

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Consolidated financial statements  
*for the year ended 31 December 2022*

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Consolidated financial statements *for the year ended 31 December 2022*

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## Directors' Report

The year 2022 is a milestone for DEWA group on account of the exceptional achievements in Revenue and profit growth, expansion of green energy capacity, rewards for technical excellence besides the highly successful public listing of both DEWA and its subsidiary Empower that are driving the group's core businesses.

In 2022, demand for Electricity increased by 5.2% compared to 2021, demand for Water increased by 6.3% and district cooling revenue increased by 13.3%. As a result, consolidated group revenue reached AED 27.34 Billion in 2022, up by 14.8% over previous year revenue of AED 23.82 Billion. Net profit for 2022 is AED 8.05 Billion, up by 22.8% over previous year net profit of AED 6.55 Billion.

These favorable developments contributed to DEWA delivering best full year consolidated financial performance in its history. It also enabled management to enhance the dividend distribution to our valued shareholders by an additional disbursement of AED 2.03 Billion in December 2022. Further, management intends to distribute, subject to regulatory and shareholder approval, an additional AED 1.67 Billion as special one-time dividend in April 2023, taking aggregate post-IPO dividend payout for full year 2022 to AED 9.90 Billion, representing 60% increase over the company's minimum annual dividend that was committed earlier.

The group has several ongoing projects that are progressing satisfactorily. During 2022, total capital expenditure aggregated to AED 10.12 Billion, major portion being spent on IPP projects under construction, Electricity & Water transmission and distribution network, district cooling plant and network etc.

As at end of 2022, DEWA is serving 1,157,501 Electricity & Water customers, which represents 4.6% increase from 2021. Our power generation capacity stands at 14,517 MW of which 14% represents green energy. Water desalination capacity stands at 490 Million IG per day. We continue to invest in smart grid and in digital space to capture optimization opportunities. Today DEWA stands in the first position among global utilities for achieving the lowest line loss in Electricity (2.2%) and for Water (4.5%) and the world's lowest Customer Minutes Lost (CML) of 1.19 minutes in a year.

The Board and management team is committed to pursuing the Authority's green strategy, passion for excellence and building a sustainable business that meets and exceeds shareholder expectations.



Matar Humaid Al Tayer  
Chairman



Saeed Mohammed Al Tayer  
Managing Director & CEO

Dated: 9 March 2023  
Dubai





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## Independent auditors' report

### To the Shareholders of Dubai Electricity and Water Authority (PJSC)

#### Report on the Audit of the Consolidated Financial Statements

##### Opinion

We have audited the consolidated financial statements of Dubai Electricity and Water Authority (PJSC) ("DEWA" or "the Authority" or "the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

##### 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.



## Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Accrual of unbilled electricity and water revenue

Refer Notes 3.23, 5.1 and 24 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The Group recognizes revenue on sales of electricity and water in accordance with IFRS 15 "Revenue from Contracts with Customers".</p> <p>The recognition of the Group's electricity and water revenue includes an estimation of the value of electricity and water supplied to customers between the date of the last cyclical meter reading and the year-end date ('unbilled revenue'). The value of unbilled electricity and water revenue of AED 972 million (2021: AED 886 million) is shown as accrued revenue and included within revenue and trade receivables.</p> <p>The method of estimating such revenues is complex and involves judgements, including:</p> <ul style="list-style-type: none"> <li>- Management estimating the volume of units of electricity and water consumed by customers between their last cyclical meter reading and the year-end. Management's accrual estimate for unbilled revenue at the year-end is based on historical consumption pattern as per customer categories; and</li> <li>- Management assessing the value by applying the most appropriate tariff rates to the volume estimates given the range of tariffs applied by the Group. Management applies the tariff rate (depending on customer category and tariff slab) to the estimated consumed units of electricity and water to be accrued at year end to arrive at the total estimated value of electricity and water revenue.</li> </ul>	<p><b>Our procedures involved:</b></p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the accrual of unbilled electricity and water revenue process implemented by the Group;</li> <li>• We have performed test of design and implementation of relevant controls;</li> <li>• We recalculated accrued electricity and water revenue, by using actual historical data to set an expectation of unbilled electricity and water revenue and compare this with the management's estimate, obtaining explanations for any significant differences;</li> <li>• We obtained and tested management's underlying assumptions and base reference data relating to volume and price used in determining the level of unbilled revenue, including:</li> </ul> <p><b>Volume</b></p> <p>We agreed the core volume data used for calculating the estimated unbilled volumes with the units generation report, internal consumption report and units billed report extracted from the internal systems. We performed testing of the key information technology automated controls, manual controls and substantive testing on the reports. We have also verified the line losses with the previous years and sought explanations for any variances.</p> <p><b>Tariff rates</b></p> <p>We tested the assumptions for selection of tariff rate per unit from the tariff rate slab by comparing the tariff rate applied in the estimation model with current data for each customer category.</p>



## Key Audit Matters (continued)

### Accrual of unbilled electricity and water revenue (continued)

Refer Notes 3.23, 5.1 and 24 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
We have identified accrual of unbilled electricity and water revenue as key audit matter because of the complexities and uncertainties involved in arriving at the unbilled revenue figure as described above and because of the potential material impact on the consolidated financial statements if errors were made in this calculation or if the assumptions used in estimating consumption patterns had been incorrectly applied.	<ul style="list-style-type: none"> <li>• We assessed the overall consistency of the calculated unbilled revenue compared to the prior year based on our knowledge of the trends and the process.</li> <li>• We considered the adequacy of the Group's disclosures in the consolidated financial statements relating to this area.</li> </ul>

## Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. We obtained the Directors' Report prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of the auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## 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 Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

### **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.
- 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.

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



**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**  
(continued)

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

**Report on Other Legal and Regulatory Requirements**

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

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021;
- iii) the Group has maintained proper books of account;
- iv) the financial information included in the Directors' report is consistent with the books of account of the Group;
- v) as disclosed in note 1 to the consolidated financial statements, the Group has not purchased any shares during the year ended 31 December 2022;
- vi) note 23 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 or in respect of the Authority, its Articles of Association, which would materially affect its activities or its consolidated financial position as at year ended 31 December 2022; and
- viii) note 23(b) to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2022.

KPMG Lower Gulf Limited

  
Emilio Pera  
Registration No.: 1146  
Dubai, United Arab Emirates  
Date: 9 March 2023

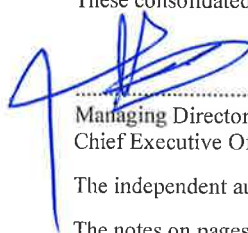
# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

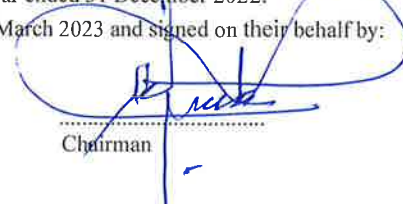
## Consolidated statement of financial position

	Note	As at 31 December	
		2022 AED'000	2021 AED'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	154,029,411	149,472,061
Intangible assets	10	471,123	529,577
Investments accounted for using the equity method	7.3	640	640
Derivative financial instruments	32	1,294,802	10,645
Financial assets at fair value through other comprehensive income	11	52,911	58,113
Investment properties	37	72,859	-
Other assets	12	1,134,897	1,012,826
Other financial assets	15	1,457,956	1,223,569
<b>Total non-current assets</b>		<b>158,514,599</b>	<b>152,307,431</b>
<b>Current assets</b>			
Inventories	14	1,445,216	1,451,149
Other assets	12	131,845	445,671
Trade receivables	13	4,211,335	3,849,578
Other financial assets	15	3,133,758	2,149,528
Derivative financial instruments	32	492,106	-
Short-term deposits with banks	9	7,532,503	4,798,864
Cash and cash equivalents	16	5,287,415	4,406,164
<b>Total current assets</b>		<b>22,234,178</b>	<b>17,100,954</b>
<b>Total assets</b>		<b>180,748,777</b>	<b>169,408,385</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	17	500,000	500,000
Capital contribution	17	40,042,885	40,037,040
General reserve	17	-	53,343,435
Retained earnings	17	47,338,862	-
Statutory reserve	17	591,346	355,467
Hedging reserve	17	954,247	(1,236,145)
<b>Equity attributable to the Owners of the Company</b>		<b>89,427,340</b>	<b>92,999,797</b>
Non-controlling interests	7.2	2,953,130	591,911
<b>Total equity</b>		<b>92,380,470</b>	<b>93,591,708</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	18	37,317,975	23,325,798
Retirement benefit obligations	19	1,010,493	1,008,904
Derivative financial instruments	32	4,578	2,259,830
Lease liabilities	20	23,528	11,939
Other long-term liabilities	21	32,802,528	31,710,788
<b>Total non-current liabilities</b>		<b>71,159,102</b>	<b>58,317,259</b>
<b>Current liabilities</b>			
Trade and other payables	22	13,729,124	13,531,012
Borrowings	18	3,371,854	3,430,072
Derivative financial instruments	32	-	156,297
Lease liabilities	20	12,884	3,013
<b>Total current liabilities</b>		<b>17,113,862</b>	<b>17,120,394</b>
<b>Total liabilities</b>		<b>88,272,964</b>	<b>75,437,653</b>
<b>Total equity and liabilities</b>		<b>180,653,434</b>	<b>169,029,361</b>
Regulatory deferral account credit balance	34	95,343	379,024
<b>Total equity, liabilities and regulatory deferral account credit balance</b>		<b>180,748,777</b>	<b>169,408,385</b>

To the best of our knowledge, these consolidated financial statements fairly represent 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 2022.

These consolidated financial statements were approved by the Board of Directors on 9 March 2023 and signed on their behalf by:

  
 Managing Director &  
 Chief Executive Officer

  
 Chairman

The independent auditors' report is set out on pages 1 to 5.

The notes on pages 11 to 79 form an integral part of these consolidated financial statements



# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

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

	Note	For the year ended 31 December	
		2022 AED'000	2021 AED'000
Revenue	24	27,335,534	23,823,968
Cost of sales	25	(16,488,998)	(15,539,787)
<b>Gross profit</b>		<b>10,846,536</b>	<b>8,284,181</b>
Administrative expenses	26	(2,890,365)	(2,916,445)
Credit impairment losses	13 & 23	(144,529)	(83,822)
Other income		404,286	921,993
<b>Operating profit</b>		<b>8,215,928</b>	<b>6,205,907</b>
Finance costs	28	(1,005,765)	(382,866)
Finance income	28	552,532	165,465
Finance costs – net	28	(453,233)	(217,401)
Provision for impairment of investment in a joint venture	7.3	-	(4,785)
Share of profit from investments in joint ventures	7.3	-	502
<b>Profit for the year before net movement in regulatory deferral account</b>		<b>7,762,695</b>	<b>5,984,223</b>
Net movement in regulatory deferral account credit balance	34	283,681	569,224
<b>Profit for the year and net movement in regulatory deferral account</b>		<b>8,046,376</b>	<b>6,553,447</b>
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of retirement benefit obligations	19.1	70,468	96,851
Debt instrument at FVOCI – change in fair value	11	(5,202)	460
<i>Items that may be reclassified to profit or loss</i>			
Hedging losses reclassified to profit or loss		58,916	388,164
Cash flow hedges	32	4,118,994	1,033,370
Other comprehensive income for the year		4,243,176	1,518,845
<b>Total comprehensive income for the year</b>		<b>12,289,552</b>	<b>8,072,292</b>
<b>Profit for the year attributable to</b>			
- Owners of the Company		7,722,834	6,123,112
- Non-controlling interests		323,542	430,335
		<b>8,046,376</b>	<b>6,553,447</b>
<b>Total comprehensive income for the year attributable to</b>			
- Owners of the Company		9,976,453	6,966,805
- Non-controlling interests		2,313,099	1,105,487
		<b>12,289,552</b>	<b>8,072,292</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (AED)	35	0.15	0.12

The independent auditors' report is set out on pages 1 to 5.

The notes on pages 11 to 79 form an integral part of these consolidated financial statements.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Consolidated statement of changes in equity

	Share capital AED'000	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
<b>At 1 January 2021</b>	-	39,829,878	52,239,576	352,103	(1,982,987)	-	90,438,570	(416,991)	90,021,579
Transfer to share capital (refer note 17)	500,000	(500,000)	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	-	-	6,123,112	6,123,112	430,335	6,553,447
Profit for the year	-	-	-	-	-	6,123,112	6,123,112	430,335	6,553,447
Other comprehensive income	-	-	-	-	746,842	96,851	843,693	675,152	1,518,845
<b>Total comprehensive income for the year</b>	-	-	-	-	746,842	6,219,963	6,966,805	1,105,487	8,072,292
Transfer to reserve	-	-	3,103,859	3,364	-	(3,107,223)	-	-	-
<b>Transactions with the Owner</b>									
Non-cash distribution (refer note 17)	-	-	-	-	-	(3,112,740)	(3,112,740)	-	(3,112,740)
Capital contribution by Government of Dubai – value of lands (net) (refer notes 8 (g))	-	707,162	-	-	-	-	707,162	-	707,162
Dividend paid (refer note 33)	-	-	(2,000,000)	-	-	-	(2,000,000)	(96,585)	(2,096,585)
<b>Total contributions and distributions</b>	-	707,162	(2,000,000)	-	-	(3,112,740)	(4,405,578)	(96,585)	(4,502,163)
<b>At 31 December 2021</b>	500,000	40,037,040	53,343,435	355,467	(1,236,145)	-	92,999,797	591,911	93,591,708

The notes on pages 11 to 79 form an integral part of these consolidated financial statements.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Consolidated statement of changes in equity (continued)

	Share capital AED'000	Capital contribution 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 2022	500,000	40,037,040	53,343,435	355,467	(1,236,145)	-	92,999,797	591,911	93,591,708
<b>Total comprehensive income for the year</b>									
Profit for the year	-	-	-	-	-	7,722,834	7,722,834	323,542	8,046,376
Other comprehensive income	-	-	-	-	2,190,392	63,227	2,253,619	1,989,557	4,243,176
<b>Total comprehensive income for the year</b>	-	-	-	-	2,190,392	7,786,061	9,976,453	2,313,099	12,289,552
Transfer to reserve (refer note 17 (b))	-	-	-	305,879	-	(305,879)	-	-	-
Transfer to retained earnings (refer note 17 (d))	-	-	(43,343,435)	-	-	43,343,435	-	-	-
<b>Transactions with the Owners</b>									
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	839,385	839,385
Capital contribution – value of lands (net) (refer notes 8 (g) and (h))	-	5,845	-	-	-	-	5,845	-	5,845
Dividend paid (refer note 33)	-	-	(10,000,000)	-	-	(5,130,000)	(15,130,000)	(1,025,090)	(16,155,090)
<b>Total contributions and distributions</b>	-	5,845	(10,000,000)	-	-	(5,130,000)	(15,124,155)	(185,705)	(15,309,860)
<b>Changes in ownership interest</b>									
Partial disposal without change in control (refer note 1)	-	-	-	-	-	1,669,070	1,669,070	140,000	1,809,070
Change in statutory reserve	-	-	-	(70,000)	-	-	(70,000)	70,000	-
Change in other reserve	-	-	-	-	-	(23,825)	(23,825)	23,825	-
<b>Total changes in ownership interest</b>	-	-	-	(70,000)	-	1,645,245	1,575,245	233,825	1,809,070
<b>At 31 December 2022</b>	<b>500,000</b>	<b>40,042,885</b>	<b>-</b>	<b>591,346</b>	<b>954,247</b>	<b>47,338,862</b>	<b>89,427,340</b>	<b>2,953,130</b>	<b>92,380,470</b>

The notes on pages 11 to 79 form an integral part of these consolidated financial statements.

# Dubai Electricity and Water Authority (PJSC)

## Consolidated statement of cash flows

	Note	For the year ended 31 December	
		2022 AED'000	2021 AED'000
<b>Net cash inflow from operating activities</b>	29	<b>14,219,995</b>	10,019,994
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment net of movements in capital payables and other long-term liabilities		(8,630,297)	(12,268,280)
Deposits with original maturity of greater than three months – placed during the year	9 & 16	(4,172,725)	(2,685,403)
Deposits with original maturity of greater than three months – matured during the year	9 & 16	430,863	325,000
Purchase of intangible assets	10	(8,627)	(381,752)
Interest received		286,117	138,225
Sale of investment in a joint venture		-	947
Investment in a joint venture		-	(150)
Movement in other financial assets		(644,039)	(337,402)
Proceeds from disposal of property, plant and equipment		4,235	3,916
<b>Net cash outflow from investing activities</b>		<b>(12,734,473)</b>	(15,204,899)
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(4,581,208)	(517,537)
Proceeds from borrowings		18,511,444	8,552,340
Interest paid		(1,833,852)	(1,076,336)
Payment of lease liabilities	20	(12,451)	(7,443)
Proceeds from partial disposal of subsidiary without loss of control		1,755,564	-
Capital contribution by non-controlling interests		580,319	-
Dividends paid to the Owners	33	(15,130,000)	(2,000,000)
Dividends paid to non-controlling interests		(1,025,090)	(96,585)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(1,735,274)</b>	4,854,439
<b>Net decrease in cash and cash equivalents</b>		<b>(249,752)</b>	(330,466)
Cash and cash equivalents at the beginning of the year	16	4,972,048	5,302,514
<b>Cash and cash equivalents at the end of the year</b>	16	<b>4,722,296</b>	4,972,048

### Material non-cash transactions:

- Net transfer of land to the Group recorded through equity amounting to AED 6 million (2021: AED 707 million) (refer notes 8 (g) and (h)).
- During the year, non-cash distributions to the Government of Dubai amounted to AED Nil (2021: AED 3,113 million).

The independent auditors' report is set out on pages 1 to 5.

The notes on pages 11 to 79 form an integral part of these consolidated financial statements.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2022

### 1 Establishment and operations

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

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”).

During the prior years, the Authority was wholly owned by the Government of Dubai which announced its plan to list the shares of the Authority on the Dubai Financial Market (DFM). In order to comply with the listing requirements, based on Decree under Law No. (27) of 2021 issued in The Official Gazette of Dubai Government on 29 December 2021, the legal status of the Authority had been amended to a Public Joint Stock Company, and hence the revised name of the Authority is “Dubai Electricity and Water Authority (PJSC)” (formerly Dubai Electricity and Water Authority). During the current year, Government of Dubai has sold 18% of its shareholding in the Authority through an Initial Public Offering (“IPO”). The Authority has been listed on the Dubai Financial Market (DFM) and its shares started trading with effect from 12 April 2022.

As a result of listing, the ownership structure of the Authority has been changed as follows:

	Ownership before listing	Ownership after listing
Department of Finance (DoF), Government of Dubai	100%	82%
Local and international investors (including institutional and retail investors)	-	18%
	<u>100%</u>	<u>100%</u>

Before the change in status of the Authority to Public Joint Stock Company (PJSC), the Authority was wholly owned directly by Government of Dubai through a Decree.

During the year ended 31 December 2022, the Group has not purchased any shares.

DEWA and its subsidiaries are collectively referred to as “the Group”. The Group either directly or indirectly controls following significant subsidiaries, which are domiciled in UAE:

Name of the entity	Percentage of beneficial ownership		Principal business activities
	2022	2021	
Al Etihad Energy Services Company LLC	100	100	Implement energy efficiency measures in buildings
Etihad Clean Energy Development Company LLC	100	100	Buildings energy efficiency services, solar energy systems rental and solar energy systems installation

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements *(continued)*  
for the year ended 31 December 2022

## 1 Establishment and operations *(continued)*

Name of the entity	Percentage of beneficial ownership		Principal business activities
	2022	2021	
Jumeirah Energy International Holdings LLC (JEIHL)	100	100	Holding Company
Jumeirah Energy International LLC (JEI)	100	100	Holding Company
Mai Dubai LLC	100	100	Purification and sale 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	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
Dubai Green Fund Investments LLC	100	100	To invest and manage commercial, industrial, retail trade and energy enterprises
Utilities Management Company LLC *	78	85	Holding Company
Emirates Central Cooling Systems Corporation PJSC (EMPOWER) *	56	70	Provision of district cooling services, management, maintenance of central cooling plants and related distribution networks
EMPOWER FM LLC *	56	70	Air conditioning, ventilation and air filtration system, installation and maintenance
EMPOWER Engineering & Consultancy LLC *	56	70	Project development consultant services
Palm Utilities LLC *	56	70	Establish and operate district cooling projects and provide air conditioning, ventilator and refrigeration services
Palm District Cooling LLC (PDC) *	56	70	Establish and operate district cooling projects and provide air conditioning, ventilator and refrigeration services.
EMPOWER Logstor LLC *	54.3	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

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements *(continued)*  
for the year ended 31 December 2022

## 1 Establishment and operations *(continued)*

Name of the entity	Percentage of beneficial ownership		Principal business activities
	2022	2021	
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
Digital X LLC	100	100	Establish and provide full range of services for information technology, data entry, network consultancies
Smart Energy X LLC	100	100	Establish and provide full range of services for parking management electronic systems installation and maintenance
Hassyan by Products LLC **	-	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	60	Establish and provide full range of services for generation of electricity
Forward Investments Limited	100	100	Holding Company
Dubai Carbon Centre of Excellence	100	100	Energy projects engineering consultancy and carbon control systems trading
Hassyan Water Company 1 Holding LLC	100	100	Investment in commercial enterprises & management and industrial enterprises & management
Hassyan Water Company 1 P.S.C	60	60	Water desalination including collecting of water, sterilizing and transporting it in lines and linking it to a water distribution network and operating and maintaining water production projects
SecureX	100	100	Computer systems housing services, communication equipment, software design, data classification & analysis services, IT infrastructure, data center co-location services and information technology network services
Space D	100	100	Managing & operating satellites & provision satellite services, wired & wireless communication systems installation and space situational tracking, monitoring & awareness services
EMPOWER Snow LLC *	56	70	Establish and operate district cooling projects and provide air-conditioning, ventilation and refrigeration services

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*)

for the year ended 31 December 2022

### **1 Establishment and operations (*continued*)**

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

As a result of listing, DEWA’s interest in EMPOWER and its subsidiaries have been diluted by 14% from 70% to 56%. The sales proceeds net off expenses in relation to the Initial Public Offering (IPO) from sale of EMPOWER interest amounted to AED 1,809 million.

\*\* During the year, the shareholders of Hassyan by Products LLC have resolved to voluntarily wind up the operations and liquidate the entity. On 5 October 2022, Hassyan by Products LLC has completed its liquidation process and cancelled the trade license.

### **2 Basis of preparation**

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

#### **2.1 Statement of compliance**

These consolidated financial statements of the Group 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 and UAE Federal Decree Law No. 32 of 2021. These consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and UAE Federal Decree Law No. 32 of 2021.

These consolidated financial statements are presented in UAE Dirhams (AED), which is the Authority’s functional currency and have been rounded to nearest thousands. 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 consolidated financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities measured at fair value, wherever applicable.

#### **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 Group’s consolidated financial statements are disclosed in note 5.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*) for the year ended 31 December 2022

### 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 2023 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:

	<b>Effective date</b>
Classification of Liabilities as Current and Non-current (Amendments to IAS 1)	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 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 2022 and do not have a significant impact on the Group's consolidated financial statements:

	<b>Effective date</b>
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
Reference to Conceptual Framework (Amendments to IFRS 3)	1 January 2022

#### 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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*) for the year ended 31 December 2022

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

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

##### *(a) Business combinations (*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)*

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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*) for the year ended 31 December 2022

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

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

##### *(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.

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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*)

for the year ended 31 December 2022

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

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

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 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.

Land is stated at a value which is based on valuation received from Land Department of the Government of Dubai, which is considered the deemed 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 profit or 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 are 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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*)

for the year ended 31 December 2022

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

#### **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.

##### *(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 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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements *(continued)*

for the year ended 31 December 2022

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

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

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

###### *Financial assets *(continued)**

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.

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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*)

for the year ended 31 December 2022

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

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

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

###### *Financial assets (continued)*

###### *Financial assets – Business model assessment (continued)*

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.

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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements *(continued)*

for the year ended 31 December 2022

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

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

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

###### *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.

###### *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 consolidated 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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*) for the year ended 31 December 2022

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

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

##### *(iii) Derecognition (*continued*)*

###### *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 consolidated 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.

##### *(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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements *(continued)*

*for the year ended 31 December 2022*

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

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

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

###### *Hedges directly affected by interest rate benchmark reform *(continued)**

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.

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 cost 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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements *(continued)*

*for the year ended 31 December 2022*

### **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 asset has increased significantly if it is more than 360 days past due.

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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*)

for the year ended 31 December 2022

### **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;
- a breach of a contract such as default or being more than 360 days past due, except for receivables from government entities;
- 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 consolidated 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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*) for the year ended 31 December 2022

### **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 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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*) for the year ended 31 December 2022

### 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 consolidated 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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*) for the year ended 31 December 2022

### **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'.

#### **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.

#### **3.10 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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*) for the year ended 31 December 2022

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

#### **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 13 to the 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 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 profit or loss.

#### **3.12 Cash and cash equivalents**

Cash and cash equivalents 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 consolidated 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.

##### *(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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*)

*for the year ended 31 December 2022*

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

#### **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 Group 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 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 reporting 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 statement of financial position.

##### **Post-employment obligations**

###### *(a) Defined benefit plan*

###### *Pension obligations for UAE nationals retired before 1 January 2003*

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 profit or loss.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements *(continued)*

*for the year ended 31 December 2022*

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

#### **3.16 Employee benefits *(continued)***

##### **Post-employment obligations *(continued)***

##### *(a) Defined benefit plan *(continued)**

##### *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 Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets, as applicable.

The net 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 calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan, as applicable.

To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), as applicable, are recognised immediately in OCI.

The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements *(continued)*

*for the year ended 31 December 2022*

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

#### **3.16 Employee benefits *(continued)***

##### **Post-employment obligations *(continued)***

##### *(b) Defined contribution plan*

##### *Pension obligations for UAE national from 1 January 2003*

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 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.

Obligations for contributions to defined contribution plans are expenses as the related service is provided. Prepaid contributions are recognised as an asset to the extent that cash refund or a reduction in future payments is available.

#### **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).

#### **3.18 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 or 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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements *(continued)*  
for the year ended 31 December 2022

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

### **3.20 Capital contribution (previously 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. Increase in the capital contribution (previously Government of Dubai account) is generally additional contributions either monetary or non-monetary. Non-monetary contributions are measured at fair value.

On initial recognition the fair value of plots of land transferred as per order of the Ruler of Dubai had been determined by the management based on value derived from valuation certificates obtained from the Land Department of Dubai. The fair value measurement had been categorised as a Level 3 fair value based on the inputs to the valuation techniques used. Refer note 8 (b).

### **3.21 General reserve/ retained earning**

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. Refer note 17 (d).

### **3.22 Statutory reserve**

In accordance with Article 241 of the UAE Federal Commercial Companies Law, a minimum of 10% of the net profit of the Authority and 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 except as stipulated by law. Refer note 17 (b).

### **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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements *(continued)*

for the year ended 31 December 2022

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

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

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.

##### *(b) District cooling services*

Demand and consumption charges revenue comprises of available capacity and variable output provided to customers and is recognized when services are provided.

Energy transfer station (ETS) service charges relates to services provided for ETS at customers' buildings and are recognized at the time services are rendered.

Connection charges revenue relates to connecting the individual customer units and is recognized over the period of providing district cooling services.

Other revenue comprises services that are recognized as and when services are rendered.

##### *(c) Meter rental*

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

##### *(d) Interest income*

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

##### *(e) Dividends*

Dividends are recognised as other income when the right to receive payment is established.

##### *(f) 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 notes 3.13 and 3.14.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*)

for the year ended 31 December 2022

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

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

##### *(g) Other services*

Revenue from other services include handling charges, reconnection and disconnection charges, which are recognised in the accounting period in which the services are rendered.

#### **3.24 Investment properties**

Investment properties comprise building under construction and land held with the intention to earn rentals or for capital appreciation or both. Investment properties other than building under construction and land, are stated at cost net of accumulated depreciation and accumulated impairment losses. Cost is defined either as cost of construction/acquisition or deemed cost, being the fair value determined by the experienced valuer at the date of recognition of the asset within investment properties, less accumulated depreciation and impairment losses.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is in accordance with the policy stated under property, plant and equipment at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

When the development of investment property commences, it is classified under capital work-in-progress until development is complete, at which time it is transferred to the respective category and depreciated using the straight-line method at rates calculated to reduce the cost of assets to their estimated residual values over their expected useful lives.

Land is not depreciated. Expenditure towards preparation of land for development is added to land value.

Capital work-in-progress is stated at cost less any impairment in value. It includes construction, administrative, borrowing costs and other costs directly attributable to the development of the project.

#### **3.25 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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*)

for the year ended 31 December 2022

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

#### **3.25 Foreign currency translations (*continued*)**

##### *(b) Transactions and balances (*continued*)*

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.

#### **3.26 Regulatory deferral account**

The Group has been allowed by the Dubai Supreme Council of Energy (the “regulator”) to bill the increase in fuel prices considering 2010 as the base year. Regulatory deferral account balance arises on account of amounts billed to and collected from customers as fuel surcharge in excess/short of amounts to be billed to customers. The deferral account is deferred and adjusted against the next change in tariff approved by the regulator. Regulatory deferral account is not described as a liability/asset for the purposes of the Group’s consolidated financial statements and is disclosed as a separate line item in the consolidated statement of financial position.

#### **3.27 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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.

The Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*)

for the year ended 31 December 2022

### 4 Financial risk management

#### 4.1 Financial risk factors

##### *Risk management framework*

The Group'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, other financial assets at amortised cost 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:

	2022 AED'000	2021 AED'000
Impairment loss on trade receivables (refer note 13)	<u>144,529</u>	<u>77,870</u>

##### (a) *Trade receivables*

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated statement of financial position 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. Carrying amount of trade receivables best represent the maximum exposure to credit risk at the end of each reporting period presented.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

### 4 Financial risk management (continued)

#### 4.1 Financial risk factors (continued)

##### (i) Credit risk (continued)

##### (a) Trade receivables (continued)

The Group taking into consideration the exposure to the customer, when appropriate, manages credit risk by requesting additional deposits, disconnection of services 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 as 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 2022 and 2021:

As at 31 December 2022	Expected loss rate	Gross carrying amount AED'000	Loss allowance AED'000	Credit impaired
Current	0.91%	2,202,998	19,994	No
More than 30 days past due	2.09%	594,132	12,425	No
More than 60 days past due	8.21%	346,025	28,425	No
More than 120 days past due	19.48%	535,067	104,248	No
More than 360 days past due	36.54%	1,100,186	401,981	Yes
		<u>4,778,408</u>	<u>567,073</u>	
As at 31 December 2021	Expected loss rate	Gross carrying amount AED'000	Loss allowance AED'000	Credit impaired
Current	0.80%	1,906,075	15,304	No
More than 30 days past due	3.39%	521,091	17,656	No
More than 60 days past due	8.44%	351,882	29,705	No
More than 120 days past due	17.51%	504,025	88,249	No
More than 360 days past due	27.46%	989,048	271,630	Yes
		<u>4,272,121</u>	<u>422,544</u>	

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements *(continued)*

for the year ended 31 December 2022

### 4 Financial risk management *(continued)*

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

##### (i) Credit risk *(continued)*

##### (b) Other financial assets

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, other financial assets 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 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 or expected a provision is made.

Balances due from related parties are held with reputed counter parties and management do not expect any loss from their non-performance. Where non-performance is identified or expected a provision is made.

##### (c) Cash and cash equivalents

The Group held cash and cash equivalents of AED 5,287 million as at 31 December 2022 (2021: AED 4,406 million). The cash and cash equivalents are held with bank and financial institution counterparties and other government agencies having credit rating as detailed below:

As determined by Moody's

	2022 AED'000	2021 AED'000
A	3,807,918	4,150,066
B	1,478,888	255,661
C	42	-
Unrated (including cash in hand)	567	437
	<u>5,287,415</u>	<u>4,406,164</u>

##### (d) Derivatives

The derivatives are entered into with bank and financial institution counterparties, which are related to AA- to AA+ based on Fitch ratings.

All other financial assets are unrated.

Refer note 31.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements (*continued*)  
for the year ended 31 December 2022

## 4 Financial risk management (*continued*)

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

#### (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
<b>Non-derivative financial liabilities</b>					
<b>31 December 2022</b>					
Secured borrowings	4,125,697	5,315,295	40,699,799	50,140,791	27,359,623
Unsecured borrowings	804,069	238,949	13,146,147	14,189,165	13,330,206
Trade and other payables **	11,980,629	-	-	11,980,629	11,980,629
Other long-term liabilities **	-	365,888	493,372	859,260	806,220
Lease liabilities	12,884	13,779	13,107	39,770	36,412
	<u>16,923,279</u>	<u>5,933,911</u>	<u>54,352,425</u>	<u>77,209,615</u>	<u>53,513,090</u>

	Less than 1 year AED'000	1 to 2 years AED'000	Over 2 years AED'000	Total AED'000	Carrying amount AED'000
<b>Non-derivative financial liabilities</b>					
<b>31 December 2021</b>					
Secured borrowings	2,571,142	1,130,338	27,363,348	31,064,828	23,980,793
Unsecured borrowings	1,465,147	224,660	1,145,352	2,835,159	2,775,077
Trade and other payables **	11,696,524	-	-	11,696,524	11,696,524
Other long-term liabilities **	-	443,803	452,290	896,093	876,234
Lease liabilities	3,013	1,645	10,294	14,952	14,952
	<u>15,735,826</u>	<u>1,800,446</u>	<u>28,971,284</u>	<u>46,507,556</u>	<u>39,343,580</u>

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

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements *(continued)*

for the year ended 31 December 2022

### 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
<b>Derivative financial liabilities</b>					
<b>31 December 2022</b>					
Interest rate swaps used for hedging	-	-	4,578	4,578	4,578
	Less than 1 year AED'000	1 to 2 years AED'000	Over 2 years AED'000	Total AED'000	Carrying amount AED'000
<b>Derivative financial liabilities</b>					
<b>31 December 2021</b>					
Interest rate swaps used for hedging	220,944	357,003	1,838,180	2,416,127	2,416,127

Refer notes 31 and 32.

##### (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 the Group's functional currency. The Group has no significant exposure to this risk as the majority of its transactions are denominated in 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 2022 and 2021 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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements *(continued)*

for the year ended 31 December 2022

### 4 Financial risk management *(continued)*

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

(iii) Market risk *(continued)*

(c) Cash flow and fair value interest rate 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 32). The table below shows the exposure of Group's variable and fixed rate borrowings:

	2022 AED'000	2021 AED'000
Variable rate borrowings	38,247,344	23,643,410
Fixed rate borrowings	2,442,485	3,112,460
	<u>40,689,829</u>	<u>26,755,870</u>

#### Cashflow sensitivity analysis for variable-rate borrowings

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) consolidated equity and consolidated profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss		Equity	
	100 bp increase AED'000	100 bp decrease AED'000	100 bp increase AED'000	100 bp decrease AED'000
<b>31 December 2022</b>				
Variable rate borrowings	(382,473)	382,473	-	-
Interest rate swaps	-	-	17,823	(17,823)
<b>Cash flow sensitivity (net)</b>	<u>(382,473)</u>	<u>382,473</u>	<u>17,823</u>	<u>(17,823)</u>
<b>31 December 2021</b>				
Variable rate borrowings	(236,434)	236,434	-	-
Interest rate swaps	-	-	24,055	(24,055)
<b>Cash flow sensitivity (net)</b>	<u>(236,434)</u>	<u>236,434</u>	<u>24,055</u>	<u>(24,055)</u>

#### Fair value sensitivity analysis for fixed-rate borrowings

The Group does not account for any fixed-rate financial assets or financial liabilities, at FVTPL, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates would have increased or decreased equity by AED 18 million (2021: AED 24 million). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*) for the year ended 31 December 2022

### **4 Financial risk management (*continued*)**

#### **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 transaction price, i.e. the fair value of the consideration given or received. These financial assets and liabilities are subsequently measured at amortised cost except the financial assets at fair value through other comprehensive income and derivative financial instruments.

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 (refer notes 11 and 32).

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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*)

for the year ended 31 December 2022

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

#### 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 52 million (2021: AED 52 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 52 million (2021: AED 52 million).

##### (b) *Expected credit loss (ECL) assessment*

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics and age of customer relationship.

The Group reviews its trade receivables to assess impairment on a regular basis. In determining whether impairment losses should be reported in profit or loss, the Group makes assessment for expected credit loss for trade receivables.

Exposure within each credit risk grade is based on customer segments and ECL rate is calculated for each segment based on actual credit loss experience over the past years. These rates are multiplied by macro-economic factors to reflect the differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the trade receivables.

Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group's estimation process for the determination of provision for impairment loss on trade receivables based on the ECL model is disclosed in notes 3.7 and 4.1.

#### 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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements *(continued)*

*for the year ended 31 December 2022*

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

#### **5.2 Critical accounting judgements *(continued)***

##### *(b) 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, Shuaa Energy 3 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.

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 reporting 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 Operating segments**

#### *(i) Basis for segmentation*

The chief operating decision-makers (CODM) have been identified as the Board of Directors of the Group that make all the strategic decisions related to the Group's activities. The Board of Directors reviews the Group's internal reporting in order to assess the performance and allocate its resources based on which the operating segments have been determined.

For the Board of Directors, the Group is currently organised into four major operating segments.

<b>Reportable segments</b>	<b>Operations</b>
DEWA	DEWA is engaged in the generation, transmission and distribution of electricity and water desalination, transmission and distribution to residential, commercial, industrial and government customers in the Emirate of Dubai.
EMPOWER	EMPOWER and its subsidiaries are engaged in the provision of district cooling, maintenance of central cooling plants and manufacturing and sale of insulated pipes.
IPP	JEIHL and its subsidiaries are engaged in provide full range of services for the development, operation and maintenance of power and water plants under the independent power producer (IPP) model.
Others	The other operations of group include purification and sale of potable water, providing services including IT, and infrastructure, networking and computer system housing services, invest and manage commercial, industrial, retail trade and energy enterprises and implement energy efficiency measures in buildings.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

### 6 Operating segments (continued)

- (ii) *Information about reportable segments and reconciliations of information on reportable segments to the amount reported in the consolidated financial statements*

Information related to each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

- a) *Segment wise statement of financial position*

	DEWA	EMPOWER	IPP	Others	Eliminations	Total
31 December 2022	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
<b>Segment assets</b>						
Non-current assets	132,111,470	7,776,101	31,016,060	2,194,551	(14,583,583)	158,514,599
Current assets	14,825,858	1,878,874	2,825,200	4,133,381	(1,429,135)	22,234,178
<b>Total assets</b>	<b>146,937,328</b>	<b>9,654,975</b>	<b>33,841,260</b>	<b>6,327,932</b>	<b>(16,012,718)</b>	<b>180,748,777</b>
<b>Segment liabilities</b>						
Non-current liabilities	47,483,807	4,859,945	27,933,985	135,690	(9,254,325)	71,159,102
Current liabilities	12,059,406	1,760,288	2,597,068	3,237,266	(2,540,166)	17,113,862
Regulatory deferral account credit balance	95,343	-	-	-	-	95,343
<b>Total liabilities and regulatory deferral account credit balance</b>	<b>59,638,556</b>	<b>6,620,233</b>	<b>30,531,053</b>	<b>3,372,956</b>	<b>(11,794,491)</b>	<b>88,368,307</b>
<b>Net segment assets</b>	<b>87,298,772</b>	<b>3,034,742</b>	<b>3,310,207</b>	<b>2,954,976</b>	<b>(4,218,227)</b>	<b>92,380,470</b>
	DEWA	EMPOWER	IPP	Others	Eliminations	Total
31 December 2021	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
<b>Segment assets</b>						
Non-current assets	131,323,562	7,774,283	25,372,513	1,622,590	(13,785,517)	152,307,431
Current assets	10,250,873	1,769,433	2,299,814	3,924,930	(1,144,096)	17,100,954
<b>Total assets</b>	<b>141,574,435</b>	<b>9,543,716</b>	<b>27,672,327</b>	<b>5,547,520</b>	<b>(14,929,613)</b>	<b>169,408,385</b>
<b>Segment liabilities</b>						
Non-current liabilities	38,378,531	1,420,198	28,596,536	113,128	(10,402,752)	58,105,641
Current liabilities	11,648,658	2,692,626	1,267,706	2,640,113	(917,091)	17,332,012
Regulatory deferral account credit balance	379,024	-	-	-	-	379,024
<b>Total liabilities and regulatory deferral account credit balance</b>	<b>50,406,213</b>	<b>4,112,824</b>	<b>29,864,242</b>	<b>2,753,241</b>	<b>(11,319,843)</b>	<b>75,816,677</b>
<b>Net segment assets/(liabilities)</b>	<b>91,168,222</b>	<b>5,430,892</b>	<b>(2,191,915)</b>	<b>2,794,279</b>	<b>(3,609,770)</b>	<b>93,591,708</b>

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

### 6 Operating segments (continued)

(ii) Information about reportable segments and reconciliations of information on reportable segments to the amount reported in the consolidated financial statements (continued)

b) Segment wise statement of profit or loss and other comprehensive income (continued)

	DEWA	EMPOWER	IPP	Others	Eliminations	Total
<b>31 December 2022</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
Revenue	25,161,194	2,792,539	1,134,722	1,241,492	(2,994,413)	27,335,534
Cost of sales	(15,624,075)	(1,520,576)	(719,014)	(761,705)	2,136,372	(16,488,998)
<b>Gross profit</b>	<b>9,537,119</b>	<b>1,271,963</b>	<b>415,708</b>	<b>479,787</b>	<b>(858,041)</b>	<b>10,846,536</b>
Other income	4,445,173	7,765	54,924	27,062	(4,130,638)	404,286
Credit impairment losses	(127,834)	(17,865)	-	1,170	-	(144,529)
Administrative expenses	(2,653,090)	(209,977)	(27,269)	(451,265)	451,236	(2,890,365)
<b>Operating profit</b>	<b>11,201,368</b>	<b>1,051,886</b>	<b>443,363</b>	<b>56,754</b>	<b>(4,537,443)</b>	<b>8,215,928</b>
Finance income	251,689	35,554	249,770	131,262	(115,743)	552,532
Finance costs	(603,588)	(86,685)	(674,665)	(29,987)	389,160	(1,005,765)
Finance (costs)/income – net	(351,899)	(51,131)	(424,895)	101,275	273,417	(453,233)
Net movement in regulatory deferral account credit balance	283,681	-	-	-	-	283,681
<b>Profit for the year</b>	<b>11,133,150</b>	<b>1,000,755</b>	<b>18,468</b>	<b>158,029</b>	<b>(4,264,026)</b>	<b>8,046,376</b>
Other comprehensive income	62,171	3,095	4,179,416	(1,506)	-	4,243,176
<b>Total comprehensive income for the year</b>	<b>11,195,321</b>	<b>1,003,850</b>	<b>4,197,884</b>	<b>156,523</b>	<b>(4,264,026)</b>	<b>12,289,552</b>
<b>31 December 2021</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
Revenue	21,745,193	2,463,874	1,323,519	987,816	(2,696,434)	23,823,968
Cost of sales	(14,739,083)	(1,394,449)	(867,285)	(567,905)	2,028,935	(15,539,787)
<b>Gross profit</b>	<b>7,006,110</b>	<b>1,069,425</b>	<b>456,234</b>	<b>419,911</b>	<b>(667,499)</b>	<b>8,284,181</b>
Other income	815,663	48,500	453,541	10,893	(406,604)	921,993
Credit impairment losses	(75,619)	(8,568)	-	(6,097)	6,462	(83,822)
Adjustment on financial assets	(29,876)	-	-	-	29,876	-
Administrative expenses	(2,704,471)	(175,881)	(231,906)	(378,979)	574,792	(2,916,445)
<b>Operating profit</b>	<b>5,011,807</b>	<b>933,476</b>	<b>677,869</b>	<b>45,728</b>	<b>(462,973)</b>	<b>6,205,907</b>
Finance income	172,453	11,633	233	119,257	(138,111)	165,465
Finance costs	(252,829)	(9,127)	(358,297)	(30,735)	268,122	(382,866)
Finance (costs)/income – net	(80,376)	2,506	(358,064)	88,522	130,011	(217,401)
Provision for impairment of investment in a joint venture	(4,785)	-	-	-	-	(4,785)
Share of profit in a joint venture	1,004	-	-	(502)	-	502
Net movement in regulatory deferral account credit balance	569,224	-	-	-	-	569,224
<b>Profit for the year</b>	<b>5,496,874</b>	<b>935,982</b>	<b>319,805</b>	<b>133,748</b>	<b>(332,962)</b>	<b>6,553,447</b>
Other comprehensive income	96,851	460	1,421,534	-	-	1,518,845
<b>Total comprehensive income for the year</b>	<b>5,593,725</b>	<b>936,442</b>	<b>1,741,339</b>	<b>133,748</b>	<b>(332,962)</b>	<b>8,072,292</b>

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (continued) for the year ended 31 December 2022

### 6 Operating segments (continued)

(ii) Information about reportable segments and reconciliations of information on reportable segments to the amount reported in the consolidated financial statements (continued)

c) Other segment information

	DEWA	EMPOWER	IPP	Others	Eliminations	Total
31 December 2022	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Capital expenditure (property, plant and equipment)	4,849,905	332,887	4,767,497	169,314	-	10,119,603
Depreciation (property, plant and equipment)	4,734,106	311,807	237,337	98,332	(6,843)	5,374,739
31 December 2021	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Capital expenditure (property, plant and equipment)	6,452,461	611,616	6,508,077	170,674	-	13,742,828
Depreciation (property, plant and equipment)	4,637,423	304,965	187,813	106,594	(5,113)	5,231,682

(iii) Geographic information

Majority of the Group's revenues, profits and assets relate to its operations in Dubai.

### 7 Interests in other entities

#### 7.1 Material subsidiaries

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

#### 7.2 Non-controlling interests

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, Shuaa Energy 3 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 interests is as follows:

	2022 %	2021 %
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	40
EMPOWER (refer note 1)	44	30

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements *(continued)*

for the year ended 31 December 2022

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

#### 7.2 Non-controlling interests *(continued)*

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

#### Summarised statements of financial position

	JEIHL		EMPOWER	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
<b>Non-current</b>				
Assets	31,016,060	25,372,513	7,776,101	7,774,283
Liabilities	(27,933,985)	(28,596,536)	(4,859,945)	(1,420,198)
	<u>3,082,075</u>	<u>(3,224,023)</u>	<u>2,916,156</u>	<u>6,354,085</u>
<b>Current</b>				
Assets	2,825,200	2,299,814	1,878,874	1,769,434
Liabilities	(2,597,068)	(1,267,706)	(1,760,288)	(2,692,628)
	<u>228,132</u>	<u>1,032,108</u>	<u>118,586</u>	<u>(923,194)</u>
Net assets/(liabilities) (100%)	<u>3,310,207</u>	<u>(2,191,915)</u>	<u>3,034,742</u>	<u>5,430,891</u>
Net assets/(liabilities) attributable to NCI	<u>1,780,488</u>	<u>(1,048,884)</u>	<u>1,186,896</u>	<u>1,655,049</u>

Other non-material subsidiary includes negative net assets attributable to NCI amounting to AED 14,254 thousand (2021: AED 14,254 thousand).

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

	JEIHL		EMPOWER	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
Revenue	<u>1,134,722</u>	<u>1,323,519</u>	<u>2,792,539</u>	<u>2,463,874</u>
Profit for the year	<u>18,468</u>	<u>319,805</u>	<u>1,000,755</u>	<u>935,982</u>
Total comprehensive income	<u>4,197,884</u>	<u>1,741,339</u>	<u>1,003,850</u>	<u>936,442</u>
Total comprehensive income allocated to non-controlling interests	<u>1,995,076</u>	<u>831,074</u>	<u>318,023</u>	<u>276,658</u>
Dividends paid to non- controlling interests	<u>5,090</u>	<u>6,285</u>	<u>1,020,000</u>	<u>90,300</u>

Total comprehensive loss allocated to non-controlling interest of other non-material subsidiary amounts to AED Nil (2021: AED 2,245 thousand).

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements *(continued)*  
for the year ended 31 December 2022

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

### 7.2 Non-controlling interests *(continued)*

#### Summarised statement of cash flows

	JEIHL		EMPOWER	
	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
Net cash inflow/(outflow) from operating activities	<u>416,619</u>	<u>(126,663)</u>	<u>1,424,636</u>	<u>1,366,206</u>
Net cash outflow from investing activities	<u>(3,495,378)</u>	<u>(6,862,547)</u>	<u>(195,777)</u>	<u>(1,426,124)</u>
Net cash inflow/(outflow) from financing activities	<u>2,835,774</u>	<u>7,455,756</u>	<u>(1,000,539)</u>	<u>236,310</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(242,985)</u>	<u>466,546</u>	<u>228,320</u>	<u>176,392</u>
Cash and cash equivalents, as at 1 January	<u>1,519,086</u>	<u>1,052,540</u>	<u>1,245,588</u>	<u>1,069,196</u>
<b>Cash and cash equivalents, as at 31 December</b>	<u>1,276,101</u>	<u>1,519,086</u>	<u>1,473,908</u>	<u>1,245,588</u>

### 7.3 Investments accounted for using the equity method

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

Name of the entity	Country of incorporation	Effective % of holding		Carrying value	
		2022 %	2021 %	2022 AED'000	2021 AED'000
Utility Management LLC	UAE	50	50	490	490
Etihad Smart Energy Solutions LLC	UAE	50	50	150	150
				<u>640</u>	<u>640</u>

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

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements *(continued)*

for the year ended 31 December 2022

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

#### 7.3 Investments accounted for using the equity method *(continued)*

##### *Movement of investments in joint ventures*

	2022 AED'000	2021 AED'000
At 1 January	640	5,720
Addition during the year	-	150
Disposal during the year	-	(947)
Share of profit from joint ventures	-	502
Less: provision made during the year	-	(4,785)
At 31 December	<u>640</u>	<u>640</u>

During the year, the Group recognised its share of profit from joint ventures amounting to AED Nil (2021: AED 502 thousand).

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements (continued)  
for the year ended 31 December 2022

## 8 Property, plant and equipment

	Land and buildings AED'000	Right-of-use assets 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
<b>Year ended 31 December 2021</b>							
Opening net book amount	37,410,151	19,104	28,753,496	45,972,583	816,177	28,027,895	140,999,406
Additions	693,610	1,071	263,234	666,583	70,964	12,047,366	13,742,828
Transfer to right of use assets	-	20,069	(20,069)	-	-	-	-
Reversal of impairment (refer note 8(j))	-	-	-	-	-	-	-
Transfers	1,329,622	-	6,535,277	4,375,930	255,685	32,328	32,328
Transfers to intangible assets (refer note 10)	-	-	-	-	(12,496,514)	-	-
Disposals, net	(732)	-	(204)	(2,576)	(453)	(66,631)	(67,084)
Depreciation	(344,534)	(16,388)	(2,094,461)	(2,438,352)	(223)	-	(3,735)
<b>Closing net book amount</b>	<b>39,088,117</b>	<b>23,856</b>	<b>33,437,273</b>	<b>48,574,168</b>	<b>804,203</b>	<b>27,544,444</b>	<b>149,472,061</b>
<b>At 31 December 2021</b>							
Cost	42,990,632	54,838	53,927,448	73,573,789	3,272,869	27,544,444	201,364,020
Accumulated depreciation	(3,902,515)	(30,982)	(20,490,175)	(24,999,621)	(2,468,666)	-	(51,891,959)
<b>Net book amount</b>	<b>39,088,117</b>	<b>23,856</b>	<b>33,437,273</b>	<b>48,574,168</b>	<b>804,203</b>	<b>27,544,444</b>	<b>149,472,061</b>
<b>Year ended 31 December 2022</b>							
Opening net book amount	39,088,117	23,856	33,437,273	48,574,168	804,203	27,544,444	149,472,061
Additions	7,842	17,037	107,939	413,280	111,862	9,461,643	10,119,603
Transfer to right of use assets	-	18,316	(7,780)	-	(10,536)	-	-
Reversal of impairment (refer note 8 (j))	-	-	-	-	-	12,727	12,727
Reclassification to investment property (refer note 37)	(2,536)	-	-	-	-	(70,323)	(72,859)
Transfers	604,118	-	2,147,084	4,288,607	119,198	(7,159,007)	-
Transfers to intangible assets (refer note 10)	-	-	-	-	(320)	(19,335)	(19,655)
Modification of right-of-use assets	-	(11,558)	-	-	-	-	(11,558)
Disposals, net	-	-	(3,853)	(92,247)	(69)	-	(96,169)
Depreciation	(365,773)	(12,827)	(2,048,742)	(2,620,607)	(326,790)	-	(5,374,739)
<b>Closing net book amount</b>	<b>39,331,768</b>	<b>34,824</b>	<b>33,631,921</b>	<b>50,563,201</b>	<b>697,548</b>	<b>29,770,149</b>	<b>154,029,411</b>
<b>At 31 December 2022</b>							
Cost	43,600,056	64,678	55,574,765	78,069,768	3,478,813	29,770,149	210,558,229
Accumulated depreciation	(4,268,288)	(29,854)	(21,942,844)	(27,506,567)	(2,781,265)	-	(56,528,818)
<b>Net book amount</b>	<b>39,331,768</b>	<b>34,824</b>	<b>33,631,921</b>	<b>50,563,201</b>	<b>697,548</b>	<b>29,770,149</b>	<b>154,029,411</b>

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*) for the year ended 31 December 2022

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

- (a) The Group has engaged in a joint operation pertaining to Emirates National Grid Corporation ("ENGEC"). The Group's share in the carrying amount of ENGEC's assets as at 31 December 2022 is AED 109 million (2021: AED 116 million) and is included under transmission and distribution networks.
- (c) 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 the plots of land on the basis of valuations (i.e. valuation based on use limitations) obtained from the Land Department of the Government of Dubai, which is considered the deemed cost and has been treated as a capital contribution by the Government of Dubai.

On initial recognition:

- The valuation of land is done based on the valuation of certificate issued by Dubai Land Department and such valuation is considered for the lands issued in the same area/zone in future.
- The valuation of land so adopted (original value) will not be changed even if the area/zone is changed by the Dubai Land Department subsequently.

As per communication from Department of Finance, Government of Dubai, effective 10 March 2022, the new land policy in respect of allotment and granting of lands in the Emirate of Dubai by the Dubai Land Department to the Authority will be in consideration for a rental value of AED 1 per plot per annum for 30 years. This policy shall apply to all future lands that will be allotted to the Authority, but not on the existing lands that are currently being governed under the existing regime. The Department of Finance, Government of Dubai and the Authority shall coordinate to take all actions and procedures to procure the issuance of a decree that shall formalize the proposed policy for all future lands.

- (c) The carrying value of property, plant and equipment, pledged as collateral on borrowings, amounts to AED 27,886 million (2021: AED 25,255 million) (refer note 18).
- (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 for capitalizing the borrowing cost is LIBOR plus applicable Margin. The interest on borrowings capitalised using this interest rate is AED 1,164 million (2021: AED 650 million). Refer note 28.
- (f) Right-of-use assets mainly represents vehicles and other equipment as of the reporting date.
- (g) During the year, the Group received plots of land from the Land Department of the Government of Dubai amounting to AED 65 million (2021: AED 707 million).
- (h) During the year, one of the subsidiaries' of the Group returned eleven plots of land to related parties amounting to AED 59 million which were granted to the subsidiary by the related parties in prior years.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (continued)

for the year ended 31 December 2022

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

(i) Depreciation is allocated as detailed below:

	2022 AED'000	2021 AED'000
Cost of sales		
- Generation and desalination expenditure (refer note 25.1)	2,186,590	2,213,432
- Transmission and distribution expenditure (refer note 25.2)	2,886,817	2,682,658
Administrative expenses (refer note 26)	301,332	335,592
	<u>5,374,739</u>	<u>5,231,682</u>

In prior years, a subsidiary management had recognised an impairment loss relating to costs incurred on shoring and enabling works for certain projects which were not developed as anticipated. As a result, an impairment loss of AED 55 million was recorded. In the current year, construction of these projects was resumed and hence management assessed the recoverable amount using value-in-use calculations which involved cash flow projections based on management budgets, discounted at a rate of 4%. Management also analyzed the work which can be utilized and will not have to be undertaken again. As a result, the Group reversed the impairment amounting to AED 13 million (2021: AED 32 million) in relation to these projects.

### 9 Short-term deposits with banks

	2022 AED'000	2021 AED'000
Term deposits with banks	<u>7,532,503</u>	<u>4,798,864</u>

Term deposits amounting to AED 7,533 million (2021: AED 4,799 million) carries an interest ranging from 1.5% to 4.70% per annum.

### 10 Intangible assets

	Computer software AED'000	Others AED'000	Total AED'000
Year ended 31 December 2021			
Opening net book amount	161,862	-	161,862
Additions	17,056	364,696	381,752
Transfer from property, plant and equipment (refer note 8)	67,084	-	67,084
Amortisation (refer note 26)	<u>(80,721)</u>	<u>(400)</u>	<u>(81,121)</u>
Closing net book amount	<u>165,281</u>	<u>364,296</u>	<u>529,577</u>
At 31 December 2021			
Cost	523,091	364,696	887,787
Accumulated amortisation	<u>(357,810)</u>	<u>(400)</u>	<u>(358,210)</u>
Net book amount	<u>165,281</u>	<u>364,296</u>	<u>529,577</u>

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements (*continued*)  
for the year ended 31 December 2022

## 10 Intangible assets (*continued*)

	Computer software AED'000	Others AED'000	Total AED'000
<b>Year ended 31 December 2022</b>			
Opening net book amount	165,281	364,296	529,577
Additions	8,627	-	8,627
Transfer from property, plant and equipment (refer note 8)	19,655	-	19,655
Amortisation (refer note 26)	(74,579)	(12,157)	(86,736)
<b>Closing net book amount</b>	<b>118,984</b>	<b>352,139</b>	<b>471,123</b>
<b>At 31 December 2022</b>			
Cost	551,373	364,696	916,069
Accumulated amortisation	(432,389)	(12,557)	(444,946)
<b>Net book amount</b>	<b>118,984</b>	<b>352,139</b>	<b>471,123</b>

Others relate to a contract entered into by a subsidiary in prior year wherein, a part was recorded under intangible assets and the balance under other financial assets. Refer notes 15 and 36.

## 11 Financial assets at fair value through other comprehensive income

	2022 AED'000	2021 AED'000
At the beginning of the year	58,113	57,653
Addition during the year	-	-
Fair value adjustment during the year	(5,202)	460
At the end of the year	<b>52,911</b>	<b>58,113</b>

Financial assets at fair value through other comprehensive income pertains to an investment in Tier 1 Capital Certificates ("the Bonds") issued at their par value. The Bonds are listed perpetual instruments and carry non-cumulative interest at a rate of 6% per annum payable every six months at the discretion of the issuer. The Group has classified them as financial assets at fair value through other comprehensive income under IFRS 9 as the Bonds are not held for trading.

During the year, loss recognised in other comprehensive loss amounted to AED 5 million (2021: gain of AED 460 thousand).

## 12 Other assets

	2022 AED'000	2021 AED'000
Advances to suppliers	1,222,498	1,346,191
Prepayments	44,244	112,306
	<b>1,266,742</b>	<b>1,458,497</b>
Less: non-current portion	(1,134,897)	(1,012,826)
Current portion	<b>131,845</b>	<b>445,671</b>

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*) for the year ended 31 December 2022

### 13 Trade receivables

	2022 AED'000	2021 AED'000
Trade receivables	3,737,908	3,232,014
Accrued revenue	1,040,500	1,040,108
Less: provision for impairment of receivables	(567,073)	(422,544)
Trade receivables and accrued revenue – net	<u>4,211,335</u>	<u>3,849,578</u>

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.

#### *Impairment of trade receivables:*

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

	2022 AED'000	2021 AED'000
At 1 January	422,544	344,674
Charge for the year	144,529	77,870
31 December	<u>567,073</u>	<u>422,544</u>

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

The Group primarily supplies electricity and water and cooling services to a diversified customer base and the standard credit period applied to all customers for electricity and water is 14 days and cooling services is 21 days, from the date of invoice.

### 14 Inventories

	2022 AED'000	2021 AED'000
Consumables and others	657,301	642,947
Less: provision for slow moving and obsolete inventories	(220,021)	(205,653)
	<u>437,280</u>	<u>437,294</u>
Fuel	1,007,936	1,013,855
	<u>1,445,216</u>	<u>1,451,149</u>

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements *(continued)* for the year ended 31 December 2022

### 14 Inventories *(continued)*

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

	2022 AED'000	2021 AED'000
At 1 January	205,653	177,032
Charge for the year	14,368	28,621
At 31 December	<u>220,021</u>	<u>205,653</u>

### 15 Other financial assets

	2022 AED'000	2021 AED'000
UAE National Bonds and Sukuk Bonds	1,041,138	397,099
Other receivables	3,598,489	3,023,911
Less: provision for impairment on other receivables	<u>(47,913)</u>	<u>(47,913)</u>
	4,591,714	3,373,097
Less: non-current portion	<u>(1,457,956)</u>	<u>(1,223,569)</u>
Current portion	<u>3,133,758</u>	<u>2,149,528</u>

Other financial assets include investments in UAE National Bonds amounting to AED 1,041 million (2021: AED 397 million), which have a maturity of 12 months from the date of purchase. UAE National Bonds carry an interest rate of ranging from 3% to 5.25% per annum (2021: 2.25% per annum).

Other receivables mainly include housing and sewerage fee receivable on behalf of a related party and interest receivable on bank deposits. As at 31 December 2022, other receivables amounting to AED 3,550 million (2021: AED 2,976 million) are not impaired and amounts of AED 48 million (2021: 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.

Refer notes 10 and 36.

### 16 Cash and cash equivalents

	2022 AED'000	2021 AED'000
Current and call accounts and short-term deposit	5,286,848	4,403,945
Cash on hand	<u>567</u>	<u>2,219</u>
	<u>5,287,415</u>	<u>4,406,164</u>

Cash and cash equivalents include AED 1,660 million (2021: AED 1,906 million) in foreign currencies. The majority of these foreign currency balances are denominated in USD. These balances are held for settlement of existing and anticipated liabilities denominated in foreign currencies.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*) for the year ended 31 December 2022

### 16 Cash and cash equivalents (*continued*)

Cash and cash equivalents also include AED 801 million (2021: AED 716 million) of cash collected by local banks and government collection agencies on behalf of the Group.

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

	2022 AED'000	2021 AED'000
Cash and cash equivalents	5,287,415	4,406,164
Add: term deposits (maturity less than 3 months)	-	1,008,223
Bank overdrafts (refer note 18)	(565,119)	(442,339)
Cash and cash equivalents for the purpose of cash flow	<u>4,722,296</u>	<u>4,972,048</u>

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

### 17 Equity

#### a) Share capital

In the previous year, an amount of AED 500 million had been transferred to share capital account from Government of Dubai account (capital contribution). The Board of Directors of the Authority had authorised the breakup of the share capital into 50 billion shares of AED 0.01 each. All shares of the Authority shall rank equally with one another in all aspects. Hence, the share capital of the Authority consists of authorised and paid-up capital of AED 500 million as of 31 December 2022.

#### b) Statutory reserve

As required by applicable law and Articles of Association of the Authority and certain subsidiaries, 10% of the net profit for each period has been transferred to a statutory reserve. Such transfers to reserves may cease when the statutory reserve equals to half of the share capitals, respectively. The reserve is not available for distribution except as stipulated by the law. The statutory reserve of the Authority has already reached the 50% threshold and hence no further transfers were made to statutory reserves. On 10 October 2022, the suspension of transfer to statutory reserve was approved by the General Assembly.

#### c) Capital contribution

During the year, the Government of Dubai account nomenclature has been changed to 'capital contribution'. This account represents amounts contributed by the Government of Dubai (both in kind and cash) as an Owner of the Group since the incorporation of the Group.

#### d) General reserve / retained earnings

The general reserve represented surplus distributable profits earned by the Group. During the year, the balance in general reserve amounting to AED 43.34 billion was transferred to retained earnings.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements *(continued)* for the year ended 31 December 2022

### 17 Equity *(continued)*

#### e) Hedging reserve

The hedging reserve primarily 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 profit or loss during the year. The fair value movements will be adjusted in other comprehensive income in the same period as the corresponding hedged transaction.

#### f) Non-cash distributions

Non-cash distributions represent 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.

### 18 Borrowings

	2022 AED'000	2021 AED'000
<b>Non-current</b>		
Others (refer (i) below)	29,042,475	23,325,798
Long-term loan (ii)	8,275,500	-
	<u>37,317,975</u>	<u>23,325,798</u>
<b>Current</b>		
Bank overdrafts (refer note 16)	565,119	442,339
Others (refer (i) below)	2,806,735	2,987,733
	<u>3,371,854</u>	<u>3,430,072</u>
	<u>40,689,829</u>	<u>26,755,870</u>

Borrowings are denominated in the following currencies:

	2022 AED'000	2021 AED'000
US Dollars	25,432,234	24,626,044
UAE Dirham	15,257,595	2,129,826
	<u>40,689,829</u>	<u>26,755,870</u>

The borrowing balance is net off deferred borrowing cost amounting to AED 722 million (2021: AED 862 million).

The Group has secured borrowings amounting to AED 27,360 million (2021: AED 23,981 million) and unsecured borrowings amounting to AED 13,330 million (2021: AED 2,775 million).

Borrowings are secured by pledge of assets (refer note 8 (c)), corporate guarantees, government guarantees and letter of undertakings.

#### (i) 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 loan was repayable on 1 April 2018. The equity bridge loan amounting AED 73 million was converted to subordinated loan by the shareholder, ACWA Power Solar Limited on 29 March 2018 and an amount of AED 43 million is outstanding (2021: AED 47 million).

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*) for the year ended 31 December 2022

### 18 Borrowings (*continued*)

#### (i) Others (*continued*)

Shuaa Energy 1 P.S.C has a commercial facility from a syndicate of banks amounting to AED 485 million (2021: AED 494 million) carrying an interest rate, which is the aggregate of the applicable margin and LIBOR. The loan is repayable in quarterly instalments beginning September 2017.

Shuaa Energy 1 P.S.C has an Istisna-Ijara facility amounting to AED 391 million (2021: AED 403 million) carrying an interest rate, which is the aggregate of the applicable margin and LIBOR. The loan is repayable in quarterly instalments beginning September 2017.

During the year, Shuaa Energy 2 P.S.C has an equity bridge loan of AED 213 million carrying a fixed interest rate of 2.965% per annum. During the year, these were converted to capital contribution in line with IAS 32..

Shuaa Energy 2 P.S.C had an equity bridge loan of AED Nil (2021: AED 142 million) carrying an interest rate of one-month LIBOR + 1.08% per annum. The loan was repaid two years after the commercial operation date in March 2022, in line with the agreed terms.

Shuaa Energy 2 P.S.C has loan amounting to AED 1,918 million (2021: AED 1,423 million) from a syndicate of banks. The rate of interest is the percentage rate per annum which is the aggregate of the applicable margin and the Secured Overnight Financing Rate ("SOFR") starting 1 June 2022, prior to which the rate of interest was the percentage rate per annum which is the aggregate of the applicable margin and LIBOR.

Shuaa Energy 2 P.S.C has an Islamic facility from a syndicate of banks amounting to AED 503 million (2021: AED 849 million) carrying an interest rate, which is the aggregate of the applicable margin and LIBOR. The loan is repayable on quarterly instalments beginning from 30 September 2020.

Shuaa Energy 2 P.S.C has a financing agreement of AED 44 million with a bank. The rate of interest is the percentage rate per annum which is the aggregate of the applicable margin and the Secured Overnight Financing Rate (SOFR).

Mai Dubai LLC has a bank overdraft amounting to AED 515 million (2021: AED 442 million) carrying an interest rate of 0.5%.

Etihad Clean Energy Development Company LLC has a bank overdraft amounting to AED 50 million (2021: AED Nil) carrying an interest rate of EIBOR + 0.7% per annum.

Hassyan Energy Phase 1 P.S.C has a commercial facility of AED 8,305 million (2021: AED 8,305 million) from a syndicate of banks carrying an interest rate, which is the aggregate of the applicable margin and LIBOR. As at 31 December 2022, the Hassyan Energy Phase 1 P.S.C has utilized an amount of AED 8,189 million (2021: AED 8,211).

Hassyan Energy Phase 1 P.S.C has a mezzanine facility of AED 433 million (2021: AED 433 million) carrying a effective rate interest of 6.64% per annum. The loan is repayable beginning from 31 May 2041 up to 29 February 2048.

Hassyan Energy Phase 1 P.S.C has subordinated advances of AED 528 million (2021: AED 296 million). The loans are interest free.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*) for the year ended 31 December 2022

### 18 Borrowings (*continued*)

#### (i) Others (*continued*)

Hassyan Energy Phase 1 P.S.C has a financing agreement of AED 573 million (*2021: AED 250 million*) with a bank. As at 31 December 2022, the Hassyan Energy Phase 1 P.S.C has utilized an amount of AED 257 million (*2021: AED Nil*).

EMPOWER has a loan amounting to AED 4,500 million (*2021: AED 1,995 million*) carrying an interest rate which is the aggregate of the applicable margin and EIBOR. On 29 March 2022, EMPOWER entered into a bridge loan facility with Dubai Islamic Bank PJSC to finance the acquisition of Dubai Airports district cooling assets amounting to USD 250 million (AED 918 million) with a tenor of 1 year from utilisation date with a profit rate of LIBOR + margin and with a fee of 1% of the loan amount. The amount was fully drawn down on 31 March 2022. EMPOWER utilised AED 4,500 million from the new long-term loan facility of AED 5,500 million and repaid its existing borrowings amounting to AED 2,913 million.

Dubai Green Fund Investments LLC has a loan amounting to AED 1,892 million (*2021: AED 1,647 million*) carrying an interest rate of 0.9% per annum. The loan is repayable over tenor of 1 year. This borrowing has been secured by lien over deposits with the bank to extent of AED 1.9 billion.

Al Etihad Energy Services Company LLC has a loan amounting to AED 36 million (*2021: AED 41 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 1,352 million (*2021: AED 936 million*) carrying an interest rate, which is the aggregate of the applicable margin and LIBOR. 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 (*2021: AED 147 million*) 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.

Shuaa Energy 3 P.S.C has a financing agreement of AED 15 million with a bank. The effective interest rate for the year was LIBOR + 1.2%.

Noor Energy 1 P.S.C has an equity bridge loan amounting to AED 2,797 million (*2021: AED 2,797 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 commercial facility of AED 8,673 million (*2021: AED 7,103 million*) from a syndicate of banks carrying an interest rate, which is the aggregate of the applicable margin and LIBOR. The loan is repayable beginning from 31 July 2023 up to 22 December 2045.

Noor Energy 1 P.S.C has a mezzanine facility of AED 682 million (*2021: AED 682 million*) from various banks. The loan is repayable commencing on 31 March 2046 and ending on 31 December 2047. The effective interest rate for the year was 8.23% per annum. The utilised portion of the facility amounted to AED 343 million (*2021: AED Nil*).

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*) for the year ended 31 December 2022

### 18 Borrowings (*continued*)

#### (i) Others (*continued*)

At 31 December 2022, the Group had available AED 3,681 million (2021: AED 5,055 million) of undrawn borrowing facilities from various lenders. The Group has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 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.

#### (ii) Long-term loan

During the year ended 31 December 2022, the Authority has obtained a long-term Shariah compliant loan of AED 10,000 million from Emirates NBD PJSC. The loan carries interest at 1-month EIBOR + 0.7%. The term of the loan is five years and repayable in full upon its maturity. However, during the year, the Authority has repaid AED 1,700 million of the loan.

### 19 Retirement benefits obligations

	2022 AED'000	2021 AED'000
Provision for employees' end of service benefits (refer note 19.1)	948,333	937,561
Provision for pension (refer note 19.2)	74,088	83,017
	<u>1,022,421</u>	<u>1,020,578</u>
Less: non-current portion	(1,010,493)	(1,008,904)
Current portion (refer note 22)	<u>11,928</u>	<u>11,674</u>

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

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

In 2022 and 2021, 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 4.43% per annum (2021: 2.35% per annum);
- Discount rate used to determine the present value of the obligation was 5.43% per annum (2021: 3.12% 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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements *(continued)*  
for the year ended 31 December 2022

## 19 Retirement benefits obligations *(continued)*

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

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 High Quality Market (HQM) yield rate at the appropriate duration as a proxy with adjustment for country risk premium.

As a result, the Group has recognised re-measurement gains of AED 70.5 million (2021: AED 97 million) in other comprehensive income.

#### *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 as the amounts shown below:

	2022		2021	
	AED'000 Increase	AED'000 Decrease	AED'000 Increase	AED'000 Decrease
Salary growth (+/- 0.5%)	926,552	821,065	926,811	822,623
Discount rate (+/- 0.5%)	825,318	922,240	826,932	923,683
Life expectancy (increase/ decrease by 1 year)	871,261	871,087	873,235	873,060

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 profit or loss includes current service cost and interest cost. Actuarial (gain)/loss during the year is recognised in other comprehensive income.

The expected gratuity expense for the next one year commencing 1 January 2023 works out to AED 121 million (2022: AED 93.5 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:

	2022 AED'000	2021 AED'000
At 1 January	937,561	962,091
Charge for the year (refer note 27)	132,870	124,204
Re-measurement gains	(70,468)	(96,851)
Payments made during the year	(51,630)	(51,883)
At 31 December	948,333	937,561

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements *(continued)*  
for the year ended 31 December 2022

## 19 Retirement benefits obligations *(continued)*

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

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

	2022 AED'000	2021 AED'000
Current service cost	87,836	98,415
Interest cost	45,034	25,789
	<u>132,870</u>	<u>124,204</u>

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

	2022 AED'000	2021 AED'000
Re-measurements: Actuarial (gain)/loss on obligation		
(Gain)/loss due to change in financial assumptions	(20,560)	(66,380)
(Gain)/loss due to change in experience adjustments	(41,610)	(30,471)
	<u>(62,170)</u>	<u>(96,851)</u>

During the year, other re-measurement gain pertains to subsidiary amounted to AED 8.3 million.

*Maturity profile*

	2022 AED'000	2021 AED'000
0 to 1 year	67,736	92,614
1 to 2 years	35,549	44,826
2 to 5 years	112,213	126,840
5 years and above	1,440,614	1,315,524
	<u>1,656,112</u>	<u>1,579,804</u>

The employee profile of the Group is as detailed below:

	2022	2021
Average age (years)	<u>45.32</u>	<u>43.02</u>
Average past service (years)	<u>10.11</u>	<u>12.00</u>
Average entry age (years)	<u>30.61</u>	<u>30.77</u>

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements (*continued*)  
for the year ended 31 December 2022

## 19 Retirement benefits obligations (*continued*)

### 19.2 Provision for pension

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

In 2022 and 2021, an actuarial valuation was performed using assumptions based on market expectations, at the reporting date, for the period over which the obligations are to be settled for eligible UAE national employees who retired before 1 January 2003. The obligation for end of service benefits is not funded. The principal actuarial assumptions used were as follows:

- Discount rate used to determine the present value of the obligation was 4.10% per annum (2021: 2.83% per annum);
- 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 reinsurance rates; and
- Administrative expenses would be borne by the Authority and accordingly no allowance for these have been considered for the valuation.

The rate used to discount post-employment benefit obligations should be determined by reference to 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 High Quality Market (HQM) yield curve at the appropriate duration rate as a proxy with adjustment for country risk premium.

The movements in the provision for pensions are analysed below:

	2022 AED'000	2021 AED'000
At 1 January	71,343	74,307
Reversal during the year	(4,270)	-
Payments made during the year	(4,913)	(2,964)
At 31 December	<u>62,160</u>	<u>71,343</u>

#### 19.2.2 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:

	2022 AED'000	2021 AED'000
At 1 January	11,674	12,399
Charge for the year (refer note 27)	118,122	112,810
Payments made during the year	(117,868)	(113,535)
At 31 December	<u>11,928</u>	<u>11,674</u>

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements *(continued)*  
for the year ended 31 December 2022

## 19 Retirement benefits obligations *(continued)*

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

Total provision for pension has been presented as follows:

	2022 AED'000	2021 AED'000
At the beginning of the year	83,017	86,706
Charge for the year	118,122	112,810
Reversal during the year	(4,270)	-
Payments made during the year	(122,781)	(116,499)
At the end of the year	<u>74,088</u>	<u>83,017</u>

## 20 Lease liabilities

	2022 AED'000	2021 AED'000
At 1 January	14,952	21,325
Additions during the year	46,930	1,070
Modification	(13,019)	-
Payments during the year	(12,451)	(7,443)
At 31 December	<u>36,412</u>	<u>14,952</u>
Less: current portion	(12,884)	(3,013)
Non-current portion	<u>23,528</u>	<u>11,939</u>

Lease liabilities related to right-of-use assets recognised as per IFRS 16 (refer note 8).

Maturity analysis of lease liabilities:

	2022 AED'000	2021 AED'000
Less than one year	12,884	3,013
More than one year	<u>23,528</u>	<u>11,939</u>
At 31 December	<u>36,412</u>	<u>14,952</u>

## 21 Other long-term liabilities

	2022 AED'000	2021 AED'000
Deferred revenue	24,940,693	23,585,317
Asset retirement obligations	181,917	211,618
Advances for new connections	6,873,698	7,037,619
Retentions payable	806,220	876,234
	<u>32,802,528</u>	<u>31,710,788</u>

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements (*continued*)  
for the year ended 31 December 2022

## 22 Trade and other payables

	2022 AED'000	2021 AED'000
Consumers' security deposits	4,231,833	3,797,877
Capital projects payables	2,009,818	2,120,104
Trade payables	1,214,643	1,599,340
Retentions payable	1,349,502	1,569,971
Deferred revenue	1,374,793	1,040,856
Advances for new connections	361,774	781,958
Accrual for staff benefits	278,592	269,969
Retirement benefit obligations (refer note 19)	11,928	11,674
Other payables	2,896,241	2,339,263
	<b>13,729,124</b>	<b>13,531,012</b>

## 23 Related party transactions and balances

The Group transacts with the Government of Dubai, subsidiaries, joint ventures and entities controlled, jointly controlled or significantly influenced by the Government of Dubai within the scope of its ordinary business activities. Since the Group is majority owned by the Government of Dubai post its listing of shares on Dubai Financial Market (DFM), 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.

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 employees of the Authority who are acting as directors of the subsidiaries.

### Related party transactions

The material transactions and balances with related parties are disclosed below, except as disclosed in notes 8, 13, 15, 18, 20, 24, 25, 26, 27, 28, 33 and 34 in these consolidated financial statements.

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

As is common with many other entities, the Group deals with various government entities in Dubai. Quantities of electricity and water sold to UAE nationals are at subsidised rates. The Group calculates the value of these quantities supplied at approved rates and these amounts are settled by the Department of Finance (DoF), Government of Dubai.

During the year, the Group has collected AED 54 million (2021: AED 52 million) in respect of handling charges from a related party (refer note 24).

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements (*continued*)  
for the year ended 31 December 2022

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

### Related party transactions (*continued*)

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

The Group purchases fuel from entities owned by the Government of Dubai. During the year, the Group consumed fuel amounting to AED 7,374 million (2021: AED 6,500 million) from various entities.

During the year, the Group purchased water amounting to AED 5 million (2021: AED 24 million) from an entity under common control.

During the year, the Group contributed an amount of AED Nil (2021: AED 30 million) to an organisation managed by the Group for purposes of promotion of clean energy and water conservation as social contribution. This is included in administrative expenses.

#### (c) Transactions with banks owned by the Government of Dubai

The Group 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 approved commercial terms. A portion of the cash and cash equivalents as disclosed in note 16 was included in deposit held with such banks.

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

	2022 AED'000	2021 AED'000
Salaries and short-term employee benefits	102,606	82,294
Post-employment benefits	2,520	2,520
	<u>105,126</u>	<u>84,814</u>

#### (e) Key management remuneration

	2022 AED'000	2021 AED'000
Board of directors' remuneration	<u>39,500</u>	<u>5,640</u>

#### (f) 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 2022 and 2021.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements (*continued*)  
for the year ended 31 December 2022

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

### Related party balances

#### *Impairment of a joint venture*

During the prior year, provision of an amount of AED 4.8 million has been recognised (refer note 7.3).

#### *Impairment of a subsidiary*

During the prior year, assets of AED 5.95 million are unlikely to be recovered from a subsidiary. Hence, the provision of AED 5.95 million had been recognised during the year ended 31 December 2021.

## 24 Revenue

	2022 AED'000	2021 AED'000
Sale of electricity	18,052,062	15,099,572
Sale of water	4,638,650	4,341,902
District cooling	2,766,231	2,456,586
Others	1,878,591	1,925,908
	<u>27,335,534</u>	<u>23,823,968</u>

Others include:

- Handling fees amounting to AED 54 million (2021: AED 52 million) represent amounts paid by a related party to the Group for providing collection services.
- Amortisation of deferred revenue amounting to AED 1,037 million (2021: AED 933 million).

Net movement in regulatory deferral account credit balance has been shown as a separate line item on the face of profit or loss.

### 24.1 Disaggregation of revenue

	Electricity		Water		District cooling charges		Others		Total	
Timing of revenue recognition	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
Products and services transferred										
-at a point in time	18,052,062	15,099,572	4,638,650	4,341,902	2,766,231	2,456,586	841,933	992,741	26,298,876	22,890,801
-over time	-	-	-	-	-	-	1,036,658	933,167	1,036,658	933,167
	<u>18,052,062</u>	<u>15,099,572</u>	<u>4,638,650</u>	<u>4,341,902</u>	<u>2,766,231</u>	<u>2,456,586</u>	<u>1,878,591</u>	<u>1,925,908</u>	<u>27,335,534</u>	<u>23,823,968</u>

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements (*continued*)  
for the year ended 31 December 2022

## 25 Cost of sales

	2022 AED'000	2021 AED'000
Generation and desalination expenditures (refer note 25.1)	11,075,127	11,023,395
Transmission and distribution expenditures (refer note 25.2)	4,762,599	4,418,456
Purchase of gas power and water	651,272	97,936
	<u>16,488,998</u>	<u>15,539,787</u>

### 25.1 Generation and desalination expenditures

	2022 AED'000	2021 AED'000
Fuel costs	6,821,824	6,500,052
Depreciation (refer note 8)	2,186,590	2,213,432
Amortisation (refer note 10)	12,157	400
Employee benefit expenses (refer note 27)	563,349	548,894
Repairs and maintenance	215,580	475,705
Others	1,275,627	1,284,912
	<u>11,075,127</u>	<u>11,023,395</u>

### 25.2 Transmission and distribution expenditures

	2022 AED'000	2021 AED'000
Depreciation (refer note 8)	2,886,817	2,682,658
Employee benefit expenses (refer note 27)	1,497,385	1,461,095
Repairs and maintenance	219,046	230,780
Others	159,351	43,923
	<u>4,762,599</u>	<u>4,418,456</u>

## 26 Administrative expenses

	2022 AED'000	2021 AED'000
Employee benefit expenses (refer note 27)	1,599,094	1,504,018
Repairs and maintenance	289,445	240,762
Depreciation (refer note 8)	301,332	335,592
Amortisation (refer note 10)	74,579	80,721
Insurance	93,225	65,618
Others	532,690	689,734
	<u>2,890,365</u>	<u>2,916,445</u>

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements (*continued*)  
for the year ended 31 December 2022

## 27 Employee benefit expenses

	2022 AED'000	2021 AED'000
Salaries	2,564,988	2,457,931
Retirement benefit obligations (refer note 19)	246,722	237,014
Bonus	267,777	240,923
Other benefits	580,341	578,139
	<u>3,659,828</u>	<u>3,514,007</u>

Employee benefit expenses are allocated as detailed below:

	2022 AED'000	2021 AED'000
Cost of sales		
- Generation and desalination expenditures (refer note 25.1)	563,349	548,894
- Transmission and distribution expenditures (refer note 25.2)	1,497,385	1,461,095
Administrative expenses (refer note 26)	1,599,094	1,504,018
	<u>3,659,828</u>	<u>3,514,007</u>

## 28 Finance (costs)/income – net

	2022 AED'000	2021 AED'000
<i>Finance costs</i>		
Interest on bank and other borrowings	(1,967,602)	(1,030,630)
Discounting of cheques	-	(1,963)
Cash flow hedges – ineffective portion of changes in fair value of derivative financial instruments	(194,140)	-
Interest on lease liabilities	(2,054)	(718)
Amortisation of borrowing costs	(5,500)	-
	<u>(2,169,296)</u>	<u>(1,033,311)</u>
Amounts capitalised (refer note 8)	1,163,531	650,445
	<u>(1,005,765)</u>	<u>(382,866)</u>
<i>Finance income</i>		
Amortisation of financial liabilities	33,153	-
Interest income on short-term bank deposits	282,237	135,413
Interest earned on financial assets	28,339	610
Cash flow hedges – ineffective portion of changes in fair value of derivative financial instruments	208,803	-
Reversal of fair value adjustment for trade receivables	-	29,442
	<u>552,532</u>	<u>165,465</u>
Finance costs – net	<u>(453,233)</u>	<u>(217,401)</u>

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements (*continued*)  
for the year ended 31 December 2022

## 29 Net cash inflow from operating activities

	Notes	2022 AED'000	2021 AED'000
<b>Cash flows from operating activities</b>			
Profit for the year		<b>8,046,376</b>	6,553,447
Adjustments for:			
Depreciation	8	<b>5,374,739</b>	5,231,682
Amortisation – intangible assets	10	<b>86,736</b>	81,121
Write-off of fixed assets		<b>92,246</b>	-
Gain on modification of lease		<b>(1,461)</b>	-
Provision for slow moving and obsolete inventories	14	<b>14,368</b>	28,621
Reversal of impairment of property, plant and equipment	8	<b>(12,727)</b>	(32,328)
Fair value adjustments		<b>(29,701)</b>	(48,832)
Reversal of fair value adjustment for trade receivables		-	7,204
Charge for impairment of trade receivables	13 & 23	<b>144,529</b>	83,822
Deferred income	24.1	<b>(1,036,658)</b>	(933,167)
Retirement benefit obligations – gratuity	19	<b>132,870</b>	124,204
Retirement benefit obligations – pensions	19	<b>113,852</b>	112,810
Provision for impairment from investment in joint venture	7.3	-	4,785
Share of profit from investment in joint ventures	7.3	-	(502)
Ineffective portion of gain on derivative financial instrument	28	<b>(14,663)</b>	(5,969)
Loss on sale of property, plant and equipment		<b>(313)</b>	(181)
Finance costs	28	<b>811,625</b>	382,866
Finance income	28	<b>(343,729)</b>	(165,465)
<i>Operating cash flows before changes in operating assets and liabilities</i>		<b>13,378,089</b>	11,424,118
Changes in operating assets and liabilities:			
Inventories	14	<b>(8,434)</b>	(64,368)
Other assets		<b>191,755</b>	285,367
Trade receivables		<b>(506,285)</b>	(1,064,227)
Other financial assets		<b>(496,614)</b>	(661,766)
Trade and other payables		<b>2,119,576</b>	838,477
Regulatory deferral account credit balance	34	<b>(283,681)</b>	(569,225)
<i>Net operating cash flows</i>		<b>14,394,406</b>	10,188,376
Payment for retirement benefit obligations – gratuity	19	<b>(51,630)</b>	(51,883)
Payment for retirement benefit obligations – pensions	19	<b>(122,781)</b>	(116,499)
<b>Net cash inflow from operating activities</b>		<b>14,219,995</b>	10,019,994

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements *(continued)*  
for the year ended 31 December 2022

## 30 Commitments

	2022 AED'000	2021 AED'000
Future commitments including capital expenditure	<u>11,106,413</u>	<u>16,802,580</u>

## 31 Financial instruments by category

### Financial assets

	2022 AED'000	2021 AED'000
<b>At fair value through profit or loss</b>		
Derivative financial instruments (refer note 32)	<u>1,786,908</u>	<u>10,645</u>
<b>At amortised cost</b>		
Trade receivables (refer note 13)	4,211,335	3,849,578
Other financial assets (refer note 15)	4,591,714	3,373,097
Financial assets at fair value through other comprehensive income (refer note 11)	52,911	58,113
Short-term deposits (refer note 9)	7,532,503	4,798,864
Cash at bank (refer note 16)	5,286,848	4,403,945
	<u>21,675,311</u>	<u>16,483,597</u>

### Financial liabilities

	2022 AED'000	2021 AED'000
<b>At fair value through profit or loss</b>		
Derivative financial instruments (refer note 32)	<u>4,578</u>	<u>2,416,127</u>
<b>At amortised cost</b>		
Trade and other payables * (refer note 22)	11,980,629	11,696,524
Other long-term liabilities * (refer note 21)	806,220	876,234
Borrowings (refer note 18)	40,689,829	26,755,870
	<u>53,476,678</u>	<u>39,328,628</u>

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

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*) for the year ended 31 December 2022

### 32 Derivative financial instruments

The Group is exposed to interest rate movements on various borrowings maturing between 2023 and 2042. Certain 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 gains of AED 4,119 million (2021: losses of AED 1,033 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
<b>2022:</b>				
Interest payments on floating rate loans	Interest rate swap	<u>31,125,023</u>	<u>1,786,908</u>	<u>4,578</u>
<b>2021</b>				
Interest payments on floating rate loans	Interest rate swap	<u>32,083,278</u>	<u>10,645</u>	<u>2,416,127</u>

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<b>31 December 2022</b>				
<b>Assets measured at fair value</b>				
Derivative financial instruments (non-current portion)	<u>-</u>	<u>1,294,802</u>	<u>-</u>	<u>1,294,802</u>
Derivative financial instruments (current portion)	<u>-</u>	<u>492,106</u>	<u>-</u>	<u>492,106</u>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments (non-current portion)	<u>-</u>	<u>4,578</u>	<u>-</u>	<u>4,578</u>
Derivative financial instruments (current portion)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements (*continued*)  
for the year ended 31 December 2022

## 32 Derivative financial instruments (*continued*)

31 December 2021	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<b>Assets measured at fair value</b>				
Derivative financial instruments (non-current portion)	-	10,645	-	10,645
<b>Liabilities measured at fair value</b>				
Derivative financial instruments (non-current portion)	-	2,259,830	-	2,259,830
Derivative financial instruments (current portion)	-	156,297	-	156,297

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.

## 33 Dividends

On 31 January 2022, DEWA declared and paid a dividend amounting to AED 10,000 million in respect of the year ended 31 December 2021 (2021: AED 1,000 million in respect of the year ended 31 December 2020 and AED 1,000 million as interim dividend during the year ended 31 December 2021). Further, DEWA paid dividend of AED 5,130 million as interim dividend during the year 2022.

During the year, EMPOWER declared a dividend of AED 3,400 million (31 December 2021: AED 300 million). An amount of AED 1,020 million (2021: AED 90 million) was paid to the non-controlling interest as dividend.

## 34 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 had 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 the Government of Dubai and it is a related party of the Group.

The Group has recorded AED 95 million as at 31 December 2022 (2021: AED 379 million) in excess of the actual increase in fuel costs incurred since 2010 till date as regulatory deferral account credit balance.

On the transition 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.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

Notes to the consolidated financial statements *(continued)*  
for the year ended 31 December 2022

## 34 Regulatory deferral account credit balance *(continued)*

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

	2022 AED'000	2021 AED'000
At 1 January	379,024	948,248
Short collection during the year	<u>(283,681)</u>	<u>(569,224)</u>
At 31 December	<u>95,343</u>	<u>379,024</u>

## 35 Earnings per share/diluted share

Basic earnings per share amounts are calculated by dividing net profit or loss for the year attributable to the shareholders of the Authority by the weighted average number of ordinary shares outstanding during the year.

	2022 AED'000	2021 AED'000
<b>Earnings</b>		
Profit for the year, attributable to the Owners of the Authority	<u>7,722,834</u>	<u>6,123,112</u>
	2022	2021
<b>Number of shares in thousands</b>		
Number of ordinary shares for basic earnings per share at 31 December	<u>50,000,000</u>	<u>50,000,000</u>
	2022	2021
<b>Earnings per share</b>		
Basic and diluted earnings per share (AED)	<u>0.15</u>	<u>0.12</u>

## 36 Acquisition of Snow LLC

On 18 August 2021, later amended on 16 December 2021, EMPOWER entered into a sale and purchase agreement with Nakheel PJSC (Nakheel) to acquire the 100% share capital of Snow LLC, a subsidiary of Nakheel, for a period of 30 years for a consideration of AED 673.9 million. Of the consideration, an amount of AED 5.6 million was retained towards the customers prepayment and security deposit balance transferred by Nakheel on the effective date (net payment: AED 668.3 million). Subsequent to the acquisition, Snow LLC name has been changed to EMPOWER Snow LLC.

EMPOWER Snow LLC is a company incorporated in Dubai, UAE (registration no. 1569318). The company is a special purpose vehicle that entered into a master concession agreement with Nakheel, whereby, Nakheel granted rights to EMPOWER Snow LLC to operate and maintain the cooling systems and to provide district cooling services to its developments, in accordance with the terms and conditions set out in the agreement.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*) for the year ended 31 December 2022

### 36 Acquisition of Snow LLC (*continued*)

Furthermore, on 16 December 2021, Nakheel signed an asset transfer agreement with EMPOWER Snow LLC transferring the rights, title, and interest in 16 district cooling assets. Management performed a detailed analysis on this transaction with Nakheel and concluded this as a failed sale transaction and accounted for it as a finance arrangement at the net present value of the consideration paid amounting to AED 309.2 million (given the minimum guaranteed amount guaranteed by the seller under the contract). The excess consideration paid of AED 364.7 million represents an intangible asset for the right to charge users of the district cooling services under the transaction for a period of 30 years (refer notes 10 and 15).

The acquisition of Snow LLC did not qualify as a transaction to be accounted for under IFRS 3 (Business Combinations) given the lack of business processes available in Snow LLC.

### 37 Investment properties

	31 December 2022 AED'000	31 December 2021 AED'000
Property under development	<u>72,859</u>	<u>-</u>

*The movement in property under development is as follows:*

	31 December 2022 AED'000	31 December 2021 AED'000
At the beginning of the year	-	-
Reclassification from capital work in progress (refer note 8)	<u>72,859</u>	<u>-</u>
At the end of the year	<u>72,859</u>	<u>-</u>

The Group's subsidiary started construction of its head quarter project in 2021. The project consists of two towers with common area and retail outlets which are expected to be completed during the third quarter of 2023.

During the year, management revisited its plan of occupation and concluded to occupy only one tower for its use along with its related common area. As a result, the carrying amount of one tower and related areas were transferred to investment properties from property, plant and equipment (refer note 8).

The investment property is under construction which is expected to be completed in 2023 with an expected cost to complete amounting to AED 21 million. As of 31 December 2022, the fair value of investment property approximates to AED 74 million.

# Dubai Electricity and Water Authority (PJSC) and its subsidiaries

## Notes to the consolidated financial statements (*continued*) for the year ended 31 December 2022

### 38 Comparative figures

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

### 39 Subsequent events

- (a) Subsequent to the year end, the Board of Directors of the Authority recommended a dividend amounting to AED 4,770 million in respect of the year ended 31 December 2022, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company. The aggregate amount of the proposed dividend expected to be paid in April 2023 out of retained earnings at 31 December 2022, but not recognised as liability at year end.
- (b) In addition to the above dividends, since year end the directors of a subsidiary have recommended the payment of a final dividend amounting to AED 425 million which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the subsidiary. The aggregate amount of the proposed dividend expected to be paid in April 2023 out of retained earnings at 31 December 2022, but not recognised as liability at year end.
- (c) UAE Corporate Tax Law

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

A rate of 9% will apply to taxable income exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance), a rate of 0% will apply to taxable income not exceeding this threshold. In addition, there are several other decisions that are yet to be finalized by way of a Cabinet Decision that are significant in order for entities to determine their tax status and taxable income. Therefore, pending such important decisions, the Group has considered that the Law, as it currently stands, is not substantively enacted as at 31 December 2022 from the perspective of IAS 12 – Income Taxes. The Group shall continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine their tax status and the application of IAS 12 ‘Income Taxes’.

The Group is currently in the process of assessing the possible impact on the consolidated financial statements, both from current and deferred tax perspective, once the Law becomes substantively enacted.