Note 24) | **19,508** | 7,869 |
| At 31 December | **177,032** | 157,524 |

## 13 Other financial assets at amortised cost

| | 2020 AED'000 | 2019 AED'000 |
|---|---|---|
| National bonds | **387,061** | 483,217 |
| Other receivables | **2,427,951** | 1,369,780 |
| Less: provision for impairment on other receivables | **(47,913)** | (47,913) |
| | **2,767,099** | 1,805,084 |

Other financial assets at amortised cost include investments in National Bonds amounting to AED 387 million *(2019: AED 483 million)*, which have a maturity of 12 months from the date of purchase. National Bonds carry an interest rate ranging from 2.45% to 4% per annum. During the year, AED 107 million *(2019: AED 100 million)* of investments matured. The Authority made an additional investment of AED 11 million *(2019: AED 116 million)*.

Other receivables mainly includes housing and sewerage fee receivable on behalf of a related party and interest receivable on bank deposits. As at 31 December 2020, other receivables amounting to AED 2,380 million *(2019: AED 1,322 million)* are not impaired and amounts of AED 48 million *(2019: AED 48 million)* are impaired and fully provided for. The carrying amount of the Group's other receivables is primarily denominated in AED and approximates its fair value.

## 14 Cash and bank balances

| | 2020<br>AED'000 | 2019<br>AED'000 |
|---|---|---|
| Term deposits with banks | **3,309,927** | 8,948,567 |
| Current and call accounts with banks and other institutions | **3,569,781** | 2,827,654 |
| Cash on hand | **3,310** | 1,987 |
| | **6,883,018** | 11,778,208 |

Term deposits with original maturity greater than three months, but not more than twelve months, amounting to AED 1,103 million *(2019: AED 8,774 million)* are classified in cash and bank balances but excluded from cash and cash equivalents for the purpose of the statement of cash flows.

Cash and bank balances include AED 110 million *(2019: AED 3,024 million)* in foreign currencies. The majority of these balances are denominated in USD. These balances are held for settlement of existing and anticipated liabilities denominated in foreign currencies.

Cash and cash equivalents also includes AED 590 million *(2019: AED 454 million)* of cash collected by local banks and government collection agencies on behalf of the Group.

For the purpose of the statement of cash flow, cash and cash equivalents comprise the following:

| | 2020<br>AED'000 | 2019<br>AED'000 |
|---|---|---|
| Cash and bank balances | **6,883,018** | 11,778,208 |
| Less: term deposits (maturity greater than 3 months but less than 12 months) | **(1,102,875)** | (8,773,567) |
| Bank overdrafts (Note 16) | **(477,629)** | (498,806) |
| Cash and cash equivalents | **5,302,514** | 2,505,835 |

Cash and bank balances are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

## 15 Equity

*a) Government of Dubai account*

The Government of Dubai account represents cash and non cash contributions made by the Government of Dubai as an owner of the Group since the incorporation of the Group.

*b) General reserve*

The general reserve represents surplus distributable profits earned by the Group.

## 15 Equity *(continued)*

*c) Statutory reserve*

As required by applicable law and articles of association of certain subsidiaries, 10% of the net profit for each period in those subsidiaries is transferred to a statutory reserve. Such transfers to reserves may cease when this reserve equals the issued capital. The reserve is not available for distribution except as stipulated by the law.

*d) Hedging reserve*

The hedging reserve represents the fair value of derivatives which are part of effective cash flow hedging relationships at year end. As the derivatives are held for hedging purposes as defined by IFRS 9, their fair value movements are retained in other comprehensive income instead of being charged to the income statement during the year. The fair value movements will be charged to the consolidated statement of profit or loss in the same period as the corresponding hedged transaction.

*e) Non-cash distributions*

Non-cash distributions represents amounts transferred to the Government of Dubai, as an appropriation of retained earnings, which is equivalent to the amount owed by the Government of Dubai to the Group based on amounts owed by third parties assumed by the Government of Dubai.

## 16 Borrowings

| | **2020 AED'000** | 2019 AED'000 |
|---|---|---|
| **Non-current** | | |
| Others (refer (ii) below) | **16,534,142** | 10,655,686 |
| | **16,534,142** | 10,655,686 |
| **Current** | | |
| Bank overdrafts (Note 14) | **477,629** | 498,806 |
| GMTN Loan (refer (i) below) | - | 5,506,276 |
| Others (refer (ii) below) | **1,787,611** | 250,907 |
| | **2,265,240** | 6,255,989 |
| | **18,799,382** | 16,911,675 |

Borrowings are denominated in the following currencies:

| | **2020 AED'000** | 2019 AED'000 |
|---|---|---|
| US Dollars | **16,700,950** | 16,220,995 |
| UAE Dirham | **2,098,432** | 690,680 |
| | **18,799,382** | 16,911,675 |

The Group has secured borrowings amounting to AED 16,407 million *(2019: AED 8,266 million)* and unsecured borrowings amounting to AED 2,392 million *(2019: AED 8,646 million)*.

## 16 Borrowings *(continued)*

Borrowings are secured by pledge of assets (refer Note 7), corporate guarantees, government guarantees and letter of undertakings.

(i) GMTN

In 2010, DEWA set up a Global Medium Term Note programme for an amount of USD 3 billion (AED 11.02 billion). On 22 April 2010, DEWA issued notes amounting to USD 1 billion (AED 3.673 billion) which was repaid in 2015. On 21 October 2010, DEWA issued notes amounting to USD 0.5 billion (AED 1.836 billion) which was repaid in 2016 and USD 1.5 billion (AED 5.51 billion). The notes carried a fixed interest rate of 7.375% per annum and are listed on the London Stock Exchange.

During the year the Authority has repaid all its remaining balance of GMTN in the month of October 2020. No new borrowings have been made during the year ended 31 December 2020.

The fair value of the GMTN as at 31 December 2020 was AED Nil *(2019: AED 5,746 million)*. Fair value was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy).

(ii) Others

Shuaa Energy 1 P.S.C had an equity bridge loan carrying an interest rate of one-month LIBOR+0.70% per annum. The entire of the loan was repayable on 1 April 2018. The equity bridge loan amounting AED 73 million was subordinated by the shareholder, ACWA power solar limited on 29 March 2018 and an amount of AED 53 million is outstanding *(2019: AED 55 million)*.

Shuaa Energy 1 P.S.C has a commercial facility from a syndicate of banks amounting to AED 525 million *(2019: AED 522 million)* carrying an interest rate of LIBOR+1.35% per annum (which is set to increase up to 2.5% until 2040 revisable once in 5 years). The loan insrepayable in bi-annual instalments beginning from September 2017 up to 31 March 2040.

Shuaa Energy 1 P.S.C has an Istisna-Ijara facility amounting to AED 423million *(2019: AED 403 million)* carrying an interest rate of LIBOR+1.35% per annum. The facility is repayable in bi-annual instalments beginning from September 2017 up to 31 march 2040.

Shuaa Energy 1 P.S.C has a working capital loan of AED Nil *(2019: AED 4 million)* carrying an interest rate of LIBOR+1.25% per annum.

Shuaa Energy 2 P.S.C has an equity bridge loan of AED 213 million *(2019: AED 213 million)* carrying a fixed interest rate of 2.965% per annum. The loan is repayable in quarterly instalments beginning from 1 April 2022 up to 31 March 2047.

Shuaa Energy 2 P.S.C has an equity bridge loan of AED 142 million *(2019: AED 142 million)* carrying an interest rate of one-month LIBOR+1.08% per annum. The loan is repayable on 31 March 2022.

Shuaa Energy 2 P.S.C has a commercial facility from a syndicate of banks amounting to AED 1,491 million *(2019: AED 1,259 million)* carrying an interest rate of one-month LIBOR+1.75% per annum. The loan is repayable on quarterly instalments beginning from 30 September 2020.

## 16 Borrowings *(continued)*

(ii) Other loans *(continued)*

Shuaa Energy 2 P.S.C has an Islamic facility from a syndicate of banks amounting to AED 889 million *(2019: AED 705 million)* carrying an interest rate of one-month LIBOR+1.75% per annum. The loan is repayable on quarterly instalments beginning from 30 September 2020.

Mai Dubai LLC has a bank overdraft amounting to AED 478 million *(2019: AED 499 million)* carrying an interest rate of 0.5%.

Hassyan Energy Phase 1 P.S.C has a commercial facility of AED 7,098 million *(2019: AED 5,297 million)* from a syndicate of banks carrying an interest rate of LIBOR+2.1% per annum. The loan is repayable beginning from 31 August 2021 up to 28 February 2041.

Hassyan Energy Phase 1 P.S.C has a mezzanine facility of AED 370 million *(2019: AED 279 million)* carrying a fixed rate interest of 6.5% per annum. The loan is repayable beginning from 31 May 2041 up to 29 February 2048.

Hassyan Energy Phase 1 P.S.C has equity bridge loans of AED 108 million *(2019: AED 108 million)*. The loans are interest free.

EMPOWER has a loan amounting to AED 1,322 million carrying an interest rate of 1 month LIBOR+1.5% per annum. The loan is repayable in six months instalments commenced from June 2019 with the maturity date of June 2026.

Dubai Green Fund Investments LLC has a loan amounting to AED 1,495 million *(2019: AED 92 million)* carrying an interest rate of 1.2% per annum. The loan is repayable over tenor of 1 year.

Al Etihad Energy Services Company LLC has a loan amounting to AED 126 million *(2019: AED 100 million)* carrying an interest rate of 6.95% per annum. The loan is repayable over period of five years commenced from August 2019.

Shuaa Energy 3 P.S.C has a loan amounting to AED 143 million *(2019: Nil)* carrying an interest rate of LIBOR+1.40% per annum. The loan repayment is scheduled from September 2023 until March 2047.

Shuaa Energy 3 P.S.C has equity bridge loans of AED 147 million *(2019: Nil)* carrying an interest rate of LIBOR+0.75% per annum. The final maturity date is the date falling One hundred and twenty (120) months after the date of Financial Close.

Noor Energy 1 P.S.C has an equity bridge loan amounting to AED 2,796 million *(2019: AED 1,077 million)* carrying an interest rate of LIBOR+1% per annum. The final maturity date is the earlier of the date falling on the second anniversary of the Commercial Operation Date and 10 February 2025.

Noor Energy 1 P.S.C has a loan amounting to AED 1,897 million *(2019: AED 100 million)* million carrying an interest rate of LIBOR+1% per annum. The loan is repayable beginning from 01 July 2023 up to 22 December 2043.

## 16 Borrowings *(continued)*

(ii) Other loans *(continued)*

At 31 December 2020, the Group had available AED 12,360 million *(2019: AED 17,120 million)* of undrawn borrowing facilities from various lenders. The Group has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting periods.

The fair values of other loans are not materially different to their carrying amounts since the interest payable on these borrowings is close to current market rates.

## 17 Retirement benefits obligations

| | **2020** | 2019 |
|---|---|---|
| | **AED'000** | AED'000 |
| Provision for employees' end of service benefits (Note 17.1) | **962,091** | 892,679 |
| Provision for pension (Note 17.2) | **86,706** | 85,795 |
| | **1,048,797** | 978,474 |
| Less: non-current portion | **(1,036,398)** | (967,117) |
| Current portion (Note 20) | **12,399** | 11,357 |

The charge for the year grouped within the employee benefit expense in the consolidated statement of profit or loss includes current service cost and interest cost. Actuarial profit during the year is recognised in other comprehensive income.

### 17.1 Provision for employees' end of service benefits

In 2020 and 2019, an actuarial valuation was performed using the projected unit credit method to ascertain the present value of the obligation relating to the end of service benefits payable to expatriate employees in accordance with the Dubai Government Human Resources Management Law No. 27 of 2006. Under this method, an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving service. The obligation for end of service benefits is not funded. The principal actuarial assumptions used were as follows:

- Expected salary increase of 2.35% per annum *(2019: 2.35% per annum)*;
- Discount rate used to determine the present value of the obligation was 2.45% per annum *(2019: 3.10% per annum)*; and
- The average rate of mortality and withdrawal is not significantly different from the trends noted at the valuation date. The mortality rates are based on Employers Groups reinsurance rates. Withdrawal rates assumed the age wise withdrawal rates that incorporates the experience of DEWA in terms of the overall withdrawals during the last three years.

The rate used for discounting the employees' end of service benefits should be based on market yields on high quality corporate bonds. In countries where there is no deep market for such bonds, the market yields on government bonds should be used. In the UAE, there is no deep market for corporate bonds and no market for government bonds and, therefore, the discount rate has been estimated using the US AA-rated corporate bond market as a proxy.

As a result, the Group has recognised an actuarial gain of AED 20 million *(2019: AED 83 million)* in other comprehensive income.

## 17 Retirement benefits obligations *(continued)*

### 17.1 Provision for employees' end of service benefits *(continued)*

*Sensitivity analysis*

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the obligation for end of service benefits by the amounts shown below;

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **AED'000 Increase** | **AED'000 Decrease** | AED'000 Increase | AED'000 Decrease |
| Salary growth (+/- 0.5%) | **967,645** | **847,247** | 905,248 | 792,614 |
| Discount rate (+/- 0.5%) | **826,351** | **941,803** | 773,065 | 881,072 |
| Life expectancy (increase/ decrease by 1 year) | **906,772** | **906,590** | 848,300 | 848,131 |

Although the analysis does not take account of the full distribution of cash flows expected under the benefit, it does provide an approximation of the sensitivity of the assumptions shown.

The charge for the year included within employee benefit expense in the statement of profit or loss includes current service cost and interest cost. Actuarial loss during the year is recognised in other comprehensive income.

The expected gratuity expense for the next one year commencing 1st January 2021 works out to AED 104 million *(2020: AED 102 million)*. These amounts are the sum of current service cost and Net interest cost /(income).

Movements in the provision for end of service benefits are analysed below:

| | **2020 AED'000** | 2019 AED'000 |
|---|---|---|
| At 1 January | **892,679** | 882,356 |
| Addition on acquisition of a subsidiary | **716** | - |
| Charge for the year (Note 25) | **124,973** | 124,267 |
| Re-measurements | **(19,696)** | (83,133) |
| Payments made during the year | **(36,581)** | (30,811) |
| At 31 December | **962,091** | 892,679 |

The provision made during the year for end of service benefits and recognised in the consolidated statement of profit or loss is analysed as follows:

| | **2020 AED'000** | 2019 AED'000 |
|---|---|---|
| Current service cost | **97,383** | 98,556 |
| Interest cost | **27,590** | 25,711 |
| | **124,973** | 124,267 |

## 17 Retirement benefits obligations *(continued)*

### 17.1 Provision for employees' end of service benefits *(continued)*

*Component of defined benefit costs (re-measurement) recognised in other comprehensive income*

| | **2020** **AED'000** | 2019 AED'000 |
|---|---|---|
| Re-measurements: Actuarial (gain) / loss on obligation | | |
| Gain) / loss due to change in financial assumption | **64,984** | (24,853) |
| Gain) / loss due to change in demographic assumption | | 3,210 |
| (Gain) / loss due to change in experience adjustments | **(84,680)** | (61,490) |
| | **(19,696)** | (83,133) |

*Maturity Profile*

| | **2020** **AED'000** | 2019 AED'000 |
|---|---|---|
| 0 to 1 year | **33,409** | 49,352 |
| 1 to 2 year | **41,233** | 44,553 |
| 2 to 5 year | **134,655** | 109,597 |
| 5 years and above | **1,239,819** | 955,072 |
| | **1,449,116** | 1,158,574 |

The employee profile of the Group is as detailed below:

| | **2020** | 2019 |
|---|---|---|
| Average age (years) | **42.31** | 41.56 |
| Average past service (years) | **11.00** | 11.00 |
| Average entry age (years) | **30.81** | 30.82 |

### 17.2 Provision for pension

#### 17.2.1 Provision for pensions (for eligible UAE national employees who retired before 1 January 2003)

The movements in the provision for pensions are analysed below:

| | **2020** **AED'000** | 2019 AED'000 |
|---|---|---|
| At 1 January | **74,438** | 76,715 |
| Charge for the year (Note 25) | **5,386** | 3,124 |
| Payments made during the year | **(5,517)** | (5,401) |
| At 31 December | **74,307** | 74,438 |

## 17 Retirement benefits obligations *(continued)*

### 17.2 Provision for pension *(continued)*

#### 17.2.2 Provision for pensions (for eligible UAE national employees from 1 January 2003)

Effective 1 January 2003, the Group joined a defined contribution plan operated by the Federal Pension General and Social Security Group for its active eligible UAE national employees in accordance with the provision of Federal Law No. 7 of 1999 relating to Pension and Social Security Law. The movements in the provision for pensions are analysed below:

| | **2020** | 2019 |
|---|---|---|
| | **AED'000** | AED'000 |
| At 1 January | **11,357** | 10,520 |
| Charge for the year (Note 25) | **107,309** | 99,645 |
| Payments made during the year | **(106,267)** | (98,808) |
| At 31 December | **12,399** | 11,357 |

*Total provision for pension has been presented as follows:*

| | **2020** | 2019 |
|---|---|---|
| | **AED'000** | AED'000 |
| At the beginning of the year | **85,795** | 87,235 |
| Charge for the year | **112,695** | 102,769 |
| Payments made during the year | **(111,784)** | (104,209) |
| At the end of the year | **86,706** | 85,795 |

## 18 Lease liabilities

| | **2020** | 2019 |
|---|---|---|
| | **AED'000** | AED'000 |
| At 1 January | **27,012** | 32,057 |
| Additions during the year | **2,710** | 1,805 |
| Payments during the year | **(8,397)** | (6,850) |
| At 31 December | **21,325** | 27,012 |
| Less: current portion | **(6,438)** | (7,152) |
| Non-current portion | **14,887** | 19,860 |

Lease liabilities related to right-of-use assets recognised as per IFRS 16 as per Note 8.

## 18 Lease liabilities *(continued)*

Maturity analysis of lease liabilities;

| | 2020 AED'000 | 2019 AED'000 |
|---|---|---|
| Less than one year | **6,438** | 7,152 |
| More than one year | **14,887** | 19,860 |
| Lease liabilities at 31 December | **21,325** | 27,012 |

## 19 Other long term liabilities

| | 2020 AED'000 | 2019 AED'000 |
|---|---|---|
| Deferred revenue | **21,851,900** | 19,500,563 |
| Advances for new connections | **8,094,457** | 8,182,753 |
| Retentions payable | **664,802** | 678,363 |
| | **30,611,159** | 28,361,679 |

## 20 Trade and other payables

| | 2020 AED'000 | 2019 AED'000 |
|---|---|---|
| Consumers' security deposits | **3,437,285** | 3,267,084 |
| Capital projects payables | **3,218,986** | 3,019,769 |
| Trade payables | **2,309,294** | 2,035,913 |
| Retentions payable | **1,696,034** | 1,297,659 |
| Deferred revenue | **855,240** | 986,983 |
| Advances for new connections | **899,384** | 909,194 |
| Accrual for staff benefits | **260,044** | 138,207 |
| Retirement benefit obligations (Note 17) | **12,399** | 11,357 |
| Other payables | **1,960,568** | 2,011,942 |
| | **14,649,234** | 13,678,108 |

## 21 Related party transactions and balances

The Group transacts with its owner, joint ventures and entities controlled, jointly controlled or significantly influenced by the owner within the scope of its ordinary business activities. Since the Group is wholly owned by the Government of Dubai, these entities are jointly referred to as 'government related entities'.

The Group applies the exemption relating to government related entities under IAS 24 'Related Parties' and only discloses transactions and balances with government related entities which are individually or collectively significant.

To determine significance, the Group considers various qualitative and quantitative factors including whether transactions with related parties are conducted in the ordinary course of business.

## 21 Related party transactions and balances *(continued)*

Key management personnel and entities controlled by them are also related to the Group. Key management personnel of the Group comprise the directors and executive vice presidents (EVPs) of the Authority and directors of the subsidiaries.

**Related party transactions**

The material transactions and balances with related parties are disclosed below, except as disclosed in Note 7, 8,11, 22, 23, 24, 25, 26, 31 and Note 32 in these consolidated financial statements:

*(a)* *Sale of electricity and water*

In common with many other entities, the Group deals in the normal course of business with various Government entities in Dubai. The rates applied for these sales are at par with other customers of a similar nature.

Certain quantities of electricity and water sold to UAE nationals. The Group calculates the value of these quantities supplied at base rate and these amounts are settled by the Government of Dubai.

*(b)* *Purchase of goods and services*

In the normal course of business, the Group purchased fuel from entities owned by the Government of Dubai. During the year, the Group consumed fuel costs amounting to AED 6,454 million *(2019: AED 6,822 million)* from various entities.

During the year, the Group purchased water amounting to AED 39 million *(2019: AED 29 million)* from an entity under common control.

During the year, the Group contributed an amount of AED 35 million *(2019: AED 35 million)* to an organisation managed by the Group for purposes of promotion of clean energy and water conservation.

*(c)* *Transactions with banks owned by Government of Dubai*

DEWA transacts with various banks and financial institutions which are wholly or partially controlled by the Government of Dubai. All of the Group's transactions with such banks are on normal commercial terms. A portion of the cash and bank balances as disclosed in note 14 are on deposit with such banks.

*(d)* *Compensation to key management personnel*

| | **2020** | 2019 |
|---|---|---|
| | **AED'000** | AED'000 |
| Salaries and short term employee benefits | **65,854** | 70,729 |
| Post-employment benefits | **5,889** | 3,351 |
| | **71,743** | 74,080 |

*(e)* *Board members' interests*

Other than remuneration paid to key management personnel, the Board members of the Authority had no beneficial interest in DEWA or its subsidiaries during 2020 and 2019.

## 21 Related party transactions and balances *(continued)*

**Related party balances**

| | 2020 AED'000 | 2019 AED'000 |
|---|---|---|
| ***Due from related parties*** | | |
| Joint ventures | **592** | 542 |

The amounts outstanding at year end are unsecured, interest free, payable on demand and will be settled in cash. No impairment charge has been recognised during 2020 and 2019 in respect of amounts owed by related parties. These balances are included in trade receivables (Note 11).

## 22 Revenue

| | 2020 AED'000 | 2019 AED'000 |
|---|---|---|
| Sale of electricity | **13,754,438** | 14,443,482 |
| Sale of water | **4,294,594** | 4,498,142 |
| District cooling | **2,247,170** | 2,182,770 |
| Others | **1,964,491** | 1,762,592 |
| | **22,260,693** | 22,886,986 |

Others include:

- Handling fees amounting to AED 53 million *(2019: AED 53 million)* includes AED 50 million ss paid by government related entities to the Group for providing collection services.
- Amortisation of deferred revenue amounted to AED 865 million *(2019: AED 762 million).*

Revenue is net of fair value adjustment of AED 31 million *(2019: AED 76 million).*

During the year the Group has collected AED 2,744 million *(2019: AED 2,942 million)* on account of fuel surcharge, of which excess collection of AED 201 million *(2019: AED 219 million)* have been reversed from revenue and recorded as liability in regulatory deferral account credit balance (refer note 32).

### 22.1 Disaggregation of revenue

| | **Electricity** | | **Water** | | **District cooling charges** | | **Others** | | **Total** | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Timing of revenue recognition** | **2020 AED'000** | 2019 AED'000 | **2020 AED'000** | 2019 AED'000 | **2020 AED'000** | 2019 AED'000 | **2020 AED'000** | 2019 AED'000 | **2020 AED'000** | 2019 AED'000 |
| Products and services transferre | | | | | | | | | | |
| -at a point in time | **13,754,438** | 14,443,482 | **4,294,594** | 4,498,142 | **2,247,170** | 2,182,770 | **1,099,334** | 1,000,157 | **21,395,536** | 22,124,551 |
| -over time | **-** | - | **-** | - | **-** | - | **865,157** | 762,435 | **865,157** | 762,435 |
| | **13,754,438** | 14,443,482 | **4,294,594** | 4,498,142 | **2,247,170** | 2,182,770 | **1,964,491** | 1,762,592 | **22,260,693** | 22,886,986 |

## 23 Cost of sales

| | 2020 AED'000 | 2019 AED'000 |
|---|---|---|
| Generation and desalination expenditures (Note 23.1) | **9,430,548** | 9,716,755 |
| Transmission and distribution expenditures (Note 23.2) | **4,098,044** | 3,820,359 |
| Purchase of power and water | **102,074** | 46,744 |
| Others | **551,056** | 535,477 |
| | **14,181,722** | 14,119,335 |

### 23.1 Generation and desalination expenditures

| | 2020 AED'000 | 2019 AED'000 |
|---|---|---|
| Fuel costs | **6,454,173** | 6,821,748 |
| Depreciation (Note 7) | **1,972,666** | 1,860,815 |
| Depreciation – Right-of-use asset (Note 8) | **4,979** | 4,582 |
| Employee benefit expenses (Note 25) | **536,299** | 517,047 |
| Repairs and maintenance | **416,846** | 472,556 |
| Others | **45,585** | 40,007 |
| | **9,430,548** | 9,716,755 |

### 23.2 Transmission and distribution expenditures

| | 2020 AED'000 | 2019 AED'000 |
|---|---|---|
| Depreciation (Note 7) | **2,466,794** | 2,269,244 |
| Employee benefit expenses (Note 25) | **1,437,882** | 1,358,172 |
| Repairs and maintenance | **151,433** | 138,483 |
| Others | **41,935** | 54,460 |
| | **4,098,044** | 3,820,359 |

## 24 Administrative expenses

| | 2020 AED'000 | 2019 AED'000 |
|---|---|---|
| Employee benefit expenses (Note 25) | **1,574,649** | 1,478,032 |
| Repairs and maintenance | **399,005** | 403,260 |
| Depreciation (Note 7) | **285,319** | 267,327 |
| Depreciation – Right-of-use asset (Note 8) | **2,995** | 2,038 |
| Amortisation (Note 9) | **57,619** | 66,560 |
| Insurance | **61,531** | 44,419 |
| Provision for slow moving and obsolete inventory (Note 12) | **19,508** | 7,869 |
| Others | **631,176** | 427,365 |
| | **3,031,802** | 2,696,870 |

Others include the reversal of an impairment of property, plant and equipment amounting to AED 54 million *(2019: AED 80 million)* relating to a subsidiary.

## 25 Employee benefit expenses

| | 2020<br>AED'000 | 2019<br>AED'000 |
|---|---|---|
| Salaries | **2,588,505** | 2,332,545 |
| Retirement benefit obligations (Note 17) | **238,384** | 227,036 |
| Bonus | **230,948** | 215,979 |
| Other benefits | **490,993** | 577,691 |
| | **3,548,830** | 3,353,251 |

Employee benefit expenses are allocated as detailed below:

| | 2020<br>AED'000 | 2019<br>AED'000 |
|---|---|---|
| Cost of sales | | |
| - Generation and desalination expenditure (Note 23.1) | 536,299 | 517,047 |
| - Transmission and distribution expenditure (Note 23.2) | 1,437,882 | 1,358,172 |
| Administrative expenses (Note 24) | 1,574,649 | 1,478,032 |
| | 3,548,830 | 3,353,251 |

## 26 Finance income - net

| | 2020<br>AED'000 | 2019<br>AED'000 |
|---|---|---|
| *Finance costs* | | |
| Interest on bank and other borrowings | **(739,291)** | (813,403) |
| Interest on lease liabilities | **(1,146)** | (1,213) |
| Amortisation of borrowing costs | **(3,224)** | (5,582) |
| | **(743,661)** | (820,198) |
| Amounts capitalised (Note 7) | **475,695** | 576,420 |
| | **(267,966)** | (243,778) |
| *Finance income* | | |
| Amortisation of financial liabilities | **(28,283)** | 8,464 |
| Interest income on short term bank deposits | **209,335** | 430,773 |
| Reversal of fair value adjustment for trade receivables | **58,427** | 62,632 |
| | **239,479** | 501,869 |
| Finance (Cost)/income - net | **(28,487)** | 258,091 |

## 27 Net cash generated from operating activities

| | *Notes* | 2020<br>AED'000 | 2019<br>AED'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | **5,306,338** | 6,637,083 |
| Adjustments for: | | | |
| Depreciation | *7, 8* | **4,732,753** | 4,404,006 |
| Amortisation | *9* | **57,619** | 66,560 |
| Provision for slow moving and obsolete inventories | *12* | **19,508** | 7,869 |
| Reversal of impairment of property, plant and equipment | *24* | **(53,529)** | (80,294) |
| Impairment of trade receivables | *11* | **87,969** | 21,212 |
| Deferred income | *22.1* | **(865,157)** | (762,435) |
| Retirement benefit obligations – gratuity | *17* | **124,973** | 124,267 |
| Retirement benefit obligations – pensions | *17* | **112,695** | 102,769 |
| Fair value adjustment | | **31,399** | 75,690 |
| Share of loss from investment in joint ventures | *6* | **2,392** | 2,467 |
| Loss on sale of property, plant and equipment | | **1,428** | 513 |
| Fair value adjustment to derivatives | | **20,306** | 3,801 |
| Finance cost/income - net | *26* | **28,487** | (258,091) |
| | | **9,607,181** | 10,345,417 |
| Payment for retirement benefit obligations – gratuity | *17* | **(36,581)** | (30,811) |
| Payment for retirement benefit obligations – pensions | *17* | **(111,784)** | (104,209) |
| Working capital adjustments: | | | |
| Inventories before movement in provision for slow moving and obsolete inventories | | **(147,991)** | (45,260) |
| Other assets | | **310,436** | (160,967) |
| Trade receivables before provision for impairment | | **(1,402,379)** | (1,429,105) |
| Other financial assets at amortised cost | | **(1,107,391)** | (344,730) |
| Trade and other payables | | **1,174,483** | 2,073,088 |
| **Net cash inflows generated from operating activities** | | **8,285,974** | 10,303,423 |

## 28 Commitments

| | 2020<br>AED'000 | 2019<br>AED'000 |
|---|---|---|
| Future commitments including capital expenditure | **24,204,812** | 30,723,521 |

## 29 Financial instruments by category

**Financial assets**

| | 2020 AED'000 | 2019 AED'000 |
|---|---|---|
| **At fair value through profit or loss** | | |
| Derivative financial instruments (Note 30) | **4,655** | 88,770 |
| **At amortised cost** | | |
| Trade receivables (Note 11) | **5,943,939** | 5,430,074 |
| Other financial assets at amortised cost (Note 13) | **2,767,099** | 1,805,084 |
| Cash and bank balances (Note 14) | **6,883,018** | 11,778,208 |
| | **15,594,056** | 19,013,366 |

**Financial liabilities**

| | 2020 AED'000 | 2019 AED'000 |
|---|---|---|
| **At fair value through profit or loss** | | |
| Derivative financial instruments (Note 30) | **3,837,641** | 1,755,754 |
| **At amortised cost** | | |
| Trade and other payables * (Note 20) | **12,882,211** | 11,770,574 |
| Other long term liabilities* (Note 19) | **664,802** | 678,363 |
| Borrowings (Note 16) | **18,799,382** | 16,911,675 |
| | **32,346,395** | 29,360,612 |

* These do not include advances for new connections, deferred revenue and retirement benefit obligations as these are non-financial liabilities.

## 30 Derivative financial instruments

The Group is exposed to interest rate movements on various borrowings maturing between 2017 and 2042. Certain Group's subsidiaries have entered into a series of interest rate swaps for the duration of the borrowings to mitigate the risk of variation in future interest rates. These interest rate swaps were designated as cash flow hedges and were assessed to be highly effective. Net unrealised losses of AED 2,354 million *(2019: losses of AED 1,883 million)* relating to these hedging instruments is included in other comprehensive income.

The tables below show a summary of the hedged items, the hedging instruments and their fair values. The notional amounts indicate the amount outstanding at the year end.

| Description of the hedged item | Hedging instrument | Notional amount AED'000 | Positive fair value AED'000 | Negative fair value AED'000 |
|---|---|---|---|---|
| **2020:** | | | | |
| Interest payments on floating rate loans | Interest rate swap | **13,533,670** | **4,655** | **3,837,641** |
| 2019: | | | | |
| Interest payments on floating rate loans | Interest rate swap | 10,520,691 | 88,770 | 1,755,754 |

## 30 Derivative financial instruments *(continued)*

The following table presents the Group's derivative assets and liabilities that are measured at fair value:

| 31 December 2020 | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 | Total AED'000 |
|---|---|---|---|---|
| **Assets measured at fair value** | | | | |
| Derivative financial instruments | - | **4,655** | - | **4,655** |
| **Liabilities measured at fair value** | | | | |
| Derivative financial instruments (non-current portion) | - | **3,825,387** | - | **3,825,387** |
| Derivative financial instruments (current portion) | - | **12,254** | - | **12,254** |
| **31 December 2019** | | | | |
| **Assets measured at fair value** | | | | |
| Derivative financial instruments | - | 88,770 | - | 88,770 |
| **Liabilities measured at fair value** | | | | |
| Derivative financial instruments (non-current portion) | - | 1,723,128 | - | 1,723,128 |
| Derivative financial instruments (current portion) | | 32,626 | | 32,626 |

Interest rate swaps were measured primarily using valuations provided by the financial institutions based on the observable spot exchange rates and the yield curves of the respective swap contracts and were categorised in Level 2 hierarchy.

## 31 Dividends

The Authority declared a dividend amounting to AED 1.5 billion in respect of the year ended 31 December 2019 *(2018: AED 3 billion)* and was approved by the Board of Directors at their annual meeting held on 2 February 2020. The dividend was paid during the period ended 31 December 2020.

During the period, EMPOWER declared a dividend of AED 400 million *(31 December 2018: AED 600 million)* in respect of year ended 31 December 2019 which was approved by the Board of Directors of EMPOWER. An amount of AED 120 million (31 December 2018: AED 60 million) was paid to the non-controlling interest as dividend.

## 32 Regulatory deferral account credit balance

The prices that can be charged to customers for electricity and water by the Group are subject to oversight and/or approval by the Supreme Council of Energy hence the Group is subject to rate regulation. The Supreme Council of Energy through its notification issued in 2010 has allowed the Group to recover the additional costs it incurs due to the escalation in fuel prices considering 2010 as the base year from its customers.

The Supreme Council of Energy is also controlled by Government of Dubai and it is a related party of the Group.

The Group has recognised AED 948 million as at 31 December 2020 *(2019: AED 747 million)* in excess of the actual increase in fuel costs incurred since 2010 till date.

The Group has elected to apply the requirements of IFRS 14 – 'Regulatory Deferral Accounts' and will continue to apply its current accounting policy for recognition, measurement and derecognition of this regulatory deferral account balance.

The movement in regulatory deferral account credit balance is detailed below:

| | **2020**<br>**AED'000** | 2019<br>AED'000 |
|---|---|---|
| At 1 January | **747,046** | 527,620 |
| Excess collected during the year | **201,202** | 219,426 |
| At 31 December | **948,248** | 747,046 |

## 33 COVID-19 Impact

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus, or COVID-19, a global pandemic and recommended containment and mitigation measures worldwide. The business outlook for 2020 is significantly impacted by associated risks and uncertainties. There has been a significant reduction in movement and discretionary spending, impacting businesses and economy.

During the reporting period, the impact of the pandemic has evolved rapidly and to contain the virus, the governments and other authorities across the world, including the geographies where the Authority operates, imposed strict measures. These included restrictions on movement, group gatherings, travel bans, border closings, business closures, quarantines, stay-at-home, shelter-in-place orders, density limitations and social distancing measures. The shopping malls, hospitality, cinemas and leisure and entertainment have been impacted by the mandated closures to affect social distancing. Further, in line with H.H. The Ruler of Dubai directives in promoting and supporting the economy of Dubai, the Authority have provided 10% discount on electricity and water consumption bill for all consumer groups starting 12 March 2020 for a period of three months. As a result, the Authority has experienced reductions in income associated with consumption of electricity and water to these businesses. The majority of the Authority's business is consumer driven and the current situation has impacted the consumer confidence and purchasing power. Consequently, the Authority is experiencing reduction in income and revenues.

## 33 COVID-19 Impact *(continued)*

The full impact of COVID-19 remains uncertain and will be determined by factors that continue to evolve, including but not limited to: the success of support measures introduced by governments; the volume and velocity of the tourism trade; customer and tenant behavior and sentiment; the ability of the wider economy to recover; and the timing and manner of the easing of restrictions (such as lockdowns and social distancing).

## 34 Comparative figures

The previous year figures have been regrouped / restated wherever necessary, in order to conform to the current year presentation. The regrouping does not affect the previously reported net assets, total equity and the profit or loss and other comprehensive income.