

# **Abu Dhabi National Energy Company PJSC ("TAQA")**

PROFORMA FINANCIAL INFORMATION AND  
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

# **Abu Dhabi National Energy Company PJSC ("TAQA")**

**REPORT OF THE BOARD OF DIRECTORS**

**31 DECEMBER 2020**

# Abu Dhabi National Energy Company PJSC (“TAQA”)

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## REPORT OF THE BOARD OF DIRECTORS

For the year ended 31 December 2020

On behalf of the Board of Directors of Abu Dhabi National Energy Company PJSC (“TAQA”, the “Company” or the “Group”), I am pleased to present the Company’s financial statements for the year ended 31 December 2020 as well as proforma financial information for the same period. This report references proforma financial and operational information as if the transaction between TAQA and Abu Dhabi Power Corporation (“ADPower”) took place on 1 January 2019 (see “*Proforma Financial Information – Basis of Preparation*”). This enables a more meaningful like-for-like comparison with prior periods.

In 2020, TAQA delivered resilient performance amidst challenging economic conditions. Our results were underpinned by robust contracted and regulated utilities infrastructure businesses that were bolstered by the substantial asset transfer between TAQA and ADPower in July 2020. Operationally, we have continued to supply customers (many of whom are large government and private consumers) with power and water through an expansive portfolio of 19 generation assets with 22.0 GW and 913 MIGD of installed capacity as well as nearly 100 thousand kilometres of transmission and distribution networks. Additionally, we continue to operate international upstream and midstream oil and gas assets outside the UAE.

### Financial highlights:

Our strengthened financial profile, as a result of new and enlarged utilities businesses, allowed the Company to absorb the negative impact of an unprecedented decline in oil and gas commodity prices.

- Group revenues of AED 41.2 billion were 6% lower than the prior-year period (2019: AED 43.9 billion), primarily due to lower commodity prices and production volumes within the Oil & Gas segment.
- EBITDA was AED 16.0 billion, down 13% (2019: AED 18.3 billion), reflecting lower revenues that were partially offset by lower expenses.
- Net income (TAQA-share) decreased to AED 2.8 billion (2019: AED 5.4 billion), which reflected a significantly lower contribution from the Oil & Gas segment that was impacted by an AED 1.5 billion post-tax impairment charge taken in Q1 2020 and lower commodity prices reducing revenues through the rest of the year.
- Capital expenditure was AED 4.0 billion, a decrease of 19% (2019: AED 5.0 billion) primarily due to lower spend in the Oil & Gas segment.
- Total liquidity at year-end remained strong at AED 16.5 billion (2019: AED 16.5 billion) including AED 8.3 billion in cash and cash equivalents (2019: AED 5.1 billion), and AED 8.2 billion of undrawn credit facilities (2019: AED 11.5 billion).

### Segmental highlights:

- Transmission & Distribution regulated asset value of AED 80.1 billion, a 3% decrease (2019: AED 82.7 billion) on deflationary and pre-set regulatory factors.
- Transmission & Distribution revenues of AED 24.7 billion, 2% lower (2019: AED 25.1 billion) and EBITDA of AED 7.9 billion, 6% lower (2019: AED 8.3 billion)
- Generation revenues of AED 12.3 billion, 3% lower (2019: AED 12.7 billion) and EBITDA of AED 7.6 billion, 1% higher (2019: AED 7.5 billion)
- Oil & Gas revenues of AED 4.2 billion, 31% lower (2019: AED 6.1 billion) and EBITDA of AED 0.7 billion, 71% lower (2019: AED 2.5 billion)

### Operational highlights:

Our utilities businesses maintained high generation and network availabilities, ensuring security of power and water supplies throughout the year despite the challenging conditions imposed by the COVID-19 pandemic.

- Transmission power and water network availabilities of 99.1% and 97.8%, respectively, an improvement over the prior year period (2019: 99.0% and 95.9%)
- Generation global technical availability of 93.9% was consistent with the prior period (2019: 93.7%).
- Oil & Gas average production volumes were 118.0 mboepd, a 5% decrease (2019: 124.4 mboepd) on delayed drilling campaigns.
- Construction remains underway for low carbon power and water generation projects in the UAE with a combined capacity of 4.4 GW and 200 MIGD.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

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## REPORT OF THE BOARD OF DIRECTORS continued

For the year ended 31 December 2020

### *Health, Safety, Security and Environment (HSSE):*

A fundamental part of TAQA’s business, COVID-19 related precautions taken across our businesses have helped improve HSSE indicators in 2020. The Group focused on essential operations and reducing manpower and contractor activities, whilst maintaining minimum safe operating levels.

- Zero work-related fatalities across the Group as for the same prior-year period
- Recorded injury rates (RIR) of 0.41 incidents/1 million hours (2019: 0.82 incidents/1 million hours)
- Lost time injuries (LTI) numbered 9 (2019: 19)
- Reportable spills numbered 32 (2019: 47)

### **Corporate developments:**

On 3 February 2020, the Company’s Board of Directors (the “Board”) received an offer from ADPower, its majority shareholder and owner of most of the water and electricity assets across the Emirate of Abu Dhabi. The key terms of the offer were that ADPower would transfer most of its power and water generation, transmission and distribution assets to the Company in exchange for shares and termination of the land lease agreement between ADPower and the Company. After hiring a financial advisor and receiving a fairness opinion, the Board subsequently recommended to shareholders the approval of the landmark transaction at the Annual General Assembly. Shareholders approved the transaction on 29 April 2020 and the transaction was completed on 1 July 2020.

On 29 April 2020, the three-year term of the Board came to an end and a new Board was elected by shareholders at the annual General Assembly. This resulted in the re-election of five board members and the election of two new board members. At the first meeting of the new Board, a new Chairman was elected and the previous Chairman was elected as Vice-chairman.

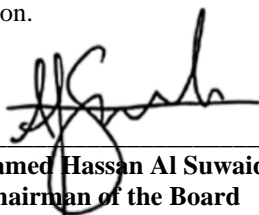
On 1 July 2020, upon completion of the transaction with ADPower, the Board appointed Jasim Husain Thabet as Group Chief Executive Officer and Managing Director of the Company, and the previous CEO took up a Deputy CEO position in the Company. A new Chief Financial Officer was also appointed. The Deputy CEO subsequently resigned his position and left the Company on 1 November 2020.

On 13 December 2020, the Company’s shareholders approved a new dividend policy, reflecting the Company’s strengthened financial profile following the ADPower transaction and confidence in the Company’s strong growth prospects and cash flow generation ability going forward. The progressive dividend policy covers the three year period for fiscal years 2020-22 and guides toward dividends that will be paid quarterly and grow 10% annually over the period. It is caveated by the consideration of several factors, including the availability of distributable reserves, our capital expenditure plans, credit rating considerations and other cash requirements in future periods.

Following shareholder approval of the new dividend policy, the Board approved and distributed an interim cash dividend of 1.50 fils per share in December 2020. The Board has proposed a final cash dividend of 1.00 fils per share to bring the total cash dividend for 2020 to 2.50 fils per share (or AED 2.8 billion). Dividend distributions for the year will be subject to shareholder approval at the Company’s upcoming Annual General Assembly.

### **Looking ahead:**

2020 was a year of great progress, change and achievement for TAQA despite the financial and operational challenges brought about by the COVID-19 pandemic. Following the transaction with ADPower, and under the leadership of our new CEO and Managing Director, Jasim Husain Thabet, and the new management team, we are well placed to grow using our robust balance sheet, strong cash flow and our position as one of the largest listed integrated utilities companies in the EMEA region.



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**Mohamed Hassan Al Suwaidi**  
**Chairman of the Board**  
**Abu Dhabi National Energy Company PJSC (TAQA)**

# **Abu Dhabi National Energy Company PJSC ("TAQA")**

PROFORMA FINANCIAL INFORMATION

31 DECEMBER 2020

# Abu Dhabi National Energy Company PJSC (“TAQA”)

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## PROFORMA FINANCIAL INFORMATION

31 December 2020 (Unaudited)

### **BASIS OF PREPARATION**

The Pro forma consolidated financial information (“Pro forma financial information”) illustrates the effects on the statement of financial position and financial performance of the transaction whereby Abu Dhabi Power Corporation (“ADPower”) contributed the majority of its power and water generation, transmission and distribution assets (“Acquired assets”) to Abu Dhabi National Energy Company PJSC (“TAQA”). Further details of the transaction are detailed within note 1 of TAQA’s consolidated financial statements for the year ended 31 December 2020.

The Pro forma financial information consists of the unaudited consolidated statement of financial position of the acquired assets and TAQA (together referred to as “the Group”) as at 31 December 2019, and its unaudited pro forma consolidated statement of profit or loss for the twelve month period ended 31 December 2020 and 31 December 2019. These statements are prepared as if the transaction has taken place as at 1 January 2019 with the exception of the bargain purchase on acquisition (detailed in note 1 of TAQA’s consolidated financial statements) which has been recognized as at the date of the transaction, 1 July 2020.

The purpose of the Pro forma financial information is to show the material effects that the transaction would have had on the historical consolidated statement of financial position and consolidated statement of profit or loss as if the Group had already existed in the structure created by the transaction at 1 July 2020. They are not representative of the financial situation and performance that could have been observed if the indicated business combination had been undertaken at an earlier date.

The presentation of the Pro forma financial information of the Group is based on certain pro forma assumptions and has been prepared for illustrative purposes only and, because of its nature, the Pro forma financial information addresses a hypothetical situation and, therefore, does not represent and may not give a true picture of the financial position and profit of the Group.

The Pro forma financial information has been compiled based on the accounting policies adopted by the Group for the preparation of 31 December 2020 financial information. Any impact due to change in accounting policies and related adjustment have been reflected in comparative periods. The Pro forma financial information does not take into consideration the effects of expected synergies or costs incurred to achieve these synergies as a result of the transaction. The Pro forma financial information gives no indication of the results and future financial situation of the Group.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## PROFORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020 (Unaudited)

	Year ended 31 December	
	2020	2019
	AED million	AED million
<b>REVENUES</b>		
Revenue from generation of power and water	12,314	12,669
Revenue from transmission and distribution of power and water	24,659	25,147
Revenue from oil and gas	4,178	6,082
	<b>41,151</b>	43,898
<b>COST OF SALES</b>		
Operating expenses	(23,332)	(23,625)
Depreciation, depletion and amortisation	(9,606)	(9,471)
Impairment losses	(2,004)	-
	<b>(34,942)</b>	(33,096)
<b>GROSS PROFIT</b>	<b>6,209</b>	10,802
General and administrative expenses	(1,920)	(2,088)
Finance costs	(3,271)	(3,567)
Gain (loss) in fair values of derivatives and fair value hedges	50	(89)
Net foreign exchange gain	241	200
Share of results of associates and joint ventures	105	125
Bargain purchase gain	570	-
Other income	231	302
<b>PROFIT BEFORE TAX</b>	<b>2,215</b>	5,685
Income tax credit (expense)	797	(168)
<b>PROFIT FOR THE YEAR</b>	<b>3,012</b>	5,517
Attributable to:		
Equity holders of the parent	2,788	5,435
Non-controlling interests	224	82
	<b>3,012</b>	<b>5,517</b>

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020 (Unaudited)

	31 December 2020 AED million	31 December 2019 AED million
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	125,949	131,749
Operating financial assets	9,740	9,150
Intangible assets	19,232	20,096
Investment in and loans to associates and joint ventures	2,429	2,244
Deferred tax assets	5,622	5,265
Other assets	741	304
	<b>163,713</b>	<b>168,808</b>
<b>Current assets</b>		
Inventories	3,599	3,913
Amounts due from related parties	2,609	7,661
Operating financial assets	1,197	1,038
Accounts receivable, prepayments and other receivables	7,290	8,658
Cash and short term deposits	8,519	5,145
	<b>23,214</b>	<b>26,415</b>
<b>TOTAL ASSETS</b>	<b>186,927</b>	<b>195,223</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	112,434	112,434
Proposed increase in share capital	-	2,113
Statutory reserve	381	2,996
Legal reserve	-	2,996
Merger reserve	(56,443)	(64,144)
Retained earnings	4,925	2,995
Foreign currency translation reserve	19	-
Cumulative changes in fair value of derivatives in cash flow hedge	593	-
	<b>61,909</b>	<b>59,390</b>
Non-controlling interests	6,880	7,596
Loans from non-controlling interest shareholders in subsidiaries	466	206
	<b>7,346</b>	<b>7,802</b>
<b>TOTAL EQUITY</b>	<b>69,255</b>	<b>67,192</b>



# Abu Dhabi National Energy Company PJSC (“TAQA”)

## PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued As at 31 December 2020 (Unaudited)

	<b>31 December 2020 AED million</b>	31 December 2019 AED million
<b>Non-current liabilities</b>		
Interest bearing loans and borrowings	<b>66,198</b>	73,517
Islamic loans	<b>780</b>	940
Deferred tax liabilities	<b>1,312</b>	1,300
Asset retirement obligations	<b>15,905</b>	16,186
Loan from related party	<b>24</b>	77
Deferred income – grant	<b>315</b>	-
Other liabilities	<b>5,497</b>	4,496
	<b>90,031</b>	96,516
<b>Current liabilities</b>		
Accounts payable, accrual and other liabilities	<b>16,271</b>	16,481
Interest bearing loans and borrowings	<b>8,856</b>	3,109
Islamic loans	<b>173</b>	192
Amounts due to related parties	<b>2,203</b>	11,624
Bank overdrafts	<b>66</b>	74
Deferred income – grant	<b>72</b>	35
	<b>27,641</b>	31,515
<b>TOTAL LIABILITIES</b>	<b>117,672</b>	128,031
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>186,927</b>	195,223

# **Abu Dhabi National Energy Company PJSC ("TAQA")**

**AUDITOR'S REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2020**

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF  
ABU DHABI NATIONAL ENERGY COMPANY PJSC**

**REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

**Opinion**

We have audited the consolidated financial statements of Abu Dhabi National Energy Company PJSC (the "Company") and its subsidiaries (together referred to as the "Group") ("TAQA"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's 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 Matter**

Key audit matter is the matter that, in our professional judgment, is of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF  
ABU DHABI NATIONAL ENERGY COMPANY PJSC (continued)**

**Key Audit Matter (continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b>Accounting for business acquisition and related purchase price allocation</b></p> <p>On 29 April 2020, Shareholders of TAQA approved the acquisition of perimeter assets (the “transaction”) from Abu Dhabi Power Company PJSC with effect from 1 July 2020. The transaction has been accounted for in accordance with IFRS 3 Business Combinations and management elected to use the acquisition method. The transaction was accounted for as a reverse acquisition whereby TransCo was determined to be the accounting acquirer of TAQA, and accordingly the comparative information presented in the consolidated financial statements is that of TransCo.</p> <p>We determined that the business combination accounting is a key audit matter due to the significant judgments applied by management in:</p> <ul style="list-style-type: none"> <li>the determination of the accounting acquirer under the reverse acquisition;</li> <li>the determination of the fair value of accounting acquirer;</li> <li>the determination of the fair value, with involvement of management’s expert, of assets and liabilities acquired in the transaction; and</li> <li>the identification and measurement of intangible assets and determination of the useful lives to be assigned to the identified intangible assets.</li> </ul> <p>A number of assumptions were also made by management in the determination of the appropriate methodology, assumptions and valuation techniques.</p> <p>Refer to Note 1 to the consolidated financial statements.</p>	
	<p>As part of our audit procedures, we have:</p> <ul style="list-style-type: none"> <li>Assessed the design and implementation of controls over the accounting of the transaction.</li> <li>Assessed, with the involvement of our internal experts, whether management’s assumptions in relation to the accounting for the transaction as a reverse acquisition are in accordance with the requirements of IFRS 3;</li> <li>Reviewed the sale and purchase agreement to assist us in forming a view of the accounting treatment of the acquisition;</li> <li>Assessed the completeness and accuracy of the asset and liability accounts included in the purchase price allocation;</li> <li>Evaluated, with involvement of our internal experts, the methodologies and significant inputs used by the Group including the identification of intangible assets and the determination of the useful lives of the identified intangible assets;</li> <li>Assessed, with involvement of our internal experts, the fair value of a sample of the assets and liabilities acquired;</li> <li>Analysed the fair value adjustments recognized by management and evaluated whether the adjustments made were in accordance with the requirements of IFRS 3;</li> <li>Agreed the fair values of the assets and liabilities determined by management to the amounts presented in the consolidated financial statements.</li> <li>Assessed the bargain purchase gain recognised by management and evaluated whether it was accounted for in accordance with the requirements of IFRS 3;</li> <li>Performed sensitivity analysis around the key assumptions used by management to ascertain the extent of change in those assumptions that either individually or collectively would be required for additional adjustment to fair values; and</li> <li>Assessed the related disclosures in Note 1 of the financial statements to determine if they were in compliance with IFRSs.</li> </ul>



**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF  
ABU DHABI NATIONAL ENERGY COMPANY PJSC (continued)**

**Other Information**

The Board of Directors' and management are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report, and the Annual Report 2020, which will be made available to us after the auditor's report date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Annual Report for 2020, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and the applicable provisions of the articles of association of the Company and the UAE Federal Law No. (2) of 2015, and for such internal control as management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF  
ABU DHABI NATIONAL ENERGY COMPANY PJSC (continued)**

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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 risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represents 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude 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.

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF  
ABU DHABI NATIONAL ENERGY COMPANY PJSC (continued)**

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account of the Group;
- The Group has not purchased or invested in any shares during the financial year ended 31 December 2020, except as disclosed in note 1 to the consolidated financial statements,
- Note 6 to the consolidated financial statements of the Group discloses social contributions made during the financial year ended 31 December 2020;
- Note 30 to the consolidated financial statements discloses the material related party transactions and balances, and the terms under which they were conducted; and
- Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2020.

Further, as required by the Resolution of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the procedures performed and information provided to us, nothing has come to our attention that causes us to believe that the Group has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the consolidated financial statements as at 31 December 2020:

- Law of establishment; and
- Relevant provisions of the applicable laws, resolutions and circulars organising the Group's operations.

Deloitte & Touche (M.E.)



Obada Alkowitz  
Registration No. 1056  
14 February 2021  
Abu Dhabi  
United Arab Emirates

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

		<i>31 December</i>	
		<i>2020</i>	<i>2019</i>
	<i>Notes</i>	<i>AED million</i>	<i>AED million</i>
<b>REVENUES</b>			
Revenue from generation of power and water	3.1	<b>6,381</b>	-
Revenue from transmission and distribution of power and water	3.2	<b>15,380</b>	6,057
Revenue from oil and gas	3.3	<b>2,224</b>	-
		<b>23,985</b>	6,057
<b>COST OF SALES</b>			
Operating expenses	4	<b>(12,666)</b>	(693)
Depreciation, depletion and amortisation	5	<b>(5,617)</b>	(1,811)
		<b>(18,283)</b>	(2,504)
<b>GROSS PROFIT</b>		<b>5,702</b>	3,553
General and administrative expenses	6	<b>(1,294)</b>	(455)
Finance costs	7	<b>(1,581)</b>	(1)
Net foreign exchange gain		<b>73</b>	-
Share of results of associates and joint ventures	15	<b>55</b>	-
Interest income		<b>31</b>	-
Bargain purchase gain	1	<b>570</b>	-
Other income	8	<b>203</b>	85
<b>PROFIT BEFORE TAX</b>		<b>3,759</b>	3,182
Income tax credit	9	<b>258</b>	-
<b>PROFIT FOR THE YEAR</b>		<b>4,017</b>	3,182
Attributable to:			
Equity holders of the parent		<b>3,808</b>	3,182
Non-controlling interests		<b>209</b>	-
<b>PROFIT FOR THE YEAR</b>		<b>4,017</b>	3,182
Basic and diluted earnings per share attributable to equity holders of the parent (AED)	10	<b>0.04</b>	0.04

The accompanying notes form an integral part of these consolidated financial statements.



# Abu Dhabi National Energy Company PJSC (“TAQA”)

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
<b>PROFIT FOR THE YEAR</b>	<b>4,017</b>	3,182
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that may be reclassified to income statement in subsequent periods:</i>		
Changes in fair values of derivative instruments in cash flow hedges	<b>955</b>	-
Exchange differences arising on translation of overseas operations	<b>19</b>	-
	<b>-----</b>	<b>-----</b>
	<b>974</b>	-
<i>Items not to be reclassified to income statement in subsequent periods:</i>		
Remeasurement gains on defined benefit plans	<b>3</b>	-
	<b>-----</b>	<b>-----</b>
	<b>3</b>	-
<b>NET OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>977</b>	-
	<b>-----</b>	<b>-----</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>4,994</b>	3,182
	<b>=====</b>	<b>=====</b>
Attributable to:		
Equity holders of the parent	<b>4,423</b>	3,182
Non-controlling interests	<b>571</b>	-
	<b>-----</b>	<b>-----</b>
	<b>4,994</b>	3,182
	<b>=====</b>	<b>=====</b>

The accompanying notes form an integral part of these consolidated financial statements.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	<i>31 December 2020 AED million</i>	<i>31 December 2019 AED million</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	125,949	42,873
Operating financial assets	13	9,740	-
Intangible assets	14	19,232	-
Investment in and loans to associates and joint ventures	15	2,429	-
Deferred tax assets	9	5,622	-
Other assets	16	741	114
		-----	-----
		163,713	42,987
		-----	-----
<b>Current assets</b>			
Inventories	17	3,599	94
Amounts due from related parties	30	2,609	5,837
Operating financial assets	13	1,197	-
Accounts receivable, prepayments and other receivables	18	7,290	61
Cash and short term deposits	19	8,519	220
		-----	-----
		23,214	6,212
		-----	-----
<b>TOTAL ASSETS</b>		<b>186,927</b>	<b>49,199</b>
		=====	=====
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	20	112,434	5,992
Proposed increase in share capital	21	-	2,113
Statutory reserve	21	381	2,996
Legal reserve	21	-	2,996
Merger reserve	21	(56,443)	-
Retained earnings		4,925	3,182
Proposed dividend	21	-	2,805
Interest free loans from the shareholder	21	-	22,896
Foreign currency translation reserve		19	-
Cumulative changes in fair value of derivatives in cash flow hedges		593	-
		-----	-----
		61,909	42,980
		-----	-----
Non-controlling interests	22	6,880	-
Loans from non-controlling interest shareholders in subsidiaries	23	466	-
		-----	-----
Total non-controlling interests, including loans		7,346	-
		-----	-----
<b>TOTAL EQUITY</b>		<b>69,255</b>	<b>42,980</b>
		-----	-----

The accompanying notes form an integral part of these consolidated financial statements.

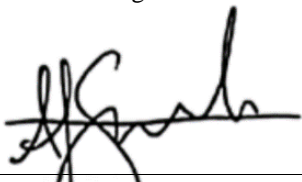
# Abu Dhabi National Energy Company PJSC (“TAQA”)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued

As at 31 December 2020


	Notes	31 December 2020 AED million	31 December 2019 AED million
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	24	66,198	-
Islamic loans	25	780	-
Deferred tax liabilities	9	1,312	-
Asset retirement obligations	26	15,905	-
Employees' end of service benefits		432	112
Loan from related party	30	24	-
Deferred income - grant	27	315	1,026
Other liabilities	28	5,065	77
		<b>90,031</b>	<b>1,215</b>
<b>Current liabilities</b>			
Accounts payable, accruals and other liabilities	29	16,271	2,755
Interest bearing loans and borrowings	24	8,856	-
Islamic loans	25	173	-
Amounts due to related parties	30	2,203	2,177
Bank overdrafts	19	66	-
Deferred income – grant	27	72	72
		<b>27,641</b>	<b>5,004</b>
<b>TOTAL LIABILITIES</b>		<b>117,672</b>	<b>6,219</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>186,927</b>	<b>49,199</b>

To the best of our knowledge, the financial information included in these consolidated financial statements fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented therein. The consolidated financial statements were approved by the Board of Directors on 14 February 2021 and signed on its behalf by:

  
 CHAIRMAN OF THE  
 BOARD OF DIRECTORS

  
 CHAIRMAN OF THE  
 AUDIT COMMITTEE

  
 GROUP CHIEF EXECUTIVE OFFICER  
 & MANAGING DIRECTOR

  
 CHIEF FINANCIAL OFFICER

The accompanying notes form an integral part of these consolidated financial statements.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

*Attributable to equity holders of the parent*

	Share capital AED million	Proposed increase in share capital AED million	Statutory reserve AED million	Legal reserve AED million	Merger reserve AED million	Retained earnings AED million	Proposed dividends AED million	Interest free loans from the shareholder AED million	Foreign currency translation reserve AED million	Cumulative changes in fair value of derivatives AED million	<b>Total</b> AED million	Non- controlling interests, including loans AED million	<b>Total equity</b> AED million
Balance at 1 January 2019	5,992	2,113	2,996	2,996	-	2,805	2,725	23,055	-	-	42,682	-	42,682
Profit for the year	-	-	-	-	-	3,182	-	-	-	-	3,182	-	3,182
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	3,182	-	-	-	-	3,182	-	3,182
Proposed dividend	-	-	-	-	-	(2,805)	2,805	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(2,725)	-	-	-	(2,725)	-	(2,725)
Movement in interest free loans from the shareholders	-	-	-	-	-	-	-	(159)	-	-	(159)	-	(159)
<b>Balance at 31 December 2019</b>	<b>5,992</b>	<b>2,113</b>	<b>2,996</b>	<b>2,996</b>	<b>-</b>	<b>3,182</b>	<b>2,805</b>	<b>22,896</b>	<b>-</b>	<b>-</b>	<b>42,980</b>	<b>-</b>	<b>42,980</b>
Profit for the year	-	-	-	-	-	3,808	-	-	-	-	3,808	209	4,017
Other comprehensive income for the year	-	-	-	-	-	3	-	-	19	593	615	362	977
Total comprehensive income for the year	-	-	-	-	-	3,811	-	-	19	593	4,423	571	4,994
Transfer to reserves	-	-	381	-	-	(381)	-	-	-	-	-	-	-
Proposed dividend (note 21)	-	-	-	-	-	(8,797)	-	8,797	-	-	-	-	-
Dividend paid (note 21)	-	-	-	-	-	(1,687)	-	-	-	-	(1,687)	(299)	(1,986)
Capital optimisation (note 21)	(5,992)	(2,113)	(2,996)	(2,996)	-	8,797	(2,805)	8,105	-	-	-	-	-
Repayment of loans	-	-	-	-	-	-	-	(3,209)	-	-	(3,209)	(104)	(3,313)
Acquisition of subsidiaries (note 1)	112,434	-	-	-	(56,443)	-	-	(36,589)	-	-	19,402	7,178	26,580
<b>Balance at 31 December 2020</b>	<b>112,434</b>	<b>-</b>	<b>381</b>	<b>-</b>	<b>(56,443)</b>	<b>4,925</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>593</b>	<b>61,909</b>	<b>7,346</b>	<b>69,255</b>

The accompanying notes form an integral part of these consolidated financial statements.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	<i>Notes</i>	<i>31 December 2020 AED million</i>	<i>31 December 2019 AED million</i>
<b>OPERATING ACTIVITIES</b>			
Profit before tax		<b>3,759</b>	3,182
Adjustments for:			
Depreciation, depletion and amortisation	5	<b>5,617</b>	1,811
Release of deferred income - grant	27	<b>(29)</b>	(72)
Gain on exchange - loans and borrowings and operating financial assets		<b>343</b>	-
Finance costs	7	<b>1,581</b>	1
Share of results of associates and joint ventures	15	<b>(55)</b>	-
Other movements		<b>(45)</b>	56
Revenue from operating financial assets	13	<b>(884)</b>	-
Bargain purchase gain	1	<b>(570)</b>	-
Working capital changes:			
Inventories		<b>299</b>	(3)
Accounts receivables and prepayments		<b>1,468</b>	(16)
Amounts due from related parties		<b>(761)</b>	13,774
Amounts due to related parties		<b>836</b>	(17,403)
Accounts payable, accruals and other liabilities		<b>(1,750)</b>	399
Income tax received		<b>62</b>	-
Asset retirement obligation payments	26	<b>(136)</b>	-
Cash received from operating financial assets	13	<b>978</b>	-
Net cash generated from operating activities		<b>10,713</b>	1,729
		=====	=====
<b>INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries - cash and cash equivalents in acquired entities	1	<b>7,458</b>	-
Purchases of property, plant and equipment		<b>(2,250)</b>	(1,409)
Purchases of intangible assets	14	<b>(11)</b>	-
Other movements		<b>16</b>	-
Advance to a related party		<b>(148)</b>	-
Net cash generated from (used in) investing activities		<b>5,065</b>	(1,409)
		=====	=====

The accompanying notes form an integral part of these consolidated financial statements.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## CONSOLIDATED STATEMENT OF CASH FLOWS continued For the year ended 31 December 2020

	<i>Notes</i>	<i>31 December 2020 AED million</i>	<i>31 December 2019 AED million</i>
<b>FINANCING ACTIVITIES</b>			
Interest bearing loans and borrowings received	24	<b>1,709</b>	-
Repayments of interest bearing loans and borrowings	24	<b>(5,072)</b>	-
Repayments of Islamic loans	25	<b>(80)</b>	-
Payments of lease liabilities		<b>(93)</b>	(1)
Interest paid		<b>(1,745)</b>	(1)
Dividend paid to non-controlling interest shareholders		<b>(340)</b>	-
Dividend paid to shareholders		<b>(1,687)</b>	-
Repayment of loans to/obtaining loans from non-controlling interest shareholders in subsidiaries		<b>(104)</b>	-
Repayment of interest free loans from shareholder		<b>-</b>	(159)
		<b>-----</b>	<b>-----</b>
Net cash used in financing activities		<b>(7,412)</b>	(161)
		<b>=====</b>	<b>=====</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>8,366</b>	159
Net foreign exchange difference		<b>(133)</b>	-
Cash and cash equivalents at 1 January	19	<b>220</b>	61
Restricted cash	19	<b>(132)</b>	-
		<b>-----</b>	<b>-----</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	19	<b>8,321</b>	220
		<b>=====</b>	<b>=====</b>

### Significant non-cash transactions:

Issuance of shares by TAQA for acquisition of ADPC Perimeter Assets (note 1) was a non-cash consideration and therefore not reflected above.

Abu Dhabi Transmission & Despatch Company PJSC dividend transferred to shareholder AED 2,725 million in the year ended 31 December 2019. This was offset against amounts due to related parties.

The accompanying notes form an integral part of these consolidated financial statements.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 1 CORPORATE INFORMATION

Abu Dhabi National Energy Company PJSC (“TAQA” or the “Company”) was established on 21 June 2005 pursuant to the provisions of Emiri Decree number 16/2005 as a public joint stock company with Abu Dhabi Water and Electricity Authority (“ADWEA”) as its founding shareholder.

In February 2018, Law No. 11 of 2018 on the establishment of the Department of Energy (DOE) was published. Pursuant to the law, all of ADWEA’s assets, rights and obligations were transferred to the Department of Energy and the Department of Energy became their legal successor holding 75.1% shares in TAQA. The Department of Energy is responsible for the control, supervision and regulation of the energy sector in the Emirate of Abu Dhabi, including the Emirate’s energy strategy.

In January 2019, by virtue of Law No. 3 of 2019, the shareholding held by the Department of Energy was transferred to Abu Dhabi Power Corporation (ADPC). As such, TAQA is now a subsidiary of ADPC. ADPC is a 100% owned by Abu Dhabi Development Holding Company (“ADQ”).

TAQA owns a number of strategic power generation and water desalination assets in its domestic market in the UAE and operates internationally across the energy value chain from upstream and midstream oil and gas businesses through to power generation. TAQA’s registered head office is at 25<sup>th</sup> Floor, Al Maqam Tower, Abu Dhabi Global Market Square, PO Box 55224, Abu Dhabi, United Arab Emirates.

On 29 April 2020, the shareholders of the Company approved a proposed “Transaction” in accordance with the terms of the share purchase agreement entered into between TAQA and ADPC, whereby ADPC contributed the majority of its power and water generation, transmission and distribution assets (“Perimeter Assets”) to TAQA. This was effected through a newly established limited liability company, Al Maqam Energy Holding LLC (Al Maqam) wholly owned by ADPC. The following are the Perimeter Assets forming part of the transaction, which became effective on 1 July 2020;

- (a) a 100% stake in Abu Dhabi Distribution Company PJSC (ADDC);
- (b) a 100% stake in Al Ain Distribution Company PJSC (AADC);
- (c) a 100% stake in Abu Dhabi Transmission & Despatch Company PJSC (TransCo);
- (d) a 100% stake in Butinah Power Holding Company PJSC, which holds ADPCs interest in the Shuweihat S3 project (BPHC);
- (e) a 100% stake in Al Mirfa Power Company PJSC, which holds ADPCs interest in the Al Ain and Madinat Zayed generation assets (AMPC);
- (f) a 75% stake in Al Mirfa Power Holding Company PJSC, which holds the Mirfa project (MPHC);
- (g) a 100% stake in Sweihan Energy Holding Company PJSC, which holds ADPCs interest in the Noor Abu Dhabi PV project (SEHC)
- (h) a 10% stake in eight Abu Dhabi Independent Water and Power Producers (“IWPPs”) holding companies (of which the remaining 90% stake is currently held by TAQA), being Emirates Power Company PJSC (relating to Taweelah A2), Shuweihat Power Company PJSC (relating to Shuweihat S1), Arabian United Power Company PJSC (relating to Umm Al Nar), Taweelah United Power Company PJSC (relating to Taweelah B), Union Power Holding Company PJSC (relating to Fujairah F1), Gulf Power Company PJSC (relating to Taweelah A1), Fujairah Water and Electricity Company PJSC (relating to Fujairah F2) and Al Ruwais Power Holding Company PJSC (relating to Shuweihat S2);
- (i) a 33.34% stake in Taweelah RO Holding Company LLC (TROHC), which holds an interest in the Taweelah reverse osmosis project;
- (j) a 66.66% stake in Fujairah Energy Holding Company LLC, which holds an interest in Fujairah Power Company (Fujairah F3); and
- (k) a 66.66% stake in Dhafrah Solar Energy Holding Company LLC, which holds an interest in the Al Dhafra Solar PV2 Project.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 1 CORPORATE INFORMATION continued

TransCo is responsible for the planning, construction, operation and maintenance of the transmission network used to transmit water and electricity from power and water generators to the distribution networks operated by ADDC and AADC and, where required, to other Emirates in the United Arab Emirates. TransCo also manages the Load Despatch Centre (LDC), which determines the despatch of electricity across the grid. This activity is not part of the Perimeter Assets and will be transferred to Emirates Water and Electricity Company PJSC, a wholly-owned subsidiary of ADPC.

ADDC is the sole distributor of water and electricity in Abu Dhabi and the surrounding areas and AADC is the sole distributor of water and electricity in Al Ain and its surrounding areas. TransCo, ADDC and AADC are all regulated and licensed by the DOE.

As part of the Transaction, ADPC and TAQA also agreed to terminate the existing framework agreement entered into between them effective as of 31 December 2016 (including the underlying lease agreements, contracts, letters and documents) in relation to the plots of land intended to be used for certain future IWPPs in Abu Dhabi (the “Framework Agreement”). Therefore, the consideration transferred by TAQA to ADPC has been adjusted to include the fair value of these plots of land. The termination of the Framework Agreement has no impact on TAQA’s existing operations. At Transaction closing, ADPC transferred the entire issued share capital of Al Maqam to TAQA.

The consideration for transferring of the Perimeter Assets was satisfied by the issuance of a convertible instrument (the “Convertible Instrument”) from TAQA to ADPC and termination of the Framework Agreement. At Transaction closing, the Convertible Instrument was converted into 106,367,950,000 ordinary shares of par value AED 1 each in the capital of TAQA. Following the transaction closing on 1 July 2020, ADPC’s ownership represents 98.60% of the entire issued share capital of TAQA.

#### **Common Control Transaction and Reverse Acquisition**

Since the ultimate controlling party of the combining entities before and after the Transaction remain the same (i.e. ADPC), the Transaction is a business combination involving entities under common control. Although, common control transactions are scoped out of “IFRS 3 - Business Combinations”, based on the guidance contained in “IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors”, management has a policy choice to account for the common control transaction under acquisition accounting principles contained in IFRS 3 or at the predecessor accounting principles, using book values. The management chose to apply IFRS 3 acquisition accounting for this common control transaction.

IFRS 3 requires one of the combining entities is to be identified as the accounting acquirer being the entity that obtains control of the acquiree. and in some cases, the accounting acquirer may not be the same as the legal acquirer. The overall transaction is deemed to have substance, given different businesses are coming together and the external minority shareholders of TAQA will get diluted. The newly established company Al Maqam cannot be the acquirer, as it does not have substance and will not constitute a business. IFRS 3 provides guidance on the considerations that are relevant for identifying the acquirer. Whilst most considerations may not be relevant for the perspective of transactions under common control, as per the standard, the acquirer is usually the combining entity whose relative size is significantly greater than that of the other combining entities. In this Transaction, TransCo was determined to be the accounting acquirer (or the legal acquiree) given its relative size within the combining entities and TAQA was determined to be the legal acquirer (or the accounting acquiree) resulting in a reverse acquisition.

The principles of reverse acquisition were used to reflect the acquisition of the Company by TransCo, effective 1 July 2020. As a result, the information presented in the financial statements - in the comparative period and the period prior to the acquisition were those of the accounting acquirer, TransCo and not TAQA, the legal acquirer. Furthermore, the number of shares as required under IFRS 3 is that of TAQA (as legal acquirer) and not TransCo and therefore the share capital in the statement of changes in equity is that of TAQA. This resulted in an adjustment within equity of AED 56.4 billion. Refer to note 21 for further details. This also resulted in adjustment to earnings per share for the previous year. These consolidated financial statements are therefore a continuation of the financial statements of TransCo (the accounting acquirer) and the comparatives in these consolidated financial statements are also TransCo. A complete set of significant accounting policies and critical accounting judgements have also been presented and explained in these consolidated financial statements. Despite TransCo being deemed as the accounting acquirer, TAQA will be used to refer to the Group throughout these financial statements.



# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 1 CORPORATE INFORMATION continued

#### 1.1 Consideration transferred

The acquisition date fair value of the equity of the accounting acquirer, TransCo is used to determine the consideration for the combination. At the date of merger TransCo had 50,000 outstanding issued shares represented 59.5% of the value of the combined entity. TransCo, as the accounting acquirer, issued hypothetical shares to the shareholders of TAQA and the Perimeter Assets that represented 40.5 % of the value of the combined entity. To this end, TransCo issued 34,047 hypothetical shares as the purchase consideration for the acquisition of TAQA. The fair value of TransCo shares at the date of merger was AED 1,118,570.53 per share.

The following table summarizes the acquisition date fair value of the consideration transferred:

<b>Fair Valuation</b>	<b>% Ownership</b>	<b>Amount (AED million)</b>
Fair Valuation of TransCo – Accounting Acquirer	59.5%	55,929
Fair Valuation of Perimeter Assets – Accounting Acquirees	36.2%	34,020
Fair Valuation of TAQA – Accounting Acquiree	4.3%	4,064
<b>Combined Fair Value</b>	<b>100%</b>	<b>94,013</b>

<b>TransCo Shares</b>	<b>% Ownership</b>	<b>No. of Shares</b>
TransCo outstanding shares pre-transaction	59.5%	50,000
Shares to be issued to Perimeter Assets to achieve post merger capital structure	36.2%	30,414
Shares to be issued to TAQA to achieve post merger capital structure	4.3%	3,634
Capital structure of TransCo post-merger (Reverse acquisition)	<b>100%</b>	<b>84,048</b>

Share swap ratio – 1,118,570.53 New TAQA ordinary shares for each share of TransCo

<b>Consideration transferred for the reverse acquisition</b>	
(34,048 new shares issued at AED 1,118,570.53 per share)	<b>38,084</b>
<b>Less: Non-cash distribution of land</b>	<b>(18,682)</b>
<b>Net consideration transferred for the reverse acquisition</b>	<b>19,402</b>

#### 1.2 Acquisition-related costs

The acquisition-related costs of the transaction were AED 134 million covering legal fees, valuation and due diligence costs.

#### 1.3 Consideration and purchase price allocation

The consideration paid to effect the business combination was based on the report of an external appraisal of the businesses taken as a whole.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 1 CORPORATE INFORMATION continued

#### 1.3 Consideration and purchase price allocation continued

	<i>Attributed Fair Value as at 1 July 2020 AED million</i>
<b>ASSETS</b>	
<b>Non-current assets</b>	
Property plant and equipment	85,640
Operating financial assets	9,528
Intangible assets	20,841
Investments in associates and joint ventures	1,479
Advance and loans to associates	892
Deferred tax assets	6,258
Other assets	203
	<u>124,841</u>
<b>Current assets</b>	
Inventories	3,802
Operating financial assets	1,154
Amounts due from related parties	3,095
Accounts receivables and prepayments	8,418
Cash and short-term deposits	7,458
	<u>23,927</u>
<b>TOTAL ASSETS ACQUIRED</b>	<u><u>148,768</u></u>
<b>LIABILITIES</b>	
<b>Non-current liabilities</b>	
Interest bearing loans and borrowings	71,998
Islamic loans	819
Deferred tax liabilities	1,306
Asset retirement obligations	16,032
Other liabilities	6,108
	<u>96,263</u>
<b>Current liabilities</b>	
Accounts payable, accruals and other liabilities	14,596
Interest bearing loans	6,454
Islamic loans	168
Amounts due to related parties	4,067
Bank overdrafts	70
	<u>25,355</u>
<b>TOTAL LIABILITIES ACQUIRED</b>	<u><u>121,618</u></u>
<b>Fair value of identifiable net assets acquired</b>	27,150
<b>Less: Non-controlling interest</b>	<u>(7,178)</u>
<b>TAQA share of net assets acquired</b>	19,972
<b>Bargain purchase on acquisition</b>	<u>(570)</u>
<b>Net consideration transferred for the reverse acquisition</b>	<u><u>19,402</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**1 CORPORATE INFORMATION** continued

**1.3 Consideration and purchase price allocation** continued

The non-controlling interests in TAQA has been recognised at its proportionate share of the acquired net identifiable assets. As such, the non-controlling interest represents share in net assets of TAQA attributable to owners of non-controlling interest.

The fair values of assets and liabilities acquired are based on a the below approaches:

*a) Property, plant and equipment (PP&E)*

The fair value of PP&E for all generation and distribution assets were established based on the depreciated replacement cost (DRC) approach. The DRC approach involves establishing the new replacement cost of the underlying assets, and then adjusting this value to reflect physical, functional and economic obsolescence.

Oil and gas related PP&E were fair valued based on the income approach. The income approach uses a discounted cash flow model as the basis of the valuation. The future cashflows were based on managements business plan for the related entities using a proved and probable (“2P”) reserves base and a commodity price forecast as of the valuation date.

*b) Intangible assets*

The fair value of the intangible assets was based on multiperiod excess earnings method approach. The excess earnings method estimates the value of an intangible asset as the present value of the cash flows attributable to the subject intangible asset after excluding the proportion of the cash flows that are attributable to other assets required to generate the cash flows.

The valuation of identifiable intangible assets was performed by an independent professional appraiser. Based on the appraisal report, the following items were included in the purchase price allocation:

- Power (& water) purchase agreements;
- Power & water distribution licences; and
- Reacquired connection rights.

*c) Operating financial assets*

Based on IFRIC 12, the international generation companies recognise operating financial assets, due to unconditional contractual right to receive cash in return for constructing, operating and maintaining power plant from the Government as a part of Power Purchase Agreement. The fair value of the operating financial assets is based on the income approach. In accordance with the income approach using a discounted cash flow method as the basis of the valuation.

**1.4 Revenue and profit contributed by the accounting acquirees**

The acquired business contributed revenues of AED 22,974 million and net income of AED 1,235 million for the period from 1 July to 31 December 2020.

If the acquisition had occurred on 1 January 2020, consolidated pro forma revenue and net income for the year ended 31 December 2020 would have been AED 41,151 million and AED 3,012 million respectively.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### **1 CORPORATE INFORMATION** continued

#### **1.5 Cash and cash equivalents contributed by the accounting acquirees**

On 1 July 2020 the acquired business contributed net cash and cash equivalents of AED 7,458 million.

#### **1.6 Accounts receivables contributed by the accounting acquirees**

On 1 July 2020 the acquired business includes accounts receivables with a fair value of AED 8,418 million and a gross contractual value of AED 9,447 million.

#### **1.7 Interest bearing loans and borrowings**

On 1 July 2020, the acquired business included a portfolio of Medium Term Notes, Bonds and Islamic loans. The fair value attributable to these instruments included within interest bearing loans and borrowings was AED 38,535 million, being the fair value of the debt instruments as at 1 July 2020 based on the quoted market prices at that date. On 1 July 2020, the associated face value of this debt (net of discount and transaction costs) is AED 33,744 million.

### **2 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

#### **2.1 BASIS OF PREPARATION**

The consolidated financial statements of TAQA have been prepared on the historical cost basis except for assets and liabilities measured at fair value in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the applicable requirements of the UAE Federal Law No. (2) of 2015.

These consolidated financial statements have been presented in United Arab Emirates Dirhams (AED). All values are rounded to the nearest million (AED million) except where otherwise indicated.

As at 31 December 2020, retained earnings of the Group are AED 4,925 million (2019: AED 3,182 million). As at 31 December 2020, the current liabilities of the Group exceed its current assets by AED 4,427 million (2019: current assets exceeded current liabilities by AED 1,208 million). The consolidated financial statements have been prepared on a going concern basis. The Group has sufficient short to medium term liquidity through the Group’s undrawn committed borrowing facilities (Note 19) to meet ongoing commitments and therefore it is concluded that adequate support is available to evidence that the going concern assumption is appropriate for the preparation of the 2020 consolidated financial statements.

The Covid-19 pandemic has caused an unprecedented global crisis with the measures necessary to contain the virus triggering a global economic downturn. Despite the pandemic’s outbreak in early 2020, the Group has faced no significant disruptions to business and has proactively managed and put in place mitigating measures to limit the impact on the Group’s operations whilst ensuring the highest standards of health, safety and asset reliability are maintained.

Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

The accounting policies adopted in the preparation of these consolidated financial statements comprise of the consistent application of the accounting policies of Abu Dhabi Transmission & Despatch Company PJSC (TransCo) as disclosed in its annual financial statements for the year ended 31 December 2019, accounting policies that have been adopted as part of the business combination as explained in Note 1 and new accounting policies that became effective from 1 January 2020 as explained in Note 2. The accounting policies of TAQA and the Perimeter Assets have been aligned to those of TransCo. The principal accounting policies adopted are set out below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES**

**Basis of consolidation**

These consolidated financial statements incorporate the financial statements of TAQA and entities controlled by TAQA - its subsidiaries (together referred to as the “Group”), made up to 31 December 2020. Control is achieved when the Group:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not its voting rights in an investee are sufficient to give it power, including:

- the size of its holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by it, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that it has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when it loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the period are included in income statement from the date the Group gains control until the date when it ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group’s accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group’s equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests’ proportionate share of the fair value of the acquiree’s identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests’ share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income/(loss) are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in the Group’s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 - Income taxes and IAS 19 - Employee benefits respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

Business combinations under common control, which have substance for the combining entities, are also accounted for using the acquisition method explained above.

**Fair value measurement**

The Group measures certain financial instruments, such as, derivatives, and certain non-financial assets, at fair value at each reporting date. 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. The group categorises assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within Level 1 for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modification to observable related market data or the Group’s assumption about pricing by market participants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Revenue recognition**

Revenue from contracts with customers is recognised when or as the Group satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control usually coincides with title passing to the customer and the customer taking physical possession.

When, or as, a performance obligation is satisfied, the Group recognises as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised.

The different revenue streams of the Group and the timing of revenue recognition in respect of each revenue stream are mentioned below:

a) Revenue from transmission and distribution of power and water

The Group has a transmission system that consists of various transmission lines and transformers that link power stations to the distribution system. The transmission network primarily transports bulk power and water to the distribution networks. The Group also provides infrastructure services for the transmission system network.

The Group earns revenue from licensed and unlicensed activities, using certain assets that are shared between these activities, and other assets that are solely dedicated to unlicensed activities.

Licensed activities represent operations and transactions relating to the transmission of power and water within the Emirate of Abu Dhabi, which are charged to ADDC and AADC (both are Group companies). These transactions are eliminated as intra-group transactions and not reported in these consolidated financial statements post the effective date of the merger transaction, i.e. 1 July 2020.

Unlicensed activities represent operations and transactions relating to transmission of power and water to Federal Electricity and Water Authority and Sharjah Electricity and Water Authority, which are charged to Emirates Water and Electricity Company (EWEC) (previously Abu Dhabi Water and Energy Corporation (ADWEC)).

Transmission use of system charges from shared assets (licensed activities)

Revenue from Transmission Use of System (TUOS) charges is calculated in accordance with the formula in the licensed activities document issued by the DOE, under the licenses issued to the Company by DOE for the transmission of water and electricity from generation and desalination plants to the distribution companies and comprise the costs for the provision of shared transmission network services at delivery points to the distribution companies. Specifically, the system charges for the transmission of water and electricity are based on the RC1 which covers the period 2019 to 2021.

Revenue from TUOS charges is recognised upon the delivery of electricity and water.

As per the terms of the License revenue from TUOS charges cannot exceed the maximum allowed electricity and water revenue calculated in accordance with a formula as defined in the License and price control as regulated by the DOE in accordance with the License and correspondence relating to Regulatory Control (RC).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Revenue recognition** continued

a) *Revenue from transmission and distribution of power and water* continued

System charges from solely dedicated assets (unlicensed activities)

The service charges for the transmission of water and electricity to other emirates from solely dedicated assets are based on the specific transmission charge calculated with reference to the costs associated with operating relevant dedicated assets. Such revenue is also recognised upon the delivery of electricity and water.

Revenue from supply and distribution of power and water

The Group also earns revenue from supply and distribution of power and water in the region of Abu Dhabi. Revenue is subject to Maximum Allowed Revenue (“MAR”) calculated in accordance with a formula as defined in the License document issued by DOE.

Revenue earned from supply business includes charges recoverable from customers for the supply of power and water within the Group’s distribution. Revenue is recognised over time as when the units of power and water are supplied to customers and includes an estimate of the value of the units supplied to customers between the date of the last meter reading and the reporting date. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur based on accumulated historical experience of the Group.

When the Group satisfies a performance obligation by transferring a promised good or service, the Group has earned a right to consideration from the customer and, therefore, has a contract asset in the form of account receivable.

Revenue from connection and meter installation fees

Revenue from connection and meter installation fees includes income earned from customers for installation of meters and other related equipment. These charges are recognised in profit or loss when the connection is activated.

Revenue from water coupons and prepaid cards

Revenue from prepaid cards represents charges received from the customers for the sale of water coupons and prepaid cards. These charges are recognised in profit or loss at the time when units of water are distributed to the customers against these prepaid cards.

Other operating revenue

Other operating revenue in respect of sale of power and water for the period are based on the difference between MAR and revenue billed to customers for the supply and distribution of water and electricity.

Revenue is recognised over time as when the units of power and water are supplied to customers and includes an estimate of the value of the units supplied to customers between the date of the last meter reading and the reporting date.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Revenue recognition** continued

*b) Revenue from generation of power and water*

The Group earns revenue from sale of power and water. The revenue recognition of the Group’s power and water business is as follows:

- Where the Group determines that the Power and Water Purchase Agreement (PWPA)/Power Purchase Agreement (PPA) meets the financial asset model requirements for service concession arrangements (explained under significant accounting policy on ‘Service concessions’), consideration receivable is allocated by reference to the relative fair values of the services delivered.
- Operating revenue is recognised as the service is provided and finance revenue is recognised using the effective interest rate method on the financial asset.
- Where the Group determines that the PWPA/PPA contains an operating lease, capacity payments are recognised as operating lease rental revenue on a systematic basis to the extent that capacity has been made available to the offtaker during the period. Those payments, which are not included as capacity payments (e.g. fuel revenue), are recognised as revenue in accordance with the contractual terms of the PWPA/PPA.
- Energy and water payments are recognised as revenue at the point in time when the contracted power and water capacity is provided to the offtaker.
- Fuel revenue represents reimbursements from the offtakers in the power and water subsidiaries at market prices for fuel consumed in power generation in accordance with the terms of the power and water purchase agreements and the power purchase agreements. Fuel revenue is recognised as and when fuel is consumed in the production of power and water.

*c) Revenue from oil and gas*

Revenue from the sale of oil and gas is recognised at the point in time when control of the product is transferred to the customer, which is generally when the product is physically transferred into a vessel, pipe or other delivery mechanism and the customer accepts the product.

The Group’s sales of oil and gas are priced based on market prices and where necessary adjusted for a quality differential based on the American Petroleum Institute (API) gravity of the oil and gas sold.

Lifting or offtake arrangements for oil and gas produced by certain of the Group’s jointly owned assets are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative production entitlement and cumulative sales attributable to each participant at a reporting date represents ‘underlift’ or ‘overlift’. Underlift and overlift are valued at market value and included within current assets and current liabilities respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

Gas storage

The revenue from gas storage is recognised over time as the service is provided and accepted by customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Government grants**

Grants that compensate the Group for the cost of an asset are initially recognised as a deferred government grant at fair value when there is reasonable assurance that a grant will be received and the Group will comply with the conditions associated with the grant. Subsequently, these grants are recognised in profit or loss on a systematic basis over the useful life of the associated asset.

**Taxes**

*a) Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

*b) Deferred income tax*

Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates as at the balance sheet date that are anticipated to apply to taxable income in the years in which temporary differences are anticipated to be recovered or settled. Changes to these balances are recognised in profit or loss or in other comprehensive income/(loss) in the period they occur.

The Group recognises the financial statement impact of a tax filing position when it is probable, based on the technical merits, that the position will be sustained upon audit. The Group assesses possible outcomes and their associated probabilities. If the Group determines payment is probable, it measures the tax provision at the best estimate of the amount of tax payable.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Foreign currency translation**

For the purpose of these consolidated financial statements, the UAE Dirhams (AED) is the presentation currency of the Group.

In individual subsidiaries, joint ventures and associates, transactions in foreign currencies are initially recorded in the functional currency of those entities at the spot exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot exchange rate at the reporting date. Any resulting exchange differences are included in the profit or loss, unless hedge accounting is applied. Non-monetary assets and liabilities, other than those measured at fair value are not retranslated subsequent to initial recognition.

In these consolidated financial statements, the assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their income statements are translated at the weighted average exchange rates on a monthly basis. The exchange differences arising on the translation are recognised in other comprehensive income/(loss) and accumulated in the foreign currency translation reserve within equity. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

**Investments in associates and joint ventures**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting.

Under the equity method, an investment is carried on the statement of financial position at cost plus post-acquisition changes in the Group’s share of net assets of the entity, less distributions received and less any impairment in value of the investment. Loans advanced to equity-accounted entities that have the characteristics of equity financing are also included in the investment on the Group’s statement of financial position. The Group’s statement of profit or loss reflects the Group’s share of the results after tax of the equity-accounted entity, adjusted to account for depreciation, amortisation and any impairment of the equity-accounted entity’s assets based on their fair values at the date of acquisition. The Group’s statement of profit or loss and other comprehensive income includes the Group’s share of the equity-accounted entity’s other comprehensive income/(loss). The Group’s share of amounts recognised directly in equity by an equity-accounted entity is recognised directly in the Group’s statement of changes in equity.

Unrealised gains on transactions between the Group and its equity-accounted entities are eliminated to the extent of the Group’s interest in the equity-accounted entity.

The Group assesses investments in equity-accounted entities for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication of impairment exists, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs of disposal (FVLCD) and value in use (VIU). If the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Interests in joint operations**

A joint operation is a joint arrangement whereby parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Certain of the Group’s activities in the oil and gas segment are conducted through joint operations where the partners have a direct ownership interest in and jointly control the underlying assets of the joint operation. The Group accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other partners, income from the sale or use of its share of the joint operation’s output, together with its share of the expenses incurred by the joint operation, and any expenses it incurs in relation to its interest in the joint operation.

**Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

a) Group as a lessee - Right of use assets

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

b) Group as a lessee - Lease liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Leases** continued

b) *Group as a lessee - Lease liabilities* continued

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

c) *Group as a lessor - Finance leases*

Leases where the Group transfers substantially all the risks and benefits of ownership of the asset are classified as financial leases. The amounts due from the lessee are recorded in the consolidated statement of financial position as financial assets and are carried at the amount of the net investment in the lease after making provision for expected credit losses.

d) *Group as a lessor - Operating leases*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The useful lives of intangible assets are assessed to be either finite or indefinite. Amortisation for intangible assets with finite lives is calculated on a straight-line basis as follows:

- |                                       |              |
|---------------------------------------|--------------|
| • Tolling agreement                   | 2 years      |
| • Computer software                   | 3 years      |
| • Power (& water) purchase agreements | 1 – 22 years |
| • Reacquired connection rights        | 1 – 8 years  |
| • Power & water distribution licences | Indefinite   |

The expected useful lives of intangible assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

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

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to definite is made on a prospective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Oil and natural gas exploration, evaluation and development expenditure**

*a) Exploration & evaluation costs - capitalisation*

Pre-license costs and geological and geophysical exploration costs incurred prior to obtaining the rights to explore are recognised in profit or loss when incurred. Exploration licences are recognised as an exploration and evaluation (“E&E”) asset. The cost of that licence includes the directly attributable costs of its acquisition. Examples of such costs may include non-refundable taxes and professional and legal costs incurred in obtaining the licence. Costs incurred after the rights to explore have been obtained, such as geological and geophysical costs, drilling costs, appraisal and development study costs and other directly attributable costs of exploration and evaluation activity, including technical and administrative costs for each exploration asset, are capitalised as intangible E&E assets. E&E costs are not amortised prior to the conclusion of appraisal activities.

At completion of appraisal activities if technical feasibility is demonstrated and commercial reserves are discovered then, following development sanction, the carrying value of the relevant E&E asset is reclassified as a development and production (“D&P”) asset. This category reclassification is only performed after the carrying value of the relevant E&E asset has been assessed for impairment, and where appropriate, its carrying value adjusted. If commercial reserves are not discovered at the completion of appraisal activity of each asset and it is not expected to derive any future economic benefits, the E&E asset is written off to profit or loss.

*b) Development costs*

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

**Property, plant and equipment**

*a) Property, plant and equipment - general*

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The present value of the expected cost for the decommissioning obligation of an asset at the end of its useful life is included in the cost of the respective asset if the recognition criteria for a provision are met. Depreciation is calculated so as to write off the cost of property, plant and equipment over the expected useful economic lives of the assets concerned. If significant parts of an item of property, plant and equipment have different useful lives, these significant parts are accounted for as separate items (major components) of property, plant and equipment. The estimated useful lives of assets as follows:

- Buildings, equipment and plant and machinery - 3 to 40 years (Depreciation: Straight line basis)
- Plant spares - 5 to 40 years (Depreciation: Straight line basis)
- Right of use assets - Lower of useful life and lease term (Depreciation: Straight line basis)
- Oil and gas properties - Unit of production (Depreciation: Unit of production basis)

The assets’ residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date, with the effect of any changes in estimate accounted for a prospective basis.

The cost of spare parts held as essential for the continuity of operations and which are designated as strategic spares are depreciated on a straight line basis over their estimated operating life. Spare parts used for normal repairs and maintenance are expensed when issued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Property, plant and equipment** continued

*a) Property, plant and equipment – general* continued

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

*b) Property, plant and equipment - oil and gas properties*

Oil and gas properties in the development and production phase (“D&P” assets) and other related assets are stated at cost, less accumulated depreciation and accumulated impairment losses (net of reversal of previously recognised impairment losses, if any). The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the estimate of the decommissioning obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and gas properties are depreciated on a unit-of-production basis over the proved and probable (“2P”) reserves of the field concerned. The unit-of-production rate for the amortisation of field development costs takes into account expenditures incurred to date, together with estimated future development expenditure. Depreciation on oil and gas properties does not commence until the commencement of production from the property.

*c) Property, plant and equipment - major maintenance and repairs*

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the group, the expenditure is capitalised. Where an asset or part of an asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced asset (or asset part) which is immediately written off.

Inspection costs associated with major maintenance programs are capitalised when the recognition criteria are met and amortised over the period to the next inspection. Day to day servicing and maintenance costs are expensed as incurred in profit or loss.

*d) Property, plant and equipment - capital work in progress*

Capital work in progress is included in property, plant and equipment at cost on the basis of the percentage completed at the reporting date. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the above policies when construction of the asset is completed and commissioned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal (FVLCD) and its value in use (VIU). Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing VIU, the estimated future cash flows are 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. In the case of VIU calculations, assumptions are also made regarding the cash flows from each asset's ultimate disposal. In determining FVLCD, recent appropriate market transactions are taken into account, if available.

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

For the purpose of E&E asset impairment testing, cash generating units are grouped at the operating segment level. An impairment test performed in the E&E phase therefore involves grouping all E&E assets within the relevant segment with the development & production (D&P) assets belonging to the same segment. The combined segment carrying amount is compared to the combined segment recoverable amount and any resulting impairment loss identified within the E&E asset is written off to profit or loss. The recoverable amount of the segment is determined as the higher of its FVLCD and its VIU.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Inventories**

Inventories of oil and oil products, which represent production from oil and gas facilities of the Group which are tanked at storage facilities awaiting sale, are valued at market value.

All other items of inventory are valued at the lower of cost, determined on the basis of weighted average cost, and net realisable value. Costs are those expenses incurred in bringing each item to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Deferred income**

This represents the value of property, plant and equipment received as a grant and is recognised as income over the period necessary to match with the related costs of property, plant and equipment which are subject to compensation.

**Customer and meter deposits**

Customer and meter deposits from electricity and water customers are recognised as liability when they are received and are normally settled at the time of disconnecting the customer from the Group’s distribution network.

**Service concessions**

The Group accounts for service concession arrangements under IFRIC 12 when the following conditions are met:

- the grantor (usually a government entity) controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor (usually a government entity) controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement.

In view of the above, concession infrastructure that does not meet the requirements of IFRIC 12 is presented as property, plant and equipment. Under IFRIC 12, the operator’s rights over the plant operated under concession arrangements are accounted for based on the party primarily responsible for payment:

- the “intangible asset model” is applied when users have primary responsibility to pay for the concession services; and
- the “financial asset model” is applied when the grantor has the primary responsibility to pay the operator for the concession services.

Where the grantor guarantees the amounts that will be paid over the term of the contract (e.g. via a guaranteed internal rate of return), the financial asset model is used to account for the concession infrastructure, since the grantor is primarily responsible for payment. The financial asset model is used to account for Build, Operate and Transfer (BOT) contracts entered into with the grantor. The Group recognises financial assets from service concession arrangements in the statement of financial position as operating financial assets at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

a) Financial assets

*Initial recognition and measurement*

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

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 - Revenue from Contracts with Customers.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the time of recognition of deferred day one profit or loss is determined individually. It is either amortised over life of the instrument, deferred until the instrument’s fair value can be determined using market observable inputs, or realised through settlement.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

*a) Financial assets* continued

*Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

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

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

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

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

Financial assets designated at FVOCI (equity instruments)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

*a) Financial assets* continued

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The detailed accounting treatment of derivatives is described in the accounting policy of derivative financial instrument and hedging activities. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

*Cash and short-term deposits*

Cash and short-term deposits in statement of financial position comprise of cash at banks and on hand and short term deposits with an original maturity of three months or less. For the purpose of statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either:
  - the Group has transferred substantially all the risks and rewards of the asset, or
  - the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

a) *Financial assets* continued

*Impairment*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. The Group measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which the counter-party has an investment grade credit rating or credit risk has not increased significantly since their initial recognition, in which case 12-month ECL is measured. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date

The Group uses a provision matrix to calculate ECLs for financial assets. The provision rates are calculated based on estimates including the probability of default (PD) and the loss incurred in default positions (LGD). These estimates are allocated by assessing the counterparty credit ratings. The Group calibrates the matrix to adjust the provision rates with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are projected to change then the historical default rates are adjusted. At every reporting date, the counterparty credit ratings are updated and changes in the forward-looking estimates are analysed. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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

- The financial instrument has a low risk of default,
- The borrower has a strong capacity to meet its 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.

Definition of default

The Group employs statistical models to analyse the data collected and generate estimates of PD of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

*a) Financial assets* continued

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, and all the efforts for collection of the receivables are exhausted. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the consolidated profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the PD, loss given default (LGD) (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the PD and LGD is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets’ gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group’s understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

*b) Financial liabilities*

*Initial recognition and measurement*

At initial recognition, the Group measures a financial liability not classified as FVTPL, at its fair value minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial liability. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

*Subsequent measurement*

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at amortised cost
- Financial liabilities at FVTPL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

*b) Financial liabilities* continued

Financial liabilities subsequently measured at amortised cost

The Group measures financial liabilities that are not held-for-trading and are not designated as at FVTPL at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the finance costs in the statement of profit or loss.

Financial liabilities subsequently measured at FVTPL

The Group measures financial liabilities that are classified as held for trading, i.e. if they are incurred for the purpose of repurchasing in the near term, at FVTPL. This category also includes derivative financial instruments, including separated embedded derivatives, entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Financial guarantee contracts and loan commitments issued by the Group are also designated by the Group as financial liabilities at FVTPL. Gains or losses on financial liabilities at FVTPL are recognised in profit or loss.

*Derecognition*

The Group derecognises financial liabilities when the obligation is discharged, cancelled or expires. Any difference between carrying value of financial liability extinguished and the consideration paid is recognised in profit or loss.

*c) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

*d) Derivative financial instruments and hedge accounting*

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 32.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

*Hedge accounting*

At the inception of a hedge relationship that qualifies for hedge accounting, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Financial instruments** continued

*Hedge accounting* continued

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of profit or loss relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in statement of profit or loss and other comprehensive income and accumulated under the heading of changes in fair values of derivative instruments in cash flow hedges. The gain or loss relating to the ineffective portion is recognised immediately in statement of profit or loss, and is included in changes in fair values of derivatives and fair value hedges line item.

Amounts previously recognised in other comprehensive income/(loss) and accumulated in equity are reclassified to the profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of profit or loss as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income/(loss) and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income/(loss) and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Employees benefits**

*a) Annual leave and leave passage*

An accrual is made for estimated liability for employees’ entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the reporting period.

*b) End of service benefits*

Defined contribution plans

The Group provides end of service benefits to certain employees. The entitlement to these benefits is based upon the employees’ final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. With respect to its UAE national employees, the Group makes contributions to the Abu Dhabi Retirement Pensions and Benefits Fund calculated as a percentage of the employees’ salaries. Where the Group’s obligations are limited to these contributions made to pension and benefit funds, these contributions are expensed on a monthly basis and paid when due.

Defined benefit plans

The cost of defined benefit pension plans and other post employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. The cost of providing benefits under defined benefit plans is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income/(loss) in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

**Provisions**

*a) General*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.2 SIGNIFICANT ACCOUNTING POLICIES** continued

**Provisions** continued

*b) Asset retirement obligations (ARO) / decommissioning liability*

Certain subsidiaries have legal obligations in respect of site restoration and abandonment of their power generation and water desalination assets and oil and gas properties at the end of their useful lives (decommissioning costs). The Group records a provision for the site restoration and abandonment based upon estimated costs at the end of their useful lives. Accordingly, a corresponding asset is recognised in property, plant and equipment. Decommissioning costs are recorded at the present value of expected costs to settle the obligations using estimated cash flows and are recognised as part of the cost of each specific asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The accretion is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs of the asset retirement obligation are reviewed annually and adjusted as appropriate. Changes to provisions based on revised costs estimates or discount rate applied charges are added to or deducted from the cost of the relevant asset.

*c) Production bonuses*

Under the terms of the relevant production sharing arrangements, the Group’s European (TAQA Bratani and TAQA Energy) and North American (TAQA North) oil and gas assets are entitled to its participating share in hydrocarbon production based on the Group’s working interest. The Group’s oil assets in the Kurdistan region of Iraq (TAQA Atrush) are entitled to its participating interest in the crude oil production based on the Group’s participating interest.

For the Group’s investment in TAQA Atrush, the production sharing contract contains a legal obligation for production bonuses to be paid to the Kurdistan Regional Government when certain production targets are achieved. The Group records a provision for these bonuses when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. This is assessed based on the Group’s share of proved and probable reserves under the production sharing contract.

**Contingencies**

From time to time, the Group receives claims in the ordinary course of business. Liabilities and contingencies in connection with these matters are periodically assessed based upon the latest information available, usually with the assistance of lawyers and other specialists. A liability is accrued only if an adverse outcome is more likely than not and the amount of the loss can be reasonably estimated. If one of these conditions is not met, the claim is disclosed as a contingent liability, if material. The actual outcome of a claim may differ from the estimated liability and consequently may affect the financial performance and position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Significant judgements in applying accounting policies**

The management has made the following judgements, which have the most significant effect on the amounts recognised in these consolidated financial statements:

**Revenue recognition - Connection and supply of water and electricity**

Significant judgement was exercised in determining whether the connection and supply of water/electricity are considered to be two distinct performance obligations as that can have a considerable impact on how the related revenue is recognised. Management considered the detailed criteria of IFRS 15 Revenue from Contracts with Customers along with a variety of factors including, but not limited to, the connection and supply agreements, tariffs charged, etc.

In light of the facts and circumstances, management believes that connection and supply are two distinct performance obligations, hence revenue should be recognised as and when each one of the obligations are satisfied. For connection fees, the obligation is fulfilled once the connection is complete after which the Group has the right to receive consideration in full. As a result, revenue related to connection charges is recognised upon initiation of the connection at a point in time. Since the obligation of supply of water/electricity is fulfilled as the product/service is provided, related revenue is also recognized at a point in time upon supply. Conversely if the connection and supply were considered to be one performance obligation, the related connection charges would be deferred over the useful life of the assets installed to provide the connection.

**Power and Water Purchase Agreements**

*a) Service concession agreements*

Some of the Group's foreign subsidiaries have entered into Power Purchase Agreements (“PPA”) with offtakers in countries where they are operating. Management has determined these arrangements to be service concession arrangements under IFRIC 12 - Service Concession Arrangements by applying the requirements of the interpretation to the facts and circumstances in each location. The Group's domestic (United Arab Emirates) subsidiaries have also entered into long term Power and Water Purchase Agreements (“PWPA”) and PPAs with EWEC. Based on the terms of the PWPAs/PPAs, management has determined that EWEC does not control any residual interest in the respective plants at the end of the term of the PWPAs/PPAs and therefore does not consider the PWPAs/PPAs to fall within the scope of IFRIC Interpretation 12 Service Concession Arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS** continued

**Significant judgements in applying accounting policies** continued

**Power and Water Purchase Agreements** continued

*b) Operating lease commitments - Subsidiaries as lessor*

As mentioned above, the Group’s domestic subsidiaries have entered into PWPAs/PPAs. Under the PWPAs/PPAs, the subsidiaries receive payment for the provision of power and water capacity, whether or not the offtaker EWEC requests power or water output (“capacity payments”), and for the variable costs of production (“energy and water payments”). The Group has determined the PWPAs/PPAs are lease arrangements as management considers that the Group retains the principal risks and rewards of ownership of the plants, based on management’s estimate of the useful life and residual value of the assets, and so accounts for the PWPAs/PPAs as operating leases. An estimate of the useful life of the asset and residual value is made and reviewed annually. The effects of changes in useful life are recognised prospectively, over the remaining life of the asset. When there are amendments to the PWPAs/PPAs, management reconsiders whether the Group continues to retain the principal risks and rewards of ownership of the plants.

**Equity or liability classification**

Interest free loans are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement and criteria of IAS 32. Unsecured amounts without defined interests and repayment terms are treated as equity contribution.

**Capitalisation of project costs**

*a) Transmission network*

In determining the timing of recording of assets and commencing the depreciation, management has considered the principles laid down in IAS 16 - Property, Plant and Equipment, the time of the completion of the commissioning and the time when the asset is ready for its intended use i.e. it is probable that economic benefits will flow to the Group and assets are operational and under the use of the Group.

Project costs, related to the transmission network of the Group, capitalised under capital work in progress are transferred to the relevant category of property, plant and equipment when the following criteria are met:

- a) the distribution network is connected to the transmission network,
- b) the project capitalisation form is approved by the asset management directorate, and
- c) the provisional acceptance certificate is issued to the contractor.

Any revision in the engineer's estimates are adjusted prospectively with the recorded project costs. The Group recognises funded transmission and despatch projects once the respective work is completed, all the regulatory approvals are obtained from the Regulation and Supervision Bureau, the transmission and despatch asset transfer agreements are signed and the transmission and despatch assets are made available for use. The Group signed a Memorandum of Understanding (MOU) with the transferor in prior years. The MOU states that the transferor bears the risks and title to transmission and despatch project construction assets until successful completion of the commissioning of the respective stage. Accordingly, management has determined that the transfer of these transmission and despatch project construction assets have not taken place in accordance with the accounting policies of the Group, MOU's and asset transfer agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS** continued

**Significant judgements in applying accounting policies** continued

**Capitalisation of project costs** continued

*b) Major development projects - Distribution assets*

In determining the timing of recording of these distribution assets which are received from various developers and commencing the depreciation, management has considered the principles laid down in IAS 16, the time of completion of commissioning and the time when the assets are ready for its intended use i.e. it is probable that economic benefits flow to the Group given its exclusive distribution license and the distribution assets are operational and under the use of the Group.

During the year, management has considered the detailed criteria of IAS 16 and reviewed the transfer agreements and the correspondences with developers and consultants of these projects to obtain the justification for their recognition in the Group's consolidated financial statements. Management believes that these distribution assets meet the conditions mentioned in IAS in terms of capitalising these distribution assets and consequently depreciating them from the date when these distribution assets were available for use.

**Capitalisation of staff costs**

Management determines whether the Group will recognise an asset from the staff costs incurred to fulfil a project if such costs meet all the following criteria:

- a) the costs relate directly to a project that the Group can specifically identify;
- b) the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and
- c) the costs are expected to be recovered.

Such staff costs will be amortised on a systematic basis over the useful life of the asset recognised.

**Determining the lease term**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS** continued

**Significant judgements in applying accounting policies** continued

**Business model assessment**

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see policy for financial assets sections in Note 2.2). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group’s continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

**Accounting acquirer**

One of the most important steps in a business combination is to identify the acquirer in the transaction. From an accounting perspective the legal acquirer may not always be the accounting acquirer. In a business combination effected primarily by exchanging equity interests, the acquirer is usually the entity that issues its equity interests. However, in some business combinations, commonly called ‘reverse acquisitions’, the issuing entity is the acquiree.

As per IFRS 3, several factors determine accounting acquirer - the relative voting rights in the combined entity after the business combination, the existence of a large minority voting interest in the combined entity if no other owner or organised group of owners has a significant voting interest, the composition of the governing body of the combined entity, the composition of the senior management of the combined entity, the terms of the exchange of equity interests and relative size (measured in, for example, assets, revenues or profit) of each combining entity.

In the Transaction between TAQA and ADPC entities, the Group made an assessment of accounting acquirer as per IFRS 3 qualitative and quantitative factors and determined that the acquiring entity for accounting purposes is TransCo given its relative size within the combined Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS** continued

**Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**Impairment testing of non-financial assets**

Management determines at each reporting date whether there are any indicators of impairment relating to the Group’s property, plant and equipment and intangible assets including exploration and evaluation assets, power (and water) purchase agreements and distribution licenses. A broad range of internal and external factors are considered as part of the indicator review process.

The Group’s impairment testing for non-financial assets is based on calculating the recoverable amount of each cash generating unit or group of cash generating units being tested. Recoverable amount is the higher of value in use (VIU) and fair value less costs of disposal (FVLCD). VIU for relevant cash generating units is derived from projected cash flows as approved by management and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. FVLCD for relevant cash generating units is generally derived from discounted cash flow models using market based inputs and assumptions. Recoverable amount is most sensitive to commodity price assumptions, regulatory framework regimes, foreign exchange rate assumptions, inflation and discount rates used in the cash flow models.

**Estimation of oil and gas reserves**

Oil and gas reserves and resources used for accounting purposes are estimated using internationally accepted methods and standards. The Group’s annual oil and gas reserves and resources review process includes an external audit process conducted by appropriately qualified parties. All reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In general, changes in the technical maturity of hydrocarbon reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions. Changes in oil and gas reserves are an important indication of impairment or reversal of impairment and may result in subsequent impairment charges or reversals as well as affecting the unit-of-production depreciation charge in the profit or loss.

**Provision for decommissioning**

Decommissioning costs will be incurred by the Group at the end of the operating life of certain of the Group’s facilities and properties. The ultimate decommissioning costs or asset retirement obligations are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at production sites. The expected timing of expenditure can also change, for example in response to changes in laws and regulations or their interpretation, and/or due to changes in commodity prices. The provision is most sensitive to commodity price assumptions, foreign exchange rate assumptions, inflation and discount rates used in the cash flow models.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS** continued

**Key sources of estimation uncertainty** continued

**Allowance for expected credit losses**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- a) An actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
  - b) Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
  - c) An actual or expected significant deterioration in the operating results of the debtor;
  - d) Significant increases in credit risk on other financial instruments of the same debtor;
  - e) An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.
- Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

**Allowance for slow moving and obsolete inventories**

Management assess loss (if any) on items of inventory on account of slow moving and obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a future consumption of the item. Based on the factors, management has identified inventory items as slow moving and obsolete to calculate the allowance for slow moving and obsolete inventories.

**Fair value of financial instruments**

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived based on quoted prices from active markets, their fair value is determined using valuation techniques including discounted cash flows models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**Income taxes**

The Group recognises the net future tax benefit to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant assumptions related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

**2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS** continued

**Key sources of estimation uncertainty** continued

**Useful lives of property, plant and equipment**

Management determines the estimated useful lives of property, plant and equipment. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge is adjusted where management believes that the useful lives differ from previous estimates.

**Other operating revenue – Transmission & Distribution**

Other operating revenue for sales of water and electricity is calculated as the difference between its Maximum Allowed Revenue (MAR) determined in its Regulatory Control 1 (communicated by the DoE) and revenue relating to sales of water and electricity from its customers. Accordingly, the Group recognised this revenue for sales of water and electricity based on those rights and rewards that are confirmed during the period.

**Unbilled revenue**

The Group estimates the amount of unbilled consumption individually for each customer account based on historical meter readings. Unbilled consumption is calculated based on the average consumption for the period between the date of the last meter reading and the year end.

**Fair value of identifiable assets and liabilities**

As stated in note 1 above, the identifiable assets acquired and the liabilities assumed in business combination are recognised at their fair value. In estimating the fair value of an asset or a liability, the Group engaged third party qualified valuation experts to perform the valuation. The underlying assumptions and estimates in assessing the fair values are detailed within note 12, 14 and 32.3.

**2.4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these consolidated financial statements.

- Amendments to *Interest Rate Benchmark Reform in IFRS 9 and IFRS 7*
- Amendments to IFRS 16 *Leases* relating to Covid-19-Related Rent Concessions
- Amendments to *Reference to the Conceptual Framework in IFRS Standards*
- Amendments to IFRS 3 *Definition of a business*
- Amendments to IAS 1 and IAS 8 *Definition of material*

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2.5 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS BUT NOT YET EFFECTIVE**

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 17 Insurance Contracts (effective from 1 January 2023).
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not yet decided).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective from 1 January 2023).
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (effective from 1 January 2022).
- Amendments to IAS 16 Property, Plant and Equipment related to proceeds before intended use (effective from 1 January 2022).
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts—Cost of Fulfilling a Contract (effective from 1 January 2022).
- Annual Improvements to IFRS Standards 2018-2020: The Annual Improvements include amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective from 1 January 2022), IFRS 9 Financial Instruments (effective from 1 January 2022), IFRS 16 Leases (effective date not yet decided) and IAS 41 Agriculture (effective from 1 January 2022).
- Interest Rate Benchmark Reform — Phase 1 (Amendments to IFRS 9 and IFRS 7)
- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (effective from 1 January 2021).

The above stated new standards and amendments are not expected to have any significant impact on consolidated financial statement of the Group.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the consolidated financial statement of the Group.

**3 REVENUE**

**3.1 Revenue from generation of power and water**

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
Operating lease revenue	<b>3,562</b>	-
Revenue from operating financial assets (note 13)	<b>884</b>	-
Sale of power	<b>233</b>	-
Energy payments and other related revenue	<b>902</b>	-
Reimbursement of coal and other fuel costs *	<b>658</b>	-
Others	<b>142</b>	-
	<b>6,381</b>	-
	=====	=====

\*Fuel revenue represents reimbursements from the offtakers of the power and water subsidiaries for fuel consumed in power generation in accordance with the terms of the power and water purchase agreements and the power purchase agreements.

All revenue from generation of power and water is recognised at a point in time, with the exception of revenue from operating financial assets.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 3 REVENUE continued

#### 3.2 Revenue from transmission and distribution of power and water

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
TUOS and connection charges for licensed activities	<b>1,997</b>	4,907
TUOS charges for unlicensed activities	<b>1,011</b>	1,150
Revenue from supply and distribution of power and water	<b>6,963</b>	-
Distribution connection and meter installation fees	<b>453</b>	-
Water coupons	<b>49</b>	-
Other operating revenue	<b>4,907</b>	-
	<b>-----</b>	<b>-----</b>
	<b>15,380</b>	6,057
	<b>=====</b>	<b>=====</b>

The Group earns revenue from supply and distribution of power and water in the region of Abu Dhabi. Revenue is subject to Maximum Allowed Revenue (“MAR”) calculated in accordance with a formula as defined in the License document issued by DOE. Other operating revenue in respect of sale of power and water for the period are based on the difference between MAR and revenue billed to customers for the supply and distribution of power and water.

All revenue from transmission and distribution of power and water is recognised at a point in time.

#### 3.3 Revenue from oil and gas

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
Gross oil and gas revenue	<b>2,004</b>	-
Less: royalties	<b>(102)</b>	-
	<b>-----</b>	<b>-----</b>
	<b>1,902</b>	-
Gas storage revenue	<b>193</b>	-
Net processing income	<b>109</b>	-
Others	<b>20</b>	-
	<b>-----</b>	<b>-----</b>
	<b>2,224</b>	-
	<b>=====</b>	<b>=====</b>

All revenue from oil and gas recognised at a point in time, with the exception of gas storage revenue.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 4 OPERATING EXPENSES

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
Salaries and related expenses	<b>1,025</b>	341
Repairs, maintenance and consumables used	<b>1,561</b>	349
Bulk supply tariff	<b>7,106</b>	-
Fuel expenses	<b>805</b>	-
Charges by operating and maintenance contractors	<b>716</b>	-
Oil and gas operating costs	<b>1,171</b>	-
Transportation costs	<b>155</b>	-
Exploration and evaluation assets written off (note 14)	<b>21</b>	-
Others	<b>106</b>	3
	-----	-----
	<b>12,666</b>	693
	=====	=====

### 5 DEPRECIATION, DEPLETION AND AMORTISATION

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
Depreciation of property, plant and equipment and depletion of oil and gas assets (note 12)	<b>4,917</b>	1,811
Amortisation of intangible assets (note 14)	<b>700</b>	-
	-----	-----
	<b>5,617</b>	1,811
	=====	=====

### 6 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
Salaries and related expenses	<b>845</b>	171
Professional fees and business development expenses	<b>266</b>	53
IT and communications	<b>117</b>	19
Corporate social contributions	<b>1</b>	-
Others	<b>272</b>	212
	-----	-----
	<b>1,501</b>	455
	=====	=====
Cost recoveries from JV partners	<b>(207)</b>	-
	-----	-----
	<b>1,294</b>	455
	=====	=====

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 7 FINANCE COSTS

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
Finance costs relating to bonds and global medium term notes	540	-
Finance costs relating to interest bearing loans and borrowings and Islamic loans	446	-
Interest expense on interest rate swaps	359	-
Asset retirement obligations accretion expense (note 26)	228	-
Lease liability interest	8	1
	-----	-----
	1,581	1
	=====	=====

### 8 OTHER INCOME

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
Deferred income - grant released (note 27)	29	72
Other	174	13
	-----	-----
	203	85
	=====	=====

### 9 INCOME TAX

The major components of income tax credit for the years ended 31 December 2020 and 2019 are:

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
<b>Consolidated profit or loss</b>		
<i>Current income tax:</i>		
Current income tax charge	86	-
Adjustment in respect to income tax of previous years	(26)	-
<i>Deferred income tax:</i>		
Relating to origination and reversal of temporary differences	(332)	-
Adjustment in respect to deferred tax of previous years	14	-
	-----	-----
Income tax credit reported in the consolidated profit or loss	(258)	-
	=====	=====

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 9 INCOME TAX continued

The reconciliation between tax credit and the product of accounting profit multiplied by the applicable statutory tax rate for the years ended 31 December 2020 and 2019 is as follows:

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
Profit before tax	<b>3,759</b>	3,182
Non-taxable profit (including income in non-taxable jurisdictions)	<b>(2,460)</b>	(3,182)
	-----	-----
Total taxable profit	<b>1,299</b>	-
	=====	=====
Applicable tax charge at		
statutory rates – weighted average of 26% (2019: NA)	<b>(340)</b>	-
Adjustment in respect to income tax of previous years	<b>26</b>	-
Adjustment in respect to deferred income tax of previous years	<b>(14)</b>	-
Deferred tax recognition due to changes in estimates	<b>533</b>	-
Withholding taxes	<b>(13)</b>	-
Tax incentives	<b>10</b>	-
Special production taxes on upstream activities	<b>47</b>	-
Other	<b>9</b>	-
	-----	-----
Income tax credit reported in the profit or loss	<b>258</b>	-
	=====	=====

Adjustments relating to prior years are a result of reassessments of prior year taxes in entities within taxable jurisdictions that were acquired as at 1 July 2020. The prior year comparatives are that of TransCo on a standalone basis and as a UAE domiciled entity is not subject to tax.

#### Deferred tax

Deferred income tax at 31 December relates to the following:

	<i>Consolidated statement of financial position</i>		<i>Consolidated profit or loss</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>
<i>Deferred tax assets:</i>				
Temporary difference on property, plant and equipment	<b>460</b>	-	<b>(922)</b>	-
Temporary difference arising on asset retirement obligations	<b>3,339</b>	-	<b>1,302</b>	-
Tax losses	<b>284</b>	-	<b>43</b>	-
Others	<b>1,539</b>	-	<b>(755)</b>	-
	-----	-----	-----	-----
	<b>5,622</b>	-	<b>(332)</b>	-
	=====	=====	=====	=====
<i>Deferred tax liabilities:</i>				
Temporary difference on property, plant and equipment	<b>1,299</b>	-	<b>(4)</b>	-
Others	<b>13</b>	-	<b>18</b>	-
	-----	-----	-----	-----
	<b>1,312</b>	-	<b>14</b>	-
	=====	=====	=====	=====

Based on the latest available forecast of future profits, the Group has determined AED 1,850 million of tax losses (2019: not applicable) are unlikely to be utilised in the foreseeable future. Hence, no deferred tax benefit has been recognised, though these losses remain available for offset against future taxable profits.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

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

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

Diluted earnings per share amounts are calculated by dividing the earnings attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive instruments.

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

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
Profit for the year attributable to equity holders of the parent ( <i>AED million</i> )	<b>3,808</b>	3,182
	-----	-----
Weighted average number of ordinary shares issued (million)	<b>97,955</b>	83,475
	-----	-----
Basic earnings per share (AED)	<b>0.04</b>	0.04
	=====	=====

In accordance with the requirements of IFRS 3, the basic earnings per share in these consolidated financial statements, following the reverse acquisition (note 1), for the comparative period have been restated. The basic earnings per share for the comparative period have been calculated by dividing TransCo’s profit attributable to ordinary shareholders in comparative periods by TransCo’s historical weighted average number of ordinary shares that were outstanding, multiplied by the exchange ratio for TransCo established by the business combination agreement.

No figure for diluted earnings per share has been presented as the Group has not issued any instruments which would have an impact on earnings per share when exercised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 11 OPERATING SEGMENT INFORMATION

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer (CEO) of TAQA.

For this purpose, the Group is organised into business units based on their geography, products and services, and has three reportable operating segments as follows:

- Power and Water Generation Segment
- Power and Water Transmission & Distribution Segment
- Oil and Gas Segment

#### *Power and Water Generation Segment*

This segment is engaged in generation of electricity and production of desalinated water for supply in UAE and generation of electricity in Morocco, India, Ghana, Saudi Arabia and the United States.

#### *Power and Water Transmission & Distribution Segment*

This segment is engaged in transmission and distribution of water and electricity from the generation and desalination plants in the UAE.

#### *Oil and Gas Segment*

This segment is engaged in Upstream and Midstream oil and gas activities in Canada and Netherlands and Upstream oil and gas activities in United Kingdom and Kurdistan, Iraq.

Several operating segments have been aggregated to form the above reportable operating segments which are provided below:

Power and Water Generation – UAE	}	Generation
Power and Water Generation – Others		
Power and Water Transmission & Distribution – UAE	}	Transmission & Distribution
Oil and Gas – North America		
Oil and Gas – Europe	}	Oil & Gas
Oil and Gas – Iraq		

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on ‘profit or loss for the period’ as detailed in the following table. Group financing cost and income except for the subsidiaries with project financing arrangements and interest income is managed on a group basis and is not allocated to operating segments.

The majority of the Group’s revenues, profits, and assets relate to its operations in the United Arab Emirates.

Investment in certain associates with activities other than power and water generation and oil and gas and available for sale investments are managed on a group basis and are therefore not allocated to operating segments.

Interest bearing loans and borrowings and Islamic loans except for the subsidiaries with project financing arrangements are managed on a group basis and are not allocated to operating segments.

Prior year comparative operating segment information has not been provided. As a result of the transaction, prior year comparatives relate to TransCo only and therefore will be solely within the Transmission and Distribution operating segment.



# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 11 OPERATING SEGMENT INFORMATION continued

The following table presents revenue and profit information for the Group’s operating segments:

	<i>Generation AED million</i>	<i>Transmission &amp; Distribution AED million</i>	<i>Oil &amp; Gas AED million</i>	<i>Adjustments, eliminations &amp; unallocated AED million</i>	<i>Consolidated AED million</i>
<b>Year ended 31 December 2020:</b>					
Revenue from external customers	6,381	15,380	2,224	-	23,985
Operating expenses	(2,122)	(8,610)	(1,894)	(40)	(12,666)
Depreciation, depletion and amortisation	(2,333)	(2,967)	(340)	23	(5,617)
	-----	-----	-----	-----	-----
<b>Gross profit</b>	<b>1,926</b>	<b>3,803</b>	<b>(10)</b>	<b>(17)</b>	<b>5,702</b>
	-----	-----	-----	-----	-----
General and administrative expenses	(246)	(713)	(107)	(228)	(1,294)
Finance costs	(983)	-	(204)	(394)	(1,581)
Net foreign exchange gains (losses)	178	-	(38)	(67)	73
Share of results of associates and joint ventures	4	-	-	51	55
Bargain purchase gain	-	-	-	570	570
Other income	55	122	8	18	203
Interest income	-	-	-	31	31
Income tax (expense) credit	(189)	-	455	(8)	258
	-----	-----	-----	-----	-----
<b>Profit (loss) for the year</b>	<b>745</b>	<b>3,212</b>	<b>104</b>	<b>(44)</b>	<b>4,017</b>
	=====	=====	=====	=====	=====

The following table presents segment assets and liabilities of the Group’s operating segments as at 31 December 2020:

	<i>Generation AED million</i>	<i>Transmission &amp; Distribution AED million</i>	<i>Oil &amp; Gas AED million</i>	<i>Adjustments, eliminations &amp; unallocated AED million</i>	<i>Consolidated AED million</i>
<b>At 31 December 2020</b>					
Property, plant and equipment	36,633	83,944	5,507	(135)	125,949
Operating financial assets	10,937	-	-	-	10,937
Investments in and loans to associates and joint ventures	792	-	-	1,637	2,429
Intangible assets	14,470	4,755	7	-	19,232
Other assets	9,223	11,224	6,809	1,124	28,380
	-----	-----	-----	-----	-----
<b>Segment assets</b>	<b>72,055</b>	<b>99,923</b>	<b>12,323</b>	<b>2,626</b>	<b>186,927</b>
	=====	=====	=====	=====	=====
<b>Segment liabilities</b>	<b>48,482</b>	<b>14,754</b>	<b>15,660</b>	<b>38,776</b>	<b>117,672</b>
	=====	=====	=====	=====	=====
<b>Other disclosures at 31 December 2020</b>					
Additions-property, plant and equipment	104	1,908	142	-	2,154
Additions-intangible assets	-	-	11	-	11

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 11 OPERATING SEGMENT INFORMATION continued

#### Geographical information

The following tables present revenue, certain asset information relating to the Group based on geographical location of the subsidiaries at 31 December 2020:

	<i>UAE</i> <i>AED million</i>	<i>North America</i> <i>AED million</i>	<i>Europe</i> <i>AED million</i>	<i>Africa</i> <i>AED million</i>	<i>Others</i> <i>AED million</i>	<i>Total</i> <i>AED million</i>
Revenue	<b>19,946</b>	<b>1,017</b>	<b>1,246</b>	<b>1,496</b>	<b>280</b>	<b>23,985</b>
Non-current assets	<b>140,236</b>	<b>3,500</b>	<b>1,539</b>	<b>9,503</b>	<b>884</b>	<b>155,662</b>

Non-current assets for this purpose consist of property, plant and equipment, operating financial assets, intangible assets and other assets.

#### Other information

The Group has one major customer that contributed more than 10% towards the Group’s revenue during the year ended 31 December 2020, as presented in the following table:

	<i>Generation</i> <i>AED million</i>	<i>Transmission &amp; Distribution</i> <i>AED million</i>	<i>Oil &amp; Gas</i> <i>AED million</i>	<i>Adjustments, eliminations &amp; unallocated</i> <i>AED million</i>	<i>Consolidated</i> <i>AED million</i>
Customer 1	<b>4,553</b>	<b>1,011</b>	-	-	<b>5,564</b>
	<b>4,553</b>	<b>1,011</b>	-	-	<b>5,564</b>
	=====	=====	=====	=====	=====

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 12 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings, equipment and plant and machinery AED million</i>	<i>Oil and gas assets AED million</i>	<i>Capital spares AED million</i>	<i>Capital work in progress AED million</i>	<i>Right of use assets AED million</i>	<i>Total AED million</i>
<b>2020</b>						
<b>Cost:</b>						
<b>At 1 January 2020</b>	<b>61,251</b>	<b>-</b>	<b>258</b>	<b>4,817</b>	<b>42</b>	<b>66,368</b>
Acquisition of subsidiaries (note 1)	114,898	18,378	-	7,758	119	141,153
Additions	2,005	142	-	-	358	2,505
Revision of ARO	-	145	-	-	-	145
Disposals of assets	-	12	-	-	-	12
Exchange adjustment	333	-	-	-	-	333
<b>At 31 December 2020</b>	<b>178,487</b>	<b>18,677</b>	<b>258</b>	<b>12,575</b>	<b>519</b>	<b>210,516</b>
<b>Depreciation and depletion:</b>						
<b>At 1 January 2020</b>	<b>23,390</b>	<b>-</b>	<b>98</b>	<b>-</b>	<b>7</b>	<b>23,495</b>
Acquisition of subsidiaries (note 1)	41,070	14,402	9	-	32	55,513
Charge for the year (note 5)	4,567	206	-	-	144	4,917
Exchange adjustment	642	-	-	-	-	642
<b>At 31 December 2020</b>	<b>69,669</b>	<b>14,608</b>	<b>107</b>	<b>-</b>	<b>183</b>	<b>84,567</b>
<b>Net carrying amount:</b>						
<b>At 31 December 2020</b>	<b>108,818</b>	<b>4,069</b>	<b>151</b>	<b>12,575</b>	<b>336</b>	<b>125,949</b>
<b>2019</b>						
<b>Cost:</b>						
<b>At 1 January 2019</b>	<b>60,569</b>	<b>-</b>	<b>322</b>	<b>4,650</b>	<b>-</b>	<b>65,541</b>
Recognised on initial application of IFRS 16	-	-	-	-	25	25
Additions	7	-	8	973	17	1,005
Transfers	806	-	-	(806)	-	-
Adjustments to projects capitalized in prior years	(109)	-	-	-	-	(109)
Write off	(22)	-	(72)	-	-	(94)
<b>At 31 December 2019</b>	<b>61,251</b>	<b>-</b>	<b>258</b>	<b>4,817</b>	<b>42</b>	<b>66,368</b>
<b>Depreciation and depletion:</b>						
<b>At 1 January 2019</b>	<b>21,616</b>	<b>-</b>	<b>117</b>	<b>-</b>	<b>-</b>	<b>21,733</b>
Charge for the year	1,796	-	8	-	7	1,811
Write off	(22)	-	(27)	-	-	(49)
<b>At 31 December 2019</b>	<b>23,390</b>	<b>-</b>	<b>98</b>	<b>-</b>	<b>7</b>	<b>23,495</b>
<b>Net carrying amount:</b>						
<b>At 31 December 2019</b>	<b>37,861</b>	<b>-</b>	<b>160</b>	<b>4,817</b>	<b>35</b>	<b>42,873</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**12 PROPERTY, PLANT AND EQUIPMENT** continued

Property, plant and equipment with a carrying amount of AED 36,374 million (2019: AED nil) are pledged as security for the related loans.

**Oil and gas assets - impairment approach and key assumptions**

The calculation of recoverable amount for oil and gas assets is based upon the following key assumptions:

- Reserve and resource volumes;
- Inflation rates;
- Cash flows relating to gas storage;
- Discount rates;
- Foreign exchange rates; and
- Commodity prices.

It is management’s view that the impairment calculations are not materially sensitive to reasonable possible changes in the assumptions. In the impairment calculations, assumptions are also made regarding the cash flows from each asset’s ultimate disposal.

*Reserve and resource volumes*

Reserve and resource volumes form the basis of the production profiles within the discounted cash flow models. The Group’s annual oil and gas reserves (proved, probable and possible) and resources review process includes an external audit process conducted by appropriately qualified parties. Where significant, the contingent resources within a segment are also reviewed and reported on. The data generated for each field and location takes into consideration the development plans approved by senior management and reasonable assumptions that an external party would apply in appraising the assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**12 PROPERTY, PLANT AND EQUIPMENT** continued

**Oil and gas assets - impairment approach and key assumptions** continued

*Inflation rates*

Estimates are obtained from published indices for the countries from which products and services are originated, as well as data relating to specific commodities. Forecast figures are used if data is publicly available. The Company assumed inflation rates ranging from 2% to 5% in perpetuity (2019: not applicable).

*Cash flows relating to gas storage*

Cash flows relating to gas storage are based on assumptions on delivery capacity, injection capacity, working volumes and expected availability. The assumptions are supported by non-binding expressions of interests on demand for working volumes.

*Discount rates*

Discount rates used reflect the estimated weighted average cost of capital rates for potential acquirer group companies developed for each of the locations. The assets are valued on a FVLCD methodology and therefore post-tax discount rates ranging from 4.3% to 17.0% (2019: not applicable), were used to calculate the recoverable amounts at the reporting date.

*Foreign exchange rates and commodity prices*

A summary of the 2020 key assumptions are provided below:

	2021	2022	2023	2024	2025
<b>Commodity prices</b>					
WTI (US\$/bbl) <sup>(1)</sup>	42	48	53	58	63
AECO (US\$/mmbtu) <sup>(1)</sup>	1.65	1.75	1.90	2.15	2.15
Brent (US\$/bbl) <sup>(1)</sup>	45	50	55	60	65
Summer/Winter gas spread (Euro/MWh) <sup>(2)</sup>	2.90	2.00	2.00	2.00	2.00
<b>Foreign exchange rates</b>					
US\$/CAD\$	0.74	0.74	0.74	0.74	0.74
US\$/Euro	1.14	1.14	1.14	1.14	1.14
US\$/GBP	1.24	1.33	1.43	1.43	1.43

<sup>(1)</sup> Prices are escalated at 2% thereafter.

<sup>(2)</sup> Prices are held flat thereafter.

**Power and water assets - impairment approach and key assumptions**

The recoverable amount for power and water assets is based on FVLCD. In determining FVLCD, a discounted cash flow valuation model was used, incorporating market based assumptions. The key assumptions for FVLCD calculations are outlined below together with the approach management has taken in determining the value to ascribe to each. Management believes it is appropriate to use cash flow forecasts over such periods due to the long term power and water purchase agreements associated with the facilities.

The calculation of FVLCD for power and water generation assets is most sensitive to the following assumptions:

- Future cash flows beyond the term of the current PWPAs;
- Inflation rates; and
- Discount rates.

*Future cash flows beyond the terms of the current PWPAs*

The Group’s expected future cash flows have been estimated based on work performed by an internal expert. In doing so, management has considered key trends in the relevant power and water sectors, likely extension scenarios including extension tariff projections and the recovery of the residual values.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 12 PROPERTY, PLANT AND EQUIPMENT continued

#### Power and water assets - impairment approach and key assumptions continued

##### *Inflation rates*

Estimates are obtained from published indices for the countries from which products and services are originated. Forecast figures are used if data is publicly available. The Company assumed inflation rates ranging from 1% to 5% in perpetuity (2019: not applicable).

##### *Discount rates*

Discount rates used represent the current market assessment of the risks specific to the assets, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The assets are valued using a FVLCD methodology, future cash flows are discounted using post-tax rates ranging from 3.9% to 8.3% (2019: not applicable).

### 13 OPERATING FINANCIAL ASSETS

The movement in operating financial assets is as follows:

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
At 1 January	-	-
Acquisition of subsidiaries (note 1)	<b>10,682</b>	-
Recognised during the year (note 3.1)	<b>884</b>	-
Consideration received during the year	<b>(978)</b>	-
Exchange gains recognised in the consolidated income statement	<b>349</b>	-
	<b>10,937</b>	-
	=====	=====

Analysed in the consolidated statement of financial position as follows:

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
Non-current portion	<b>9,740</b>	-
Current portion	<b>1,197</b>	-
	<b>10,937</b>	-
	=====	=====

TAQA manages three concession contracts as defined by IFRIC 12, mainly covering electricity generation. The foreign subsidiaries, namely TAQA Morocco (formerly Jorf Lasfar Energy Company SCA (JLEC)), TAQA Neyveli Power Company Pvt Ltd (Neyveli) and Takoradi International Company (Takoradi), have entered into power purchase agreements (PPA) with offtakers in the countries where they are operating. Under the PPA the foreign subsidiaries undertake to make available, and the offtakers undertake to purchase, the available net capacity of the plant for a period of time in accordance with various agreed terms and conditions as specified in the PPA as follows:

##### *TAQA Morocco:*

The subsidiary had the right of possession for the site and the plant units (units 1 to 4) for a period of 30 years ending in September 2027. On 24 January, 2020 TAQA Morocco with Office National de l'Electricité ("ONE") signed an extension to the PPA for a further 17 years from 2027 to 2044. At the end of the PPA, the ownership of the site and the plants will be transferred to the offtaker.

During 2009, ONE and TAQA Morocco signed a strategic partnership agreement to extend the capacity of the plant by constructing two new units (units 5&6) with an approximate gross capacity of 350 MW each. In June 2014, the two new units were completed and a 30 year PPA ending 2044 was entered into.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 13 OPERATING FINANCIAL ASSETS continued

#### *Neyveli:*

The subsidiary has a 30 year PPA with the offtaker ending in December 2032. On the expiry date of the PPA, the offtaker has the option to acquire the plant at a price equal to 50% of the terminal value as defined in the PPA.

#### *Takoradi:*

The subsidiary had originally signed a 25 year PPA with the offtaker ending in March 2024. On expiry date of the PPA, the plant is to be transferred to the offtaker at a nominal amount. The expansion project has increased the existing 220 MW capacity to 330 MW. As a result of the expansion, the PPA term has been extended to 2039.

Operating financial assets with a carrying amount of AED 10,665 million (2019: not applicable) are pledged as security for the related borrowings in the subsidiaries.

An expected credit loss (ECL) provision of AED 211 million (2019: not applicable) is recognised against the operating financial assets.

### 14 INTANGIBLE ASSETS

	<i>Exploration and evaluation assets AED million</i>	<i>Distribution licences AED million</i>	<i>Power (and water) purchase agreements AED million</i>	<i>Connection rights AED million</i>	<i>Tolling agreement and other AED million</i>	<i>Total AED million</i>
<b>2020</b>						
<b>Cost:</b>						
<b>At 1 January 2020</b>	-	-	-	-	-	-
Acquisition of subsidiaries (note 1)	24	4,755	14,849	1,767	1,099	22,494
Additions	-	-	-	-	11	11
Inter-company eliminations	-	-	-	(1,638)	-	(1,638)
Other	-	-	-	-	82	82
Derecognised during the year (note 4)	(21)	-	-	-	-	(21)
Exchange adjustment	1	-	-	-	-	1
<b>At 31 December 2020</b>	<b>4</b>	<b>4,755</b>	<b>14,849</b>	<b>129</b>	<b>1,192</b>	<b>20,929</b>
<b>Amortisation:</b>						
<b>At 1 January 2020</b>	-	-	-	-	-	-
Acquisition of subsidiaries (note 1)	-	-	-	552	948	1,500
Amortisation for the year (note 5)	-	-	511	154	35	700
Intercompany eliminations	-	-	-	(603)	-	(603)
Exchange adjustment	-	-	-	-	-	-
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>511</b>	<b>103</b>	<b>983</b>	<b>1,597</b>
<b>Fair value adjustment</b>						
<b>on effective fair value hedges (note 32.2 (iv))</b>	-	-	-	-	-	-
Acquisition of subsidiaries (note 1)	-	-	-	-	(129)	(129)
Exchange adjustment	-	-	-	-	29	29
<b>Net carrying amount:</b>						
<b>At 31 December 2020</b>	<b>4</b>	<b>4,755</b>	<b>14,338</b>	<b>26</b>	<b>109</b>	<b>19,232</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**14 INTANGIBLE ASSETS** continued

*Distribution licenses*

The Distribution companies (DisCos) in the UAE have licence agreements with the DoE. These licenses commenced in 1999 and gave the DisCos the exclusive right to distribute power and water throughout the Emirate of Abu Dhabi. These licenses can only be revoked after a 25 year notice period. As a result, the licenses are considered as an indefinite lived intangible asset and is subject to an annual impairment test.

*Power (and water) purchase agreements (P(W)PAs)*

All the I(W)PP assets in the UAE has separate P(W)PAs in place with EWEC with an average term of 25 years. Under the respective P(W)PA, each asset is entitled to sell electricity and water (as applicable) generated by the facility to EWEC at the agreed contractual prices and ADWEA is obliged to make capacity payments for both electricity and water as defined in the respective contracts. The key assumptions for the power and water asset VIU calculations are outlined in note 12 together with the approach management has taken in determining the value to ascribe to each.

*Connection rights*

The intangible assets arose from the transfer, made by a number of the Group’s subsidiaries, of certain assets to a related party in accordance with the terms of individual agreements and represent the acquisition cost of the right of connection to the transmission systems at the connection sites for a period of 1 to 8 years. The connection rights cost are being amortised on a straight line basis over the same period, being the expected period of benefit.

*Tolling agreement*

The Group has a fuel conversion services, capacity and ancillary services purchase agreement ("Tolling Agreement") relating to the acquisition of BE Red Oak Holding LLC. Under the terms of the Tolling Agreement, the Group is entitled to the economic rights (revenue from sale of electricity, capacity payments and any other ancillary services) of a power plant located in New Jersey, USA and the Group is obligated to supply the fuel and also make certain fixed and variable payments to the operator. The tolling agreement cost is being amortised on a straight line basis over the term of the agreement.

The fair value of the contract is based on estimated forward commodity prices, estimated correlation of commodity prices, volatility factors, and other typical option valuation parameters over the term of the tolling contract.



# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 15 INVESTMENT IN AND LOANS TO ASSOCIATES AND JOINT VENTURES

The Group has the following investments:

	Country of incorporation and operation	Ownership 2020	2019
<i>Associates</i>			
Massar Solutions PJSC (note i)	UAE	49.0%	-
Jubail Energy Company (note ii)	Saudi Arabia	25.0%	-
Sohar Aluminium Company LLC (note iii)	Oman	40.0%	-
<i>Joint Venture</i>			
LWP Lessee LLC (note iv)	USA	50.0%	-
Taweelah RO Holding Company LLC (note v)	UAE	33.0%	-
Fujairah Energy Holding Company LLC (note vi)	UAE	67.0%	-
Dhafrah Solar Energy Holding Company LLC (note vii)	UAE	67.0%	-

- (i) Massar Solution PJSC (formerly Al Wathba Company for Central Services PJSC) is mainly involved in the leasing and management of vehicles and equipment.
- (ii) Jubail Energy Company (“Jubail”) is involved in the generation of electricity.
- (iii) Sohar Aluminium Company LLC (“Sohar”) is involved in the construction, ownership and operation of an aluminium smelter and an associated combined cycle power plant.
- (iv) LWP Lessee LLC (“Lakefield”) is involved in wind power.
- (v) Taweelah RO Holding Company LLC is involved in the production of desalinated water.
- (vi) Fujairah Energy Holding Company LLC is involved in the generation of electricity. Despite 67% ownership, TAQA recognises it’s investment in this entity as a joint venture. Through the entity’s Articles of Association and Board structure, all shareholders have equal and joint ability to direct the relevant activities of this entity.
- (vii) Dhafrah Solar Energy Holding Company LLC is involved in solar power generation. Despite 67% ownership, TAQA recognises it’s investment in this entity as a joint venture. Through the entity’s Articles of Association and Board structure, all shareholders have equal and joint ability to direct the relevant activities of this entity.

Summary information for associates and joint ventures:

	Massar Solutions(i) AED million	Jubail Energy(ii) AED million	Sohar Aluminium(iii) AED million	LWP Lessee(iv) AED million	Taweelah RO(v) AED million	Fujairah Energy(vi) AED million	Dhafrah Solar(vii) AED million
<b>Year ended 31 December 2020:</b>							
Revenue	329	41	2,356	160	-	-	-
Profit for the year	30	27	216	31	-	-	-
<b>As at 31 December 2020:</b>							
Non-current assets	598	247	4,506	9	1,637	914	-
Current assets	350	88	1,126	101	65	91	196
Non-current liabilities	(87)	(188)	(737)	(57)	(1,602)	(537)	(196)
Current liabilities	(132)	(11)	(2,271)	(6)	(10)	(64)	-
Net assets of Associate/JV	729	136	2,624	47	90	404	-
TAQA share of net assets	357	34	1,050	23	29	270	-
Equity accounting adjustments	57	15	(277)	128	-	-	-
Classified as loans/advances	-	-	-	-	(29)	(270)	-
TAQA carrying amount of investment	414	49	773	151	-	-	-

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 15 INVESTMENT IN AND LOANS TO ASSOCIATES AND JOINT VENTURES continued

The Group’s associates and joint venture are accounted for using the equity method and the reporting dates of the associates are identical to TAQA. The following table analyses the carrying amount and share of profit and other comprehensive income of TAQA’s associates and joint venture.

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
Carrying amount of investments	<b>1,387</b>	-
	=====	=====
Group’s share of the associates’ and joint venture:		
Profit for the year	<b>55</b>	-
Other comprehensive income	-	-
	-----	-----
Total comprehensive income	<b>55</b>	-
	=====	=====

In order for the associates and joint ventures to reduce its exposure to interest rates fluctuations on loans from banks, the a number of the entities have entered into an interest rate arrangements with counter-party banks for a notional amount that mirrors the draw down and repayment schedule of the loans.

The Group has the following loans to associates and joint ventures:

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
Mezzanine loan – non-current	<b>395</b>	-
Advance – non – current	<b>647</b>	-
	-----	-----
	<b>1,042</b>	-
	=====	=====

The balances above mainly arise from the loans and advances made to Sohar Aluminium Company LLC, Taweelah RO Holding Company LLC and Fujairah Energy Holding Company LLC.

An ECL provision of AED 4 million (2019: not applicable) is recognised against the loans to Sohar Aluminium Company LLC.

### 16 OTHER ASSETS

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
Deposit receivable	<b>75</b>	-
Advances to contractors	<b>521</b>	114
Cash flow hedges (note 32.1)	<b>44</b>	-
Others	<b>101</b>	-
	-----	-----
	<b>741</b>	114
	=====	=====

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 17 INVENTORIES

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
Fuel and crude oil	<b>1,611</b>	-
Spare parts and consumables	<b>2,960</b>	156
	-----	-----
	<b>4,571</b>	156
Provision for slow moving and obsolete items	<b>(972)</b>	(62)
	-----	-----
	<b>3,599</b>	94
	=====	=====

The cost of inventories recognised as an expense in the consolidated income statement is AED 911 million (2019: not applicable).

Inventories with a carrying amount of AED 3,154 million (2019: not applicable) are pledged as security for loans of the UAE domestic subsidiaries and certain foreign subsidiaries in the power business. Movements in the provision for slow moving and obsolete items are as follows:

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
At 1 January	<b>62</b>	39
Acquisition of subsidiaries (note 1)	<b>807</b>	-
Provision for the year	<b>103</b>	23
	-----	-----
At 31 December	<b>972</b>	62
	=====	=====

### 18 ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
Net trade receivables (note (i))	<b>4,692</b>	-
Accrued revenue	<b>707</b>	-
Crude stock underlift	<b>86</b>	-
Deposits	<b>414</b>	-
Advances to suppliers	<b>97</b>	-
Prepaid expenses	<b>442</b>	29
Income tax prepaid	<b>538</b>	-
Cash flow hedges (note 32.1)	<b>26</b>	-
Fair value hedges (note 32.1)	<b>23</b>	-
Other receivables	<b>265</b>	32
	-----	-----
	<b>7,290</b>	61
	=====	=====

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 18 ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES continued

#### (i) Trade receivables

As at 31 December 2020, trade receivables at nominal value of AED 1,005 million (2019: AED nil) were impaired and fully provided for. Trade receivables are non-interest bearing and are recoverable within 30 - 90 working days. Movements in the provision for impairment of receivables are as follows:

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
At 1 January	-	-
Acquisition of subsidiaries (note 1)	<b>1,029</b>	-
Provision/ECL for the year	<b>(24)</b>	-
	-----	-----
At 31 December	<b>1,005</b>	-
	=====	=====

As at 31 December, the ageing analysis of trade receivables is as follows:

		<i>Past due</i>				
	<i>Total</i>	<i>Not past</i>	<i>30 – 60</i>	<i>60 – 90</i>	<i>90 – 120</i>	<i>&gt;120</i>
	<i>AED million</i>	<i>due</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>
<b>Net trade receivables</b>	<b>4,692</b>	<b>2,363</b>	<b>82</b>	<b>43</b>	<b>7</b>	<b>2,197</b>
<b>Expected credit loss provision</b>	<b>1,005</b>	<b>2</b>	<b>20</b>	<b>26</b>	<b>37</b>	<b>920</b>

Subsequent to the balance sheet date, the Group collected AED 1 million (2019: AED 1 million) of balances past due for more than 120 days. Trade receivables net of provisions are expected, on the basis of past experience, to be fully recoverable.

### 19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts:

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
Cash at banks and on hand	<b>7,208</b>	220
Short term deposits	<b>1,179</b>	-
	-----	-----
Total cash and short term deposits	<b>8,387</b>	220
Bank overdrafts	<b>(66)</b>	-
	-----	-----
Net cash and cash equivalents	<b>8,321</b>	220
	=====	=====
Restricted cash	<b>132</b>	-
	=====	=====

Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Bank overdrafts carry interest at floating rates and are secured by guarantees from certain shareholders of the subsidiaries.

At 31 December 2020, the Group had available AED 8,154 million (2019: AED nil) of undrawn committed borrowing facilities in respect of which all conditions precedent have been met.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 20 SHARE CAPITAL

The Transaction between TAQA and ADPC (note 1) was effected by the issuance of 106,367,950,000 ordinary shares of AED 1 by TAQA to the existing shareholders of ADPC. The newly issued shares added to the existing share capital of TAQA (i.e. 6,066,300,000 shares) constitutes the share capital of the legal entity / acquirer after the merger, i.e. the Combined Entity. The table below represents the effect of the transaction on the share capital of the Group as of the date of the transaction:

	<i>Shares</i>	<i>%</i>
Number of shares issued by TAQA to ADPC	106,367,950,000	95
Initial share capital of TAQA	6,066,300,000	5
<b>Total shares of TAQA post combination</b>	<b>112,434,250,000</b>	<b>100</b>
	=====	=====

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
Share capital	<b>112,434</b>	5,992
	=====	=====

### 21 OTHER EQUITY

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
Statutory reserve (i)*	<b>381</b>	2,996
Legal reserve (ii)*	-	2,996
Merger reserve (iii)	<b>(56,443)</b>	-
Interest free loan from shareholders (iv)*	-	22,896
Proposed increase in share capital (v)*	-	2,113
Proposed dividends (vi)*	-	2,805

\* In June 2020, prior to the completion of the transaction, a capital optimisation programme was completed at TransCo which saw a reduction in share capital, statutory and legal reserves in addition to the settlement of intercompany balances and loans between ADPC entities.

#### (i) Statutory reserve

As required by the UAE Federal Law No. 2 of 2015 and Article 34 of the Articles of Association of TAQA, 10% of the profit for the year is transferred to a statutory reserve. The Company may resolve to discontinue such transfers when the reserve equals 50% of the share capital. The reserve is not available for distribution. Prior to the completion of the transaction, a capital optimisation programme was completed which saw the settlement of the statutory reserve.

#### (ii) Legal reserve

In accordance with Article 34 of the Articles of Association of TransCo, 10% of the profit for the year is transferred to a legal reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the share capital or in accordance with a resolution taken to this effect by the shareholder at the Annual General Meeting upon the recommendation of the Board of Directors. This reserve may only be used for the purposes recommended by the Board of Directors and approved by the shareholder. Prior to the completion of the transaction, a capital optimisation programme was completed which saw the settlement of the legal reserve.

There is no requirement under the Articles of Association of TAQA to transfer any amount of annual profits to the legal reserve.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 21 OTHER EQUITY continued

#### (iii) Merger reserve

In accordance with IFRS 3 and per the principles of reverse acquisition, the equity structure appearing in these consolidated financial statements reflects the capital structure (number of shares) of the legal acquirer (TAQA), including the shares issued by TAQA to ADPC to effect the business combination (note 1). This results in the creation of a 'Merger reserve' as at 1 July 2020, being the difference between the capital structure of the legal acquirer (TAQA) and the capital structure of the accounting acquirer (TransCo). The Merger reserve has been computed as follows:

	<i>AED million</i>
Capital structure of the accounting acquirer	
- TransCo outstanding shares pre-transaction	-
- Consideration transferred for the reverse acquisition	38,654
	-----
	38,654
Less: Capital structure of the legal acquirer	(112,434)
Less: Non cash distribution of land	(18,682)
Less: Bargain purchase gain on acquisition	(570)
Plus: Interest free loan from shareholder	36,589
	-----
	(56,443)
	=====

The purchase consideration computed from the perspective of the accounting acquirer (TransCo) considered the plots of land under the Framework Agreement (note 1) to be acquired by the Group and distributed to the shareholders of the Group as a non-cash distribution in accordance with the requirements of IFRS 3.

#### (iv) Interest free loan from shareholder

As per the arrangement between Transco and ADPower, there were no contractual obligations to repay shareholder loans provided in prior years as funding for power and water transmission capital projects. Prior to the completion of the transaction, a capital optimisation programme was completed which saw the settlement of the interest-free loan with ADPower.

#### (v) Proposed increase in share capital

Following a resolution passed by the Executive Council of the Emirate of Abu Dhabi, the Finance Department of the Government of Abu Dhabi committed to fund historic water and electricity projects approved by the Water and Electricity Department (WED) prior to 1 January 1999. This additional funding was provided against a proposed increase in share capital. The legal formalities in connection with the increase in the share capital were not yet completed at the end of the reporting period.

#### (vi) Proposed dividends

##### 2019

TransCo proposed an amount of AED 2,805 million, AED 4.68 per share as proposed dividend for the year ended 31 December 2019. As part of capital optimisation the dividend was transferred to interest free loans from the shareholder.

##### 2020

During the current year, TAQA proposed and paid an interim dividend of AED 1,687 million, being AED 0.015 per share for the year ended 31 December 2020. The interim dividend was approved by the board on 13 December 2020.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 22 NON-CONTROLLING INTERESTS

As part of the business combination TAQA legally acquired the following subsidiaries that have material non-controlling interests:

	<i>Country of incorporation and operation</i>	<i>Proportion of equity interests held by non-controlling interests</i>
Sweihaan PV Power Company PJSC	UAE	40.0%
Shuweihaat Asia Power Company	UAE	40.0%
Mirfa International Power and Water Company PJSC	UAE	40.0%
Gulf Total Tractebel Power Company PJSC	UAE	40.0%
Arabian Power Company PJSC	UAE	40.0%
Shuweihaat CMS International Power Company PJSC	UAE	40.0%
Taweelah Asia Power Company PJSC	UAE	40.0%
Emirates SembCorp Water and Power Company PJSC	UAE	40.0%
Fujairah Asia Power Company PJSC	UAE	40.0%
Ruwais Power Company PJSC	UAE	40.0%
Emirates CMS Power Company PJSC	UAE	40.0%

All of the Group’s subsidiaries that have material non-controlling interest are similar in nature. These all relate to the Group’s UAE power and water subsidiaries, in which the Group have an effective 60% share. 40% is owned by various international utility companies. Therefore, the following disclosures have been provided on an aggregated basis.

	<i>31 December 2020 AED million</i>
Revenue	4,553
Profit	383
Other comprehensive income	903
<b>Total comprehensive income</b>	<b>1,286</b>
Profit allocated to non-controlling interests	153
Other comprehensive income allocated to non-controlling interests	361
Cash flows from operating activities	3,371
Cash flows used in investing activities	(103)
Cash flows used in financing activities	(3,011)
<b>Net increase in cash and cash equivalents</b>	<b>257</b>
<b>Dividends paid to non-controlling interests</b>	<b>(268)</b>
	<i>At 31 December 2020 AED million</i>
Non-current assets	52,245
Current assets	5,982
Non-current liabilities	36,250
Current liabilities	5,450
<b>Total equity</b>	<b>16,527</b>
Equity attributable to parent	10,294
Equity attributable to non-controlling interests	6,233

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 23 LOANS FROM NON-CONTROLLING INTEREST SHAREHOLDERS IN SUBSIDIARIES

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
S2 Offshore Holding Company	72	-
Fujairah F2 CV	4	-
Shuweiha Asia Power Investment B.V.	58	-
M Power Holding Company	180	-
Sweihan Solar Holding Company	152	-
	-----	-----
	466	-
	=====	=====

The above loans are interest free, with no repayment terms and are unsecured and are subject to terms of repayment as resolved by the Board of Directors of the subsidiaries. Accordingly they have been treated as equity within NCI.

### 24 INTEREST BEARING LOANS AND BORROWINGS

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
Abu Dhabi National Energy Company Global Medium Term notes (note i)	27,859	-
Revolving credit facilities (note ii)	5,133	-
Abu Dhabi National Energy Company bonds (note iii)	4,429	-
Other subsidiaries’ bonds (note iv)	6,458	-
Term loans (note v)	31,175	-
	-----	-----
	75,054	-
	=====	=====

Analysed in the consolidated statement of financial position as follows:

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
Non-current portion	66,198	-
Current portion	8,856	-
	-----	-----
	75,054	-
	=====	=====

The Group’s interest bearing loans and borrowings (before purchase price allocation fair value adjustments and deducting prepaid finance costs) are repayable as follows:

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
Within 1 year	8,580	-
Between 1 – 2 years	3,885	-
Between 2 – 3 years	7,209	-
Between 3 – 4 years	11,556	-
Between 4 – 5 years	5,742	-
After 5 years	36,729	-
	-----	-----
	73,701	-
	=====	=====



# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 24 INTEREST BEARING LOANS AND BORROWINGS continued

#### Changes in liabilities arising from financing activities

	<i>1 January 2020 AED million</i>	<i>Acquisition of subsidiaries (note 1) AED million</i>	<i>Cash flows (note i) AED million</i>	<i>Other (note ii) AED million</i>	<i>31 December 2020 AED million</i>
<b>2020</b>					
<i>Current:</i>					
Interest bearing loans and borrowings	-	6,454	(5,072)	7,474	8,856
Islamic loans	-	168	(80)	85	173
Lease liabilities	16	184	(93)	110	217
	-----	-----	-----	-----	-----
	16	6,806	(5,245)	7,669	9,246
<i>Non-current:</i>					
Interest bearing loans and borrowings	-	71,998	1,709	(7,509)	66,198
Islamic loans	-	819	-	(39)	780
Lease liabilities	21	349	-	(9)	361
	-----	-----	-----	-----	-----
	21	73,166	1,709	(7,557)	67,339
	37	79,972	(3,536)	112	76,585
	=====	=====	=====	=====	=====

(i) The cash flows relates to the net movements in interest bearing loans and borrowings and Islamic loans as detailed in the cash flow statement.

(ii) This includes reclassifications between non-current and current, prepaid finance cost accruals and payments, foreign exchange difference and fair value adjustments.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 24 INTEREST BEARING LOANS AND BORROWINGS continued

#### (i) Abu Dhabi National Energy Company Global Medium Term Notes

Abu Dhabi National Energy Company global medium term notes are recorded at amortised cost using effective interest rates and are direct, unconditional, and unsecured obligations of TAQA. The following table summarises the terms of the notes payable net of discount/premium and transaction costs:

	<i>Issue rate %</i>	<i>Effective interest rate %</i>	<i>Repayment date</i>	<b>2020 AED million</b>	<b>2019 AED million</b>
<b><i>Current liabilities</i></b>					
US \$500,000,000	99.66%	3.87%	June 2021	<b>1,857</b>	-
US \$250,000,000	102.48%	3.16%	June 2021	<b>934</b>	-
US \$750,000,000	99.52%	6.00%	December 2021	<b>2,881</b>	-
				<b>5,672</b>	-
<b><i>Non-current liabilities</i></b>					
US \$1,250,000,000	99.40%	3.75%	January 2023	<b>4,797</b>	-
Euro 180,000,000	97.62%	3.10%	May 2024	<b>873</b>	-
US \$750,000,000	99.37%	4.02%	May 2024	<b>2,955</b>	-
US \$750,000,000	99.95%	4.38%	April 2025	<b>3,043</b>	-
US \$500,000,000	99.00%	4.60%	June 2026	<b>2,027</b>	-
US \$500,000,000	104.60%	3.84%	June 2026	<b>2,091</b>	-
US \$1,000,000,000	99.96%	4.88%	April 2030	<b>4,349</b>	-
US \$500,000,000	100.00%	4.00%	October 2049	<b>2,052</b>	-
				<b>22,187</b>	-
				<b>27,859</b>	-

#### (ii) Revolving credit facilities

The following table summarises drawn revolving credit facilities net of transaction costs:

	<b>2020 AED million</b>	<b>2019 AED million</b>
<b><i>Non-current liabilities</i></b>		
US \$3.5 billion facility	<b>5,133</b>	-

The revolving credit facility is a US\$ 3.5 billion, multicurrency revolving credit facility with a syndicate of 13 banks. Amounts borrowed under revolving credit facility carry interest of LIBOR or EURIBOR plus a margin. The facility expires in December 2024.

The liability is stated net of transaction costs incurred, amounting to AED 74 million as at 31 December 2020 (2019: not applicable). This cost is amortized in the consolidated statement of profit or loss over the term of the facility using the effective interest rate method.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 24 INTEREST BEARING LOANS AND BORROWINGS continued

#### (iii) Abu Dhabi National Energy Company bonds

The bonds are recorded at amortised cost using effective interest rates and are direct, unconditional, and unsecured obligations of the Company. Interest on the US dollar bonds is payable semi-annually. Accrued interest is included under accruals and other liabilities. The following table summarises the bonds net of discount and transaction costs:

	<i>Issue rate %</i>	<i>Effective interest rate %</i>	<i>Repayment date</i>	<b>2020 AED million</b>	<b>2019 AED million</b>
<b>Non-current liabilities</b>					
US \$1,500,000,000	99.05%	6.60%	October 2036	<b>4,429</b>	-

#### (iv) Other subsidiaries’ bonds

The bonds are recorded at amortised cost using the effective interest rate and are secured by a number of security documents including the subsidiaries contractual rights, cash deposits, other assets and guarantees. Interest on the bonds is payable semi-annually. The following table summarises the bonds net of discount and transaction costs:

	<i>Issue rate %</i>	<i>Effective interest rate %</i>	<i>Repayment date</i>	<b>2020 AED million</b>	<b>2019 AED million</b>
<b>Non-current liabilities</b>					
Emirates Sembcorp Water & Power Company			February 2029		
US \$400,000,000	4.45%	4.79%	to August 2035	<b>1,608</b>	-
Ruwais Power Company					
US \$825,000,000	6.0%	6.18%	August 2036	<b>3,772</b>	-
TAQA Morocco					
MAD 2,700,000,000	3.75%	3.82%	March 2038	<b>1,078</b>	-
				-----	-----
				<b>6,458</b>	-
				=====	=====

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 24 INTEREST BEARING LOANS AND BORROWINGS continued

#### (v) Term loans

All term loans are shown at amortised cost and carry an effective interest rate of LIBOR plus the margin stated unless noted otherwise.

	Currency	Effective interest rate %	Repayment date	2020 AED million	2019 AED million
<b>Current liabilities</b>					
Gulf Tractebel Power Company PJSC <sup>1</sup>	USD	+0.80%	2021	233	-
Shuweihat CMS International Power Company <sup>1</sup>	USD	+1.75%	2021	370	-
Arabian Power Company PJSC <sup>1</sup>	USD	+1.65%	2021	269	-
Taweelah Asia Power Company PJSC					
Term loan (1) <sup>1</sup>	USD	+ 1.00%	2021	246	-
Term loan (2) <sup>1</sup>	USD	+ 0.83%	2021	326	-
Emirates SembCorp Water and Power Company PJSC <sup>2</sup>	USD	+ 0.85% - 1.20%	2021	196	-
Fujairah Asia Power Company PJSC					
Term loan (1) <sup>1</sup>	USD	+ 0.75%	2021	155	-
Term loan (2) <sup>1</sup>	USD	+ 0.50%	2021	234	-
Ruwais Power Company PJSC <sup>1</sup>	USD	+1.90% - 2.35%	2021	234	-
TAQA Morocco <sup>2</sup>	MAD	4.8%	2021	104	-
Jorf Lasfar Energy Company 5&6 S.A. <sup>3</sup>	Multi Currency	+4.34% - 5.60%	2021	321	-
Takoradi International Company <sup>4</sup>	USD	+4.25% - 4.35%	2021	105	-
Sweihan PV Power Company PJSC <sup>1</sup>	USD	+1.2%	2021	79	-
Shuweihat Asia Power Company <sup>1</sup>	USD	+1.56% -2.5%	2021	159	-
Mirfa International Power and Water Company PJSC <sup>1</sup>	USD	+1.10% -3.15%	2021	153	-
				-----	-----
				3,184	-
				=====	=====
<b>Non-current liabilities</b>					
Abu Dhabi National Energy Company	USD	+1.00%	2022	735	-
Gulf Tractebel Power Company PJSC <sup>1</sup>	USD	+0.80% - 0.95%	2029	2,017	-
Arabian Power Company PJSC <sup>1</sup>	USD	+1.65%	2023	593	-
Taweelah Asia Power Company PJSC					
Term loan (1) <sup>1</sup>	USD	+ 1.00%	2025	1,023	-
Term loan (2) <sup>1</sup>	USD	+ 0.83%	2025	1,351	-
Emirates SembCorp Water and Power Company PJSC <sup>1</sup>	USD	+0.85% - 1.20%	2029	1,910	-
Fujairah Asia Power Company PJSC					
Term loan (1) <sup>1</sup>	USD	+ 0.75%	2030	2,011	-
Term loan (2) <sup>1</sup>	USD	+ 0.50%	2030	2,963	-
Ruwais Power Company PJSC <sup>1</sup>	USD	+1.90% - 2.50%	2031	3,699	-
TAQA Morocco <sup>2</sup>	MAD	4.8%	2027	483	-
Jorf Lasfar Energy Company 5&6 S.A. <sup>3</sup>	Multi Currency	+4.34% - 5.60%	2028	1,753	-
Takoradi International Company <sup>4</sup>	USD	+4.25% - 4.35%	2027	590	-
Sweihan PV Power Company PJSC <sup>1</sup>	USD	+1.2%	2042	2,157	-
Shuweihat Asia Power Company <sup>1</sup>	USD	+1.56% -2.5%	2034	3,052	-
Mirfa International Power and Water Company PJSC <sup>1</sup>	USD	+1.10% -3.15%	2039	3,654	-
				-----	-----
				27,991	-
				=====	=====
				31,175	-
				=====	=====

1. The loans are secured, subject to various covenants and there are requirements to enter into interest rate swap agreements (note 32).
2. The loans are secured by a number of security documents.
3. The loan is secured and there are requirements to enter into interest rate swap agreements as well as foreign exchange swap agreements (note 32).
4. The loan is secured and there are requirements to enter into interest rate swap agreements (note 32).

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 25 ISLAMIC LOANS

Islamic loans are with respect to the following subsidiaries:

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
Shuweihat CMS International Power Company PJSC	<b>93</b>	-
Arabian Power Company PJSC	<b>255</b>	-
Abu Dhabi National Energy Company PJSC	<b>605</b>	-
	-----	-----
	<b>953</b>	-
	=====	=====

Analysed in the consolidated statement of financial position as follows:

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
Non-current portion	<b>780</b>	-
Current portion	<b>173</b>	-
	-----	-----
	<b>953</b>	-
	=====	=====

The Group’s Islamic loans (before purchase price allocation fair value adjustments and deducting prepaid finance) are repayable as follows:

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
Within 1 year	<b>172</b>	-
Between 1 – 2 years	<b>772</b>	-
	-----	-----
	<b>944</b>	-
	=====	=====

All Islamic loans carry an effective rental rate of LIBOR plus the margin stated unless noted otherwise.

	<i>Currency</i>	<i>Effective rental rate %</i>	<i>Repayment date</i>	<b>2020</b>	<b>2019</b>
				<b>AED million</b>	<b>AED million</b>
<b>Current liabilities</b>					
Shuweihat CMS International Power Company <sup>1</sup>	USD	+1.75%	2021	<b>93</b>	-
Arabian Power Company PJSC <sup>1</sup>	USD	+1.65%	2021	<b>80</b>	-
				-----	-----
				<b>173</b>	-
<b>Non-current liabilities</b>					
Abu Dhabi National Energy Company PJSC <sup>2</sup>	MYR	4.71%	2022	<b>605</b>	-
Arabian Power Company PJSC <sup>1</sup>	USD	+1.65%	2023	<b>175</b>	-
				-----	-----
				<b>780</b>	-
				-----	-----
				<b>953</b>	-
				=====	=====

1. The loans are secured and there are requirements to enter into rental rate swap agreements (note 32).
2. The Group has entered into a cross currency swap arrangement to hedge the exposure of fluctuating currency rates (note 32).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**26 ASSET RETIREMENT OBLIGATIONS**

As part of the land lease agreements between ADPC and the Group’s domestic subsidiaries, the subsidiaries have a legal obligation to remove the power and water desalination plants at the end of the plants’ useful lives, or before if the subsidiaries became unable to continue their operations to that date, and to restore the land. The subsidiaries shall at their sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavation and return the surface to grade of the designated areas. The fair value of the ARO liability has been calculated using an expected present value technique. This technique reflects assumptions such as costs, plant useful life, inflation and profit margin that third parties would consider to assume the settlement of the obligation.

In addition, the Group’s foreign subsidiaries involved in the oil and gas sector make provision for the future cost of decommissioning oil and gas properties and facilities at the end of their economic lives. The economic life and the timing of the decommissioning liabilities are dependent on Government legislation, commodity prices and the future production profiles of the respective assets. In addition, the costs of decommissioning are subject to inflationary/deflationary pressures in the cost of third party service provision.

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
At 1 January	-	-
Acquisition of subsidiaries (note i)	<b>16,408</b>	-
Utilised during the year	<b>(136)</b>	-
Provided during the year	<b>(2)</b>	-
Accretion expense (note 7)	<b>228</b>	-
Revision in estimated cash flows	<b>(607)</b>	-
Exchange adjustment	<b>187</b>	-
	<b>16,078</b>	-
	=====	=====

Analysed in the consolidated statement of financial position as follows:

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
Non-current portion	<b>15,905</b>	-
Current portion (note 29)	<b>173</b>	-
	<b>16,078</b>	-
	=====	=====

(i) As part of the acquisition detailed in note 1, the Group acquired asset retirement obligations of AED 16,408 million, being AED 16,032 million non-current and AED 376 million current (included within Accounts payable, accruals and other liabilities).

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 27 DEFERRED INCOME- GRANT

Deferred income relates to the fair value of assets transferred in prior years from Emirates CMS Power Company PJSC, Taweelah Asia Power Company PJSC, Shuweihat CMS International Power Company PJSC, the Private Department Al Ain and Arabian Power Company.

Deferred income also includes an amount of AED 75 million received in prior years from Fujairah Asia Power Company PJSC for the procurement and installation of additional water storage tanks offsite the F2 leased premises and the downstream of the intermediate pumping station of the Water Trunk Main System having a usable storage capacity of 50 million imperial gallons (MIG).

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
At 1 January	<b>1,098</b>	1,170
Amounts released to other income (note 8)	<b>(29)</b>	(72)
Additions	<b>378</b>	-
Inter company eliminations	<b>(1,060)</b>	-
	<b>387</b>	1,098

Analysed in the consolidated statement of financial position as follows:

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
Non-current portion	<b>315</b>	1,026
Current portion	<b>72</b>	72
	<b>387</b>	1,098

### 28 OTHER LIABILITIES

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
Negative fair value of derivatives - cash flow hedges (note 32.1)	<b>4,415</b>	-
Lease liabilities	<b>361</b>	21
Others	<b>289</b>	56
	<b>5,065</b>	77

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 29 ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>AED million</i>	<i>AED million</i>
Trade payables	2,142	133
Retention creditors	874	803
Mega development projects payable	4,112	-
Contract accruals	1,752	-
Customer deposits	696	-
Accrued interest expenses	743	-
Accrual for operating costs	825	1,533
Payable for capital expenditure	1,006	-
Cash flow hedges (note 32.1)	838	-
Crude stock overlift	23	-
Deferred income- connection fees	11	-
Dividend payable to non controlling interests	52	-
Lease liability	217	16
Asset retirement obligations – current (note 26)	173	-
Income tax payable	582	-
Accrued employee related expenses	542	-
Others	1,683	270
	-----	-----
	<b>16,271</b>	<b>2,755</b>
	=====	=====

Terms and conditions of the above liabilities:

- Trade payables are non-interest bearing and are normally settled between 30 to 60 day terms.
- Payables to joint venture partners are non-interest bearing and have an average term of 60 days.
- Interest payable is normally settled throughout the financial year in accordance with the terms of the loans.



# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 30 RELATED PARTY BALANCES

The Group enters into transactions with companies and entities that fall within the definition of a related party. Related parties, as defined in International Accounting Standard 24: Related Party Disclosures, include associate companies, major shareholders, directors and other key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. The transaction detailed in note 1 should be considered as a related party transaction.

The following table provides a summary of other significant related party transactions included in the consolidated statement of profit or loss during the year:

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
TUOS and connection charges for licensed activity to:		
Abu Dhabi Distribution Company (fellow subsidiary)	<b>1,753</b>	3,806
Al Ain Distribution Company PJSC (fellow subsidiary)	<b>550</b>	1,101
	<b>-----</b>	<b>-----</b>
	<b>2,303</b>	4,907
	<b>=====</b>	<b>=====</b>
Emirates Water and Electricity Company:		
TUOS and connection charges for unlicensed activity	<b>1,011</b>	1,150
Revenue from electricity and water	<b>4,235</b>	-
Fuel revenue	<b>14</b>	-
Electricity and water bulk supply tariff	<b>(7,106)</b>	-
	<b>-----</b>	<b>-----</b>
	<b>(1,846)</b>	1,150
	<b>=====</b>	<b>=====</b>
Other operating revenue	<b>5,210</b>	-
	<b>=====</b>	<b>=====</b>
Repairs and maintenance and other related costs charged by:		
Abu Dhabi Distribution Company (fellow subsidiary)	<b>(53)</b>	(167)
Al Ain Distribution Company PJSC (fellow subsidiary)	<b>(15)</b>	(21)
Emirates Water and Electricity Company (EWEC)	<b>(40)</b>	(78)
MASSAR Solutions	<b>(15)</b>	(6)
	<b>-----</b>	<b>-----</b>
	<b>(123)</b>	(272)
	<b>=====</b>	<b>=====</b>
Other transactions		
Administrative service charges from ADPC	<b>(26)</b>	(57)
GCC grid operating fees	<b>(27)</b>	(23)
Fuel expense	<b>(3)</b>	-
License fees to DOE	<b>(48)</b>	(23)
Charges for provision of IT support services	<b>(48)</b>	(19)
Finance costs	<b>(8)</b>	-

Other operating revenue for sales of water and electricity is calculated as the difference between its Maximum Allowed Revenue (MAR) determined in its Regulatory Control 1 (communicated by the DoE) and revenue relating to sales of water and electricity from its customers. Accordingly, the Group recognised this revenue for sales of water and electricity based on those rights and rewards that are confirmed during the year.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 30 RELATED PARTY BALANCES continued

#### Balances with related parties

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

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
<i>Non-current asset</i>		
Advance and loans to associates and joint ventures	<b>1,042</b>	-
	=====	=====
<i>Current assets</i>		
Bank balances with UAE government banks	<b>6,660</b>	220
	=====	=====
Amounts due from Emirates Water and Electricity Company (EWEC) (note (i))	<b>1,503</b>	214
Amounts due from Abu Dhabi Power Corporation (ADPC) (note (i))	<b>555</b>	5,426
Amounts due from other related parties (note (i))	<b>551</b>	-
Amounts due from Abu Dhabi Distribution Company (fellow subsidiary)	-	158
Amounts due from Al Ain Distribution Company PJSC (fellow subsidiary)	-	39
	-----	-----
	<b>2,609</b>	5,837
	=====	=====
<i>Non-current liabilities</i>		
Loan from Abu Dhabi Power Corporation (ADPC)	<b>24</b>	-
Bank loans with government owned bank	<b>122</b>	-
	-----	-----
	<b>146</b>	-
	=====	=====
<i>Current liabilities</i>		
Overdraft with UAE government banks	<b>66</b>	-
	=====	=====
Amounts due to Emirates Water and Electricity Company (EWEC)	<b>1,986</b>	-
Amounts due to Abu Dhabi Power Corporation (ADPC)	<b>107</b>	-
Amounts due to other related parties	<b>110</b>	-
Union Water and Electricity Company	-	2,177
	-----	-----
	<b>2,203</b>	2,177
	=====	=====
Available undrawn bank facilities with UAE government banks	<b>360</b>	-
	=====	=====

#### Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms approved by the management. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Amounts due from related parties, net of provisions, are expected, on the basis of past experience, to be fully recoverable. Management has determined that the provision made against these amounts are appropriate as these are receivable from government entities with low probability of default and loss given default.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 30 RELATED PARTY BALANCES continued

#### (i) Amounts due from related parties

As at 31 December 2020, related parties receivables at nominal value of AED 17 million (2019: AED 9 million) were impaired and fully provided for. The amounts due from EWEC, a fellow subsidiary of ADPC, in respect of available capacity and supply of water and electricity, are payable within 30 - 90 working days. Movements in the provision for impairment of related party receivables are as follows:

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
At 1 January	<b>9</b>	30
Acquisition of subsidiaries (note 1)	<b>16</b>	-
Provision/ECL for the year	<b>(8)</b>	(21)
	-----	-----
At 31 December	<b>17</b>	9
	=====	=====

As at 31 December, the ageing analysis of related party receivables is as follows:

	<i>Total</i>	<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>			
			<i>30 – 60 days</i>	<i>60 – 90 days</i>	<i>90 – 120 days</i>	<i>&gt;120 days</i>
	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>	<i>AED million</i>
<b>2020</b>	<b>2,609</b>	<b>1,888</b>	<b>194</b>	<b>42</b>	<b>126</b>	<b>359</b>

#### Compensation of key management personnel

The remuneration of senior key management personnel of the Group during the year was as follows:

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
Short and long term benefits	<b>13</b>	6
	=====	=====

### 31 COMMITMENTS AND CONTINGENCIES

#### (i) Capital expenditure commitments

The authorised contracted capital expenditure contracted for at 31 December 2020 but not provided for amounted to AED 3,080 million (31 December 2019: AED 1,223 million).

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 31 COMMITMENTS AND CONTINGENCIES continued

#### (ii) Operating lease commitments

*Group as a lessor:*

Future capacity payments to be received by the Group under the power and water purchase agreement (“PWPA”) based on projected plant availability as at 31 December 2020 are as follows:

	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>AED million</b>	<b>AED million</b>
Within one year	<b>7,072</b>	-
After one year but not more than five years	<b>28,122</b>	-
More than five years	<b>37,203</b>	-
	<b>-----</b>	<b>-----</b>
At 31 December	<b>72,397</b>	-
	<b>=====</b>	<b>=====</b>

#### (iii) Other commitments

As at the reporting date TAQA North has entered into contractual commitments, mainly pipeline usage, under which they are committed to spend AED 871 million as at 31 December 2020 (31 December 2019: nil).

#### (iv) Contingencies

a) The Group guaranteed the obligations of TAQA GEN X LLC to Morgan Stanley Capital Group Inc. under the Energy Management Agreement (EMA) and International Swap & Derivatives Master agreement. Payments under this guarantee shall not exceed US \$100 million (AED 367 million) (31 December 2019: nil) over the life of the EMA. No payments have been made to date (31 December 2019: nil)

b) The Group has entered into decommissioning security agreements for a number of UK North Sea Assets acquired by it, pursuant to which it may be required to provide financial security to the former owners of the assets, either by means of (a) placing monies in trust or procuring the issuance of letters of credit in an amount equal to its share of the net decommissioning costs of the subject fields plus an allowance for uncertainty; or (b) procuring a guarantee from a holding company or affiliate which satisfies a minimum credit rating threshold; or (c) providing security in such other form as may be agreed by parties to the deeds.

In respect of certain other UK North Sea Assets TAQA is able to meet the security arrangements for decommissioning obligations by way of provision of a parent company guarantee, so long as TAQA continues in majority-ownership of the Government of Abu Dhabi.

c) TAQA Offshore B.V., alongside other oil and gas companies and the government of the Netherlands in a cross industry initiative has put in place security for offshore oil and gas infrastructure decommissioning. TAQA Offshore B.V. has formally committed to the Government initiative and a legal Netherlands trust arrangement has been set up, and a bank guarantee secured, to effect the provision of security by TAQA Offshore B.V.

d) The Group has various claims lodged by contractors and consultants relating to its ongoing and completed projects, arising from extension of time and work performed but not paid. The Group is in negotiations with these contractors and consultants regarding the resolution of these claims. At this stage management believes it is not possible to determine a reliable estimate of the range of potential claims.

e) The Group has a number of letters of credit and guarantees issued on behalf of the generation companies in relation to debt service reserve accounts.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 32 FINANCIAL INSTRUMENTS

#### 32.1 Hedging Activities

	31 December 2020			31 December 2019		
	Notional amount AED million	Fair value Current AED million	Fair value Non-current AED million	Notional amount AED million	Fair value Current AED million	Fair value Non-current AED million
<b>Cash flow hedges</b>						
<b>Liabilities</b>						
Cross currency interest rate swap	594	16	211	-	-	-
Interest rate swaps - hedged	27,856	819	4,172	-	-	-
Forward foreign exchange contracts	427	3	32	-	-	-
		838	4,415		-	-
		=====	=====		=====	=====
<b>Assets</b>						
Interest rate swaps - hedged	123	-	44	-	-	-
Forward foreign exchange contracts	2,004	26	24	-	-	-
		26	68		-	-
		=====	=====		=====	=====
<b>Fair value hedges</b>						
<b>Assets</b>						
Futures and forward contracts	-	23	-	-	-	-
	-----	=====	=====	=====	=====	=====

#### (i) Interest Rate Swaps – Cash flow hedge

In order to reduce their exposure to interest rate fluctuations on variable interest bearing loans and borrowings (note 24) and Islamic loans (note 25) certain subsidiaries have entered into interest rate swap arrangements with counter-party banks for a notional amount that matches the outstanding interest bearing loans and borrowings and Islamic loans. The derivative instruments were designated as cash flow hedges. The following table summarises certain information relating to the derivatives for each subsidiary as of 31 December 2020 and 31 December 2019:

Subsidiary	Notional amount		Derivative liabilities		Derivative assets		Fix leg on instrument 2020	Fix leg on instrument 2019
	2020 AED million	2019 AED million	2020 AED million	2019 AED million	2020 AED million	2019 AED million		
GTTPC	2,037	-	237	-	-	-	2.63% to 3.76%	-
SCIPCO	464	-	8	-	-	-	1.83% to 2.65%	-
APC	901	-	57	-	-	-	4.60% to 4.89%	-
TAPCO	2,529	-	241	-	-	-	3.64% to 5.28%	-
ESWPC	2,121	-	210	-	-	-	2.80% to 5.85%	-
FAPCO	5,146	-	1,095	-	-	-	0.84% to 5.72%	-
SPVPC	1,984	-	323	-	-	-	1.43% to 2.77%	-
MIPCO	3,652	-	757	-	44	-	Average 2.66%	-
SAPCO	3,237	-	829	-	-	-	1.63% to 5.14%	-
RPC	4,161	-	1,084	-	-	-	4.62% to 5.40%	-
JLEC 5&6	1,247	-	116	-	-	-	1.92% to 2.12%	-
TICO	500	-	34	-	-	-	2.20% to 2.31%	-
	27,979	-	4,991	-	44	-		
	=====	=====	=====	=====	=====	=====		

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 32 FINANCIAL INSTRUMENTS continued

#### 32.1 Hedging Activities continued

##### (ii) Cross currency Swaps – Cash flow hedges

The Group has entered into a cross currency rate swap agreement to hedge the Group's exposure on the Malaysian Ringgit Sukuk (note 25). Under the terms of the cross currency rate swap, TAQA is required to pay a fixed rate of 5.3% per annum on an initial exchange amount of US \$ 215 million and receive a fixed rate of 4.65% per annum on an amount of MYR 650 million. The derivative instrument had a negative fair value of AED 227 million at 31 December 2020, which is included within other liabilities (note 28) and accounts payables, accruals and other liabilities (note 29) in the consolidated statement of financial position.

##### (iii) Forward Foreign Exchange Contracts

Certain subsidiaries use forward foreign exchange contracts to hedge their risk associated with foreign currency fluctuations relating to scheduled maintenance cost payments to overseas suppliers. The derivative instruments were designated as cash flow hedges. The following table summarises certain information relating to the derivatives for each subsidiary as of 31 December 2020 and 31 December 2019:

Subsidiary	Notional amount		Derivative liabilities		Derivative assets	
	2020	2019	2020	2019	2020	2019
	AED million	AED million	AED million	AED million	AED million	AED million
SCIPCO	2	-	2	-	-	-
MIPCO	58	-	1	-	-	-
SPVPC	367	-	32	-	-	-
TAQA Bratani Limited	2,004	-	-	-	50	-
	-----	-----	-----	-----	-----	-----
	2,431	-	35	-	50	-
	===	===	===	===	===	===

#### 32.2 Hedging activities – Fair Value hedges

TAQA GEN X LLC, a subsidiary of TAQA utilises derivative instruments, which include futures and forwards as a hedging strategy to manage the exposure in the fair value of the underlying Tolling Agreement. Forward and future transactions are contracts for delayed delivery of commodity instruments in which the counterpart agrees to make or take delivery at a specified price.

As at 31 December 2020, the net fair value of exchange-traded derivative instruments was AED 23 million shown under accounts receivables and prepayments (note 18) (2019: AED nil). The net realised and unrealised gain recognised in the consolidated profit and loss relating to such instruments are AED 40 million for the year ended 31 December 2020 (2019: AED nil).

The Tolling Agreement recognised as an intangible at acquisition was adjusted for the change in fair value for movements in the designated hedge risk in a fair value hedge relationship. The changes in the fair value of the Tolling Agreement attributable to the hedged risk (note 14), for the year ended 31 December 2020 was a gain of AED 14 million (2019: AED nil) which was recognised in the consolidated profit and loss.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 32 FINANCIAL INSTRUMENTS continued

#### 32.3 Fair values

The fair values of the financial instruments of the Group are not materially different from their carrying values at the reporting date except for certain fixed interest borrowings and operating financial assets. Set out below is a comparison of the carrying amounts and fair values of fixed interest borrowings and operating financial assets:

	Carrying amount		Fair value	
	2020	2019	2020	2019
	AED million	AED million	AED million	AED million
Operating financial assets (note i)	10,937	-	11,112	-
Interest bearing loans and borrowings (note ii)	38,751	-	38,894	-

- (i) The fair value of operating financial assets is estimated by discounting the expected future cash flows using appropriate interest rates for assets with similar terms, credit risk and remaining maturities.
- (ii) Interest bearing loans and borrowings relates to the Abu Dhabi National Energy Company Global Medium Term notes, Abu Dhabi National Energy Company bonds, Ruwais Power Company bond, Emirates SembCorp Water and Power Company bond and TAQA Morocco bond. The fair value of the interest bearing loans and borrowings is based on price quotations at the reporting date.

#### 32.4 Fair Values hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1:* Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2:* Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3:* Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. For level 3 valuations, the Group relies on discounted cash flow models based on management expectations.

	Fair value AED million	Carrying value AED million	Fair value hierarchy
<b>At 31 December 2020</b>			
<b>Financial assets measured at fair value</b>			
Interest rate swaps- hedged	44	44	Level 2
Future and forward contracts	50	50	Level 2
<b>Financial assets disclosed at fair value</b>			
Operating financial assets	11,112	10,937	Level 3
Future and forward contracts	23	23	Level 2
<b>Financial liabilities measured at fair value</b>			
Interest rate swaps – hedged	4,991	4,991	Level 2
Forward foreign exchange contracts	35	35	Level 2
Cross currency interest rate swaps	227	227	Level 2
<b>Financial liabilities disclosed at fair value</b>			
Interest bearing loans and borrowings	38,894	38,751	Level 1

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**32 FINANCIAL INSTRUMENTS** continued

**32.4 Fair Values hierarchy** continued

During the year ended 31 December 2020 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair values of other financial instruments of the Group are not materially different from their carrying values at the reporting date.

Interest bearing loans and borrowings detailed above relates to the Group’s medium term notes and bonds portfolio. The company’s project related debt is excluded from this number as the fair value is not materially different from the carrying value at the reporting date.

The fair values of the financial assets and financial liabilities measured at fair value included in the Level 1 category above, have been determined by market rates at the year end date.

The fair values of the financial assets and financial liabilities measured at fair value included in the Level 2 category above, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodities.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm’s length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models



# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 33 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

As part of the business combination TransCo acquired the following major operating subsidiaries, joint ventures and associates and their effective ownership as at 31 December 2020 are listed below:

<i>Subsidiaries</i>	<i>Effective ownership %</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
<b>Foreign subsidiaries</b>			
TAQA Bratani Limited	100%	UK	Oil & gas production
TAQA North Ltd.	100%	Canada	Oil & gas production
TAQA Atrush B.V.	100%	Netherlands	Oil & gas production
TAQA Energy B.V	100%	Netherlands	Gas storage, oil & gas production
TAQA Morocco	86%	Morocco	Power generation
Jorf Lasfar Energy Company 5&6 S.A	91%	Morocco	Power generation
Takoradi International Company	90%	Cayman Islands	Power generation
TAQA Neyveli Power Company Private Ltd	100%	India	Power generation
TAQA GEN X	85%	USA	Gas power tolling interest
<b>Domestic subsidiaries</b>			
Abu Dhabi Distribution Company PJSC (ADDC)	100%	UAE	Distribution of water and electricity in the region of Abu Dhabi and surrounding areas.
Al Ain Distribution Company PJSC (AADC)	100%	UAE	Distribution of water and electricity in the region of Al Ain and surrounding areas.
Al Mirfa Power Company PJSC (AMPC)	100%	UAE	Generation of electricity and the production of desalinated water
Sweihan PV Power Company PJSC (SPVPC)	60%	UAE	
Shuweihat Asia Power Company (SAPCO)	60%	UAE	
Mirfa International Power and Water Company PJSC (MIPCO)	60%	UAE	
Gulf Total Tractebel Power Company PJSC (GTTPC)	60%	UAE	
Arabian Power Company PJSC (APC)	60%	UAE	
Shuweihat CMS International Power Company PJSC (SCIPCO)	60%	UAE	
Taweelah Asia Power Company PJSC (TAPCO)	60%	UAE	
Emirates Semb Corp Water and Power Company PJSC (ESWPC)	60%	UAE	
Fujairah Asia Power Company PJSC (FAPCO)	60%	UAE	
Emirates CMS Power Company (ECPC)	60%	UAE	
Ruwais Power Company PJSC (RPC)	60%	UAE	
Taweelah Shared Facilities Company LLC	53%	UAE	Operating & maintenance
Shuweihat Shared Facilities Company LLC*	42%	UAE	Operating & maintenance
<b>Associates</b>			
Massar Solutions PJSC	49%	UAE	Lease Management
Jubail Energy Company	25%	KSA	Generation of Electricity
Sohar Aluminium Company LLC	40%	Oman	Aluminium Smelter
<b>Joint Ventures</b>			
LWP Lessee LLC	50%	USA	Wind Power
Taweelah RO Holding Company LLC	33%	UAE	Production of desalinated water
Fujairah Energy Holding Company LLC	67%	UAE	Generation of Electricity
Dhafrah Solar Energy Holding Company LLC	67%	UAE	Solar Power

\*The entity is treated as a subsidiary even though the Group’s holding in the entity is below 50% due to the Group’s control through the indirect holding in this entity by two of the Group’s subsidiaries being above 50%, thus enabling the Group to have the ability to exercise control in the Board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**(i) Interest rate risk**

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s long-term debt obligations and short-term deposits with floating interest rates. The Group’s policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2020, after taking into account the effect of interest rate swaps, approximately 87% of the Group’s borrowings are at a fixed rate of interest (2019: not applicable).

*Interest rate sensitivity*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings and deposits, after the impact of hedge accounting. With all other variables held constant, the Group’s profit before tax and equity is affected as follows:

	<i>Effect on profit before tax AED million</i>	<i>Effect on equity AED million</i>
<b>2020</b>		
+15 increase in basis point	(27)	126
-15 decrease in basis point	27	(126)
<b>2019</b>		
+15 increase in basis point	-	-
-15 decrease in basis point	-	-

LIBOR reforms and the expected cessation of LIBOR will impact the Group’s current interest rate risk management and accounting for certain financial instruments. The Group is in the process of discussing with the relevant counterparties and understanding the arrangements regarding the new benchmark for the relevant contracts. The Group expects to finalise their plan as early as practicable to ensure a smooth transition from LIBOR to the new benchmark.

**(ii) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group’s exposure to risk of changes in foreign exchange rates relates primarily to the operating activities (when revenue or expense are denominated in a different currency from the functional currencies of the subsidiaries), carrying values of assets and liabilities in Canadian Dollars, Euros, Moroccan Dirhams and Indian rupees and the Group’s net investment in foreign subsidiaries.

The Group hedges part of its net exposure to fluctuations on the translation into AED of its foreign operations by holding certain borrowings in foreign currencies, primarily in Euros.

The following table demonstrates the sensitivity to a reasonably possible change in the Euro, GBP, CAD, and Moroccan Dirham exchange rates, with all other variables held constant, of the Group’s profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group’s equity (due to changes in foreign currency translation reserve). The Group’s exposure to foreign currency changes for all other currencies is not material.

	<i>Increase/ decrease in Euro, GBP, Moroccan Dirham, Indian rupees, and CAD rates</i>	<i>Effect on profit before tax AED million</i>	<i>Effect on equity AED million</i>
<b>2020</b>	<b>+5%</b>	<b>(81)</b>	<b>20</b>
	<b>-5%</b>	<b>81</b>	<b>(20)</b>
<b>2019</b>	<b>+5%</b>	<b>-</b>	<b>-</b>
	<b>-5%</b>	<b>-</b>	<b>-</b>

The movement in equity arises from changes in Euro borrowings in the hedge of net investments in the Netherlands. These movements will partly offset the translation of the Netherlands’ operations net assets into AED.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** continued

**(iii) Commodity price risk**

TAQA GEN X LLC, a subsidiary of TAQA is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase of gas and sale of electricity. Due to volatility in the prices of these commodities, the subsidiary’s management has developed and enacted a risk management strategy regarding commodity price risk and its mitigation. The Group mitigates the commodity price risks using forward commodity contracts.

The following table shows the effect of price changes on the fair value of the forward commodity contracts on the profit before tax:

	<i>Change in year end price</i>	<i>Effect on profit before tax AED million</i>
<b>2020</b>	<b>+10%</b>	<b>12</b>
	<b>-10%</b>	<b>(12)</b>
2019	+10%	-
	-10%	-

The Group also enters into physical commodity contracts in the normal course of business. These contracts are not derivatives and are treated as executory contracts, which are recognised and measured at cost when the transactions occur.

**(iv) Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and other financial instruments.

*Trade and other receivables*

Customer credit risk is managed by each business unit subject to the Group’s established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating scorecard.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other form of credit insurance. The Group’s largest 2 customers account for approximately 28% of outstanding trade receivables and amounts due from related parties at 31 December 2020 (2019: not applicable). The requirement for impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. All impairment considerations for trade and other receivables are performed using the expected credit loss model. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 18. The Group does not hold collateral as security.

*Operating financial assets*

The operating financial assets relating to the Group’s international generation subsidiaries sell their products to one party, which is typically a governmental entity. These subsidiaries seek to limit their credit risk with respect to a single customer by monitoring outstanding receivables. The Group’s maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2020 and 2019 is the carrying amounts as illustrated in note 13.

*Other financial instruments and cash deposits*

Credit risk from balances with banks and financial institutions is managed by the Group’s treasury in accordance with the Group’s policy. Investments of surplus funds are made only with reputable banks and financial institutions. The Group’s maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2020 and 2019 is the carrying amounts as illustrated in note 19 except for derivative financial instruments. The Group’s maximum exposure for derivative instruments is disclosed in note 32 and in the liquidity table below, respectively.

# Abu Dhabi National Energy Company PJSC (“TAQA”)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

#### (v) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other borrowings. As at 31 December 2020, 12% of the Group’s debt will mature in less than one year (2019: nil) based on the carrying value of borrowings reflected in the consolidated financial statements.

The table below summarises the maturity profile of the Group’s financial liabilities at 31 December 2020 and 2019 based on contractual undiscounted payments:

	< 1 year AED million	1-5 years AED million	> 5 years AED million	Total AED million
<b>At 31 December 2020</b>				
Trade and other payables	9,337	373	-	9,710
Bank overdrafts	66	-	-	66
Interest bearing loans, borrowings and Islamic loans	9,551	32,124	37,492	79,167
Advances and loans from related parties	-	-	24	24
Amounts due to ADPC and other related parties	2,203	-	-	2,203
Derivative financial instruments	834	2,405	1,330	4,569
	=====	=====	=====	=====
	21,991	34,902	38,846	95,739
	=====	=====	=====	=====
<b>At 31 December 2019</b>				
Trade and other payables	2,755	-	-	2,755
Bank overdrafts	-	-	-	-
Interest bearing loans, borrowings and Islamic loans	-	-	-	-
Advances and loans from related parties	-	-	-	-
Loans from non-controlling interest shareholders in subsidiaries	-	-	-	-
Amounts due to ADPC and other related parties	2,177	-	-	2,177
Derivative financial instruments	-	-	-	-
	=====	=====	=====	=====
	4,932	-	-	4,932
	=====	=====	=====	=====

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying amounts.

	< 1 year AED million	1 – 5 years AED million	> 5 years AED million	Total AED million
<b>At 31 December 2020</b>				
Inflows	251	494	294	1,039
Outflows	(834)	(2,405)	(1,330)	(4,569)
	=====	=====	=====	=====
Net	(583)	(1,911)	(1,036)	(3,530)
	=====	=====	=====	=====
Discounted at the applicable interbank rates	(573)	(1,843)	(886)	(3,302)
	=====	=====	=====	=====
<b>At 31 December 2019</b>				
Inflows	-	-	-	-
Outflows	-	-	-	-
	=====	=====	=====	=====
Net	-	-	-	-
	=====	=====	=====	=====
Discounted at the applicable interbank rates	-	-	-	-
	=====	=====	=====	=====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** continued

**(vi) Capital management**

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. On 13 December 2020 TAQA Group’s shareholders approved a new dividend policy for 2020-2022. The policy includes a quarterly dividend payment and a commitment to grow this by 10% per year over the next two years.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, Islamic loans, less cash and cash equivalents. Capital includes total equity including non-controlling interests.

	<i>2020 AED million</i>
Interest bearing loans and borrowings	<b>75,054</b>
Islamic loans	<b>953</b>
Less cash and cash equivalents	<b>(8,321)</b>
	-----
Net debt	<b>67,686</b>
	-----
Equity	<b>69,255</b>
	-----
Equity and net debt	<b>136,941</b>
	=====
Gearing ratio	<b>49%</b>
	=====

**35 RECLASSIFICATION OF PRIOR YEAR BALANCES**

Certain comparative figures have been reclassified/regrouped, wherever necessary, as to conform to the presentation adopted in these consolidated financial statements. These reclassifications do not materially change the presentation of the financial statements.

**36 EVENTS AFTER REPORTING DATE**

On 14<sup>th</sup> February 2021, the Board of Directors proposed a final dividend of AED 1,124 million, being AED 0.01 per share for the year ended 31 December 2020. The dividend will be subject to shareholder approval at the General Assembly meeting in March 2021.