

# **Sweihan PV Power Company PJSC**

**DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2022**

**Sweihan PV Power Company PJSC**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
Year ended 31 December 2022

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**Sweihan PV Power Company PJSC**  
**DIRECTORS' REPORT**  
Year ended 31 December 2022

The Directors submit their report together with the audited financial statements of Sweihan PV Power Company PJSC (the "Company") for the year ended 31 December 2022.

**Principal activity**

The principal activities of the Company are to develop, finance, design and construct a solar photovoltaic power generation plant (the "Plant"). In 2017, the Company entered into an agreement with Sterling and Wilson Private Limited and Shapoorji Pallonji and Company Private Limited for the engineering, procurement and construction of the Plant to be located in Abu Dhabi for an amount of AED 2.92 billion. The Company has entered into a power purchase agreement ("PPA") with Emirates Water and Electricity Company ("EWEC") (formerly Abu Dhabi Water and Electricity Company), a related party, (a wholly-owned subsidiary of Abu Dhabi Power Corporation ("AD Power", formerly "Abu Dhabi Water and Electricity Authority"). Under the PPA, the Company undertakes to make available, and EWEC undertakes to purchase, the Net Electrical Energy of the Plant until 2049 in accordance with agreed terms and conditions. The output payments cover variable operation and maintenance costs or penalty for actual output. The Project Commercial Operation Date started on 30 April 2019.

**Results and appropriations**

The results of the Company for the year ended 31 December 2022 are set out on page 6 of the financial statements.

**Directors**

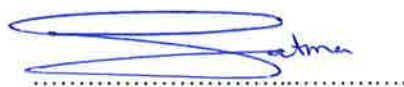
The Directors who served during the year were:

H. E. Ahmed Al Rumaithi  
Mr. AbdulAziz Al Obaidli  
Ms. Hanan Al Hadhrami  
Mr. Ali Al Basher  
Mr. Mothana Bahjeat Qteishat  
Mr. Kato Masayuki  
Mr. Toshiyuki Mizunuma

**Auditors**

The financial statements have been audited by Ernst & Young (Abu Dhabi Branch) who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Ms. Fatima Al Shaygi  
Chairman



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(Abu Dhabi Branch)  
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## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE SHAREHOLDERS OF SWEIHAN PV POWER COMPANY PJSC**

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

##### *Opinion*

We have audited the financial statements of Sweihan PV Power Company PJSC (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

##### *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 Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including international independence standards) (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Key audit matters*

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have determined that there are no key audit matters to communicate in our report.

##### *Other information*

The Board of Directors and management are responsible for the other information. The other information comprises the Report of the Directors but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

## **INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF SWEIHAN PV POWER COMPANY PJSC** continued

### **Report on the Audit of the Financial Statements** continued

#### *Other information* continued

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Report of the Directors of the Company, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

#### *Responsibilities of management and those charged with governance for the financial statements*

The Board of Directors and management are responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs and in compliance with the applicable provisions of the UAE Federal Law No. (32) of 2021 and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

#### *Auditor's responsibilities for the audit of the financial statements*

Our objective is to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## **INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF SWEIHAN PV POWER COMPANY PJSC** continued

### **Report on the Audit of the Financial Statements** continued

#### *Auditor's responsibilities for the audit of the financial statements* continued

- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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

### **Report on Other Legal and Regulatory Matters**

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

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021 and the Articles of Association of the Company;
- iii) the Company has maintained proper books of account;

**INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF SWEIHAN PV POWER COMPANY PJSC continued**

**Report on Other Legal and Regulatory Matters continued**

- iv) the financial information included in the Directors' report is consistent with the books of account and records of the Company;
- v) there are no purchase and sale of investment in shares during the financial year ended 31 December 2022;
- vi) note 8 to the financial statements reflects material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2022, any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Articles of Association which would have a material impact on its activities or its financial position as at 31 December 2022; and
- viii) there are no social contributions made by the Company during the year.

Further, as required by the Decree of the Chairman of the Abu Dhabi Accountability Authority No. 88 of 2021 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the information provided to us, nothing has come to our attention that causes us to believe that the Company 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 financial statements as at 31 December 2022:

- i) Law of establishment; and
- ii) relevant provisions of the applicable laws, resolutions and circulars organising the Company's operations.



Signed by  
Mohammad Mobin Khan  
Partner  
Ernst & Young  
Registration No 532

3 May 2023  
Abu Dhabi

Sweihan PV Power Company PJSC

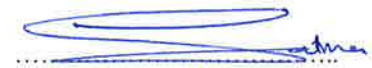
STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
<b>ASSETS</b>			
<b>Non-current asset</b>			
Property, plant and equipment	5	<u>2,772,422</u>	<u>2,872,823</u>
<b>Current assets</b>			
Inventories		5,352	-
Advances, prepayments and other receivables	7	50,176	34,554
Due from a related party	8	12,921	13,383
Cash and cash equivalents	9	<u>140,314</u>	<u>4,870</u>
		<u>208,763</u>	<u>52,807</u>
<b>TOTAL ASSETS</b>		<u><b>2,981,185</b></u>	<u><b>2,925,630</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	10	378,084	378,084
Legal reserve	11	11,146	11,587
Cumulative changes in fair value of derivatives (Accumulated losses) retained earnings		<u>(134,442)</u> <u>(2,283)</u>	<u>(173,384)</u> <u>27,391</u>
Loan from shareholders	14	<u>252,505</u> <u>107,167</u>	<u>243,678</u> <u>340,433</u>
<b>Total equity</b>		<u><b>359,672</b></u>	<u><b>584,111</b></u>
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Borrowings	12	<u>2,495,216</u>	<u>-</u>
<b>Current liabilities</b>			
Borrowings	12	60,996	2,154,253
Derivatives	6	-	181,694
Trade and other payables	13	45,340	5,572
Due to a related party	8	<u>19,961</u>	<u>-</u>
		<u>126,297</u>	<u>2,341,519</u>
<b>Total liabilities</b>		<u><b>2,621,513</b></u>	<u><b>2,341,519</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>2,981,185</b></u>	<u><b>2,925,630</b></u>

These financial statements were approved on \_\_\_\_\_ by the Board of Directors and signed on its behalf by:

  
 .....  
 Abdulla Alkayoumi  
 CEO

  
 .....  
 Ms. Fatima Al Shaygi  
 Chairman

The attached notes 1 to 22 form part of these financial statements.



# Sweihaan PV Power Company PJSC

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <i>AED'000</i>	<b>2021</b> <i>AED'000</i>
Operating lease revenues	15	<b>219,832</b>	228,653
Operating costs	16	<b><u>(121,034)</u></b>	<u>(122,810)</u>
<b>Gross profit</b>		<b>98,798</b>	105,843
General and administrative expenses	17	<b>(19,232)</b>	(15,628)
Other income	19	<b><u>15,747</u></b>	<u>22,178</u>
<b>Operating profit</b>		<b>95,313</b>	112,393
Finance costs, net	18	<b><u>(99,720)</u></b>	<u>(82,140)</u>
<b>(Loss) / profit for the year</b>		<b><u>(4,407)</u></b>	<u>30,253</u>
<b>Other comprehensive gain</b>			
<i>Items that may be reclassified to profit or loss</i>			
Gain on cashflow hedges		<b><u>38,942</u></b>	<u>153,271</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>34,535</u></b>	<u>183,524</u>

The attached notes 1 to 22 form part of these financial statements.

## Sweihan PV Power Company PJSC

### STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Share capital AED'000	Legal reserve AED'000	Cumulative changes in fair value of derivatives AED'000	(Accumulated losses) retained earnings AED'000	Total AED'000	Loan from shareholders' AED'000	Total equity AED'000
At 1 January 2021	378,084	8,562	(326,655)	16,690	76,681	380,830	457,511
Total comprehensive gain for the year	-	-	153,271	30,253	183,524	-	183,524
Transfer to legal reserve	-	3,025	-	(3,025)	-	-	-
Repayment of loan from shareholders (Note 14)	-	-	-	-	-	(40,397)	(40,397)
Paid dividends (Note 20)	-	-	-	(16,527)	(16,527)	-	(16,527)
At 31 December 2021	<u>378,084</u>	<u>11,587</u>	<u>(173,384)</u>	<u>27,391</u>	<u>243,678</u>	<u>340,433</u>	<u>584,111</u>
At 1 January 2022	378,084	11,587	(173,384)	27,391	243,678	340,433	584,111
Total comprehensive gain for the year	-	-	38,942	(4,407)	34,535	-	34,535
Transfer to legal reserve	-	(441)	-	441	-	-	-
Repayment of loan from shareholders (Note 14)	-	-	-	-	-	(233,266)	(233,266)
Paid dividends (Note 20)	-	-	-	(25,708)	(25,708)	-	(25,708)
At 31 December 2022	<u>378,084</u>	<u>11,146</u>	<u>(134,442)</u>	<u>(2,283)</u>	<u>252,505</u>	<u>107,167</u>	<u>359,672</u>

The attached notes 1 to 22 form part of these financial statements.

# Sweihan PV Power Company PJSC

## STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>AED'000</b>	<b>2021</b> <b>AED'000</b>
<b>OPERATING ACTIVITIES</b>			
(Loss) / profit for the year		<b>(4,407)</b>	30,253
<i>Adjustments for:</i>			
Depreciation	5	<b>105,764</b>	105,060
Finance costs	18	<b>100,302</b>	82,204
Interest income	18	<b>(582)</b>	(64)
Operating cash flows before changes in working capital		<b>201,077</b>	217,453
<i>Changes in working capital:</i>			
Advances, prepayments and other receivables		<b>(15,622)</b>	(10,178)
Due from a related party		<b>462</b>	(149)
Due to a related party		<b>19,961</b>	(22,452)
Inventories		<b>(5,352)</b>	-
Trade and other payables		<b>39,768</b>	(31,233)
Net cash flow generated from operating activities		<b><u>240,294</u></b>	<u>153,441</u>
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	5	<b>(5,363)</b>	(1,606)
Interest income received	18	<b>582</b>	64
Net cash flows used in investing activities		<b><u>(4,781)</u></b>	<u>(1,542)</u>
<b>FINANCING ACTIVITIES</b>			
Interest paid		<b>(108,612)</b>	(73,894)
Shareholders loan repayment	14	<b>(233,266)</b>	(40,397)
Dividends paid	20	<b>(25,708)</b>	(16,527)
OCI - SWAP unwinding cost		<b>(134,442)</b>	-
Net movement in restricted cash	9	<b>(1,145)</b>	-
Repayments from borrowings net of costs		<b>401,959</b>	(82,358)
Net cash flow used in financing activities		<b><u>(101,214)</u></b>	<u>(213,176)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>134,299</b>	(61,277)
Cash and cash equivalents, beginning of the year		<b><u>4,870</u></b>	<u>66,147</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	9	<b><u>139,169</u></b>	<u>4,870</u>

The attached notes 1 to 22 form part of these financial statements.

# Sweihan PV Power Company PJSC

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 1 GENERAL INFORMATION

Sweihan PV Power Company PJSC (the “Company”) is a private joint stock Company registered and incorporated in the United Arab Emirates (“UAE”) by Ministerial Resolution No. 470 of 2005 on 27 December 2005 and in accordance with UAE Federal Law No. (2) of 2015 (as amended). The Company is 60% owned by Sweihan Energy Holding Company PJSC and 40% owned by Sweihan Solar Holding Company Limited. The ultimate parent of the Company is the Government of Abu Dhabi.

The Company is registered under commercial license No. CN-2308406. The Company’s registered head office is P O Box 147455, Abu Dhabi, United Arab Emirates.

The principal activities of the Company are to develop, finance, design and construct a solar photovoltaic power generation plant (the “Plant”). In 2017, the Company entered into an agreement with Sterling and Wilson Private Limited and Shapoorji Pallonji and Company Private Limited for the engineering, procurement and construction of the Plant to be located in Abu Dhabi for an amount of AED 2.92 billion. The Company has entered into a power purchase agreement (“PPA”) with Emirates Water and Electricity Company (“EWEC”, formerly “Abu Dhabi Water and Electricity Company”), a related party. Under the PPA, the Company undertakes to make available, and EWEC undertakes to purchase, the Net Electrical Energy of the Plant until 2049 in accordance with agreed terms and conditions. The Company and/or EWEC can terminate the PPA Agreement in an event that any of the parties cannot perform any of their respective obligations set out in the PPA. The output payments cover variable operation and maintenance costs or penalty for actual output. The Project Commercial Operation Date started on 30 April 2019.

Operation and maintenance activities of the plant is performed by Sterling and Wilson Private Limited and Shapoorji Pallonji and Company Private Limited whereby they have undertaken, as part of EPC contract, to manage the day-to-day operations and maintain the Plant for two years from the provisional acceptance date. From June 2022, the Company started to manage the day-to-day operations and maintain of the Plant.

There were no social contributions made by the Company during the year ended 31 December 2022. The Company has not purchased or invested in any shares during the financial year ended 31 December 2022.

### 2 SIGNIFICANT ACCOUNTING POLICIES

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

#### 2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and in compliance with the applicable provisions of the UAE Federal Law No. (32) of 2021. These financial statements have been prepared under the historical cost convention except for derivatives, which are measured at fair value.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies as disclosed in Note 4.

# Sweihan PV Power Company PJSC

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 2 SIGNIFICANT ACCOUNTING POLICIES continued

#### 2.2 Changes in accounting policies

The following new amendments and interpretations mentioned below were applied for the first time in 2022, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37;
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter;
- IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities;
- IAS 41 Agriculture – Taxation in fair value measurements.

These amendments had no significant impact on the financial statements of the Company.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### UAE Corporate Tax Law disclosures

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023. Generally, UAE businesses will be subject to a 9% CT rate. A rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance). In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significantly in order for entities to determine their tax status and the taxable income. Therefore, pending such important decisions by the Cabinet as at 31 December 2022, the Company has considered that the Law is not substantively enacted from IAS 12 – Income Taxes perspective as at 31 December 2022. The Company is currently in the process of assessing the possible impact on financial statements, both from current and deferred tax perspective, once these critical cabinet decisions are issued.

#### IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.

#### Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments are not expected to have a material impact on the Company’s financial statement.

#### Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

#### Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The Company is currently assessing the impact of the amendments.

# Sweihan PV Power Company PJSC

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 2 SIGNIFICANT ACCOUNTING POLICIES continued

#### 2.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of comprehensive income during the financial period in which they are incurred. Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

	<i>Years</i>
Plant	30

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income.

#### 2.4 Capital work in progress

Assets in the course of construction or under inspection pending certification for their intended use, are carried at cost as capital work in progress, and transferred to property, plant and equipment when available for use. All costs directly attributable to bringing the asset to the location and condition necessary for it to be used in the manner intended by management, are included in the cost of the asset. No depreciation is charged on such assets until available for use.

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that takes a substantial period of time to get ready for its intended use. All other borrowing costs are recognised as profit or loss in the period in which they are incurred.

#### 2.5 Foreign currency translation

##### (a) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Company's functional and presentation currency.

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

#### 2.6 Financial assets

##### (a) *Classification*

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

# Sweihan PV Power Company PJSC

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 2 SIGNIFICANT ACCOUNTING POLICIES continued

#### 2.6 Financial assets continued

##### (a) Classification continued

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Company reclassifies debt investments when and only when its business model for managing those assets changes.

##### (b) Recognition and derecognition

The purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

##### (c) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classifies its debt instruments:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented within general and administrative expenses in the statement of comprehensive income.

Financial assets carried at amortised cost of the Company include other receivables, due from a related party and cash and bank balances.

##### (d) Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

#### 2.7 Offsetting of financial assets

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 assets and settle the liability simultaneously.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### **2 SIGNIFICANT ACCOUNTING POLICIES** continued

#### **2.8 Impairment of financial assets**

The Company's amounts due from a related party, other receivables and cash and cash equivalents are subject to IFRS 9's expected credit loss model. However, the identified impairment loss was negligible on these financial assets.

The Company applies the IFRS 9 simplified approach to measure the expected credit losses, which uses a lifetime expected loss allowance for due from a related party.

To measure the expected credit losses, other receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance for other receivables are based on assumptions about risk of default and expected loss rates. Management uses judgement in making these assumptions and selecting the inputs to the impairment calculation which are applied to the exposure at default to arrive at the expected credit losses at the reporting date. Management base their assumptions on the Company's historical data, existing market conditions as well as forward looking estimates.

The related parties balance consists of only one customer, EWEC, which is ultimately held by the Government of Abu Dhabi.

Other receivables balances are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments per case by case basis.

#### **2.9 Other receivables**

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for expected credit losses.

#### **2.10 Cash and cash equivalents**

Cash and cash equivalents include cash on hand and current accounts held with a bank less company's restricted bank account for borrowings repayment.

#### **2.11 Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Company designates certain derivatives as:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges);
- Hedges of a net investment in a foreign operation (Net investment hedges).

At inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.



**2 SIGNIFICANT ACCOUNTING POLICIES** continued

**2.11 Derivatives** continued

*Cash flow hedges that qualify for hedge accounting*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Where option contracts are used to hedge forecast transactions, the company designates only the intrinsic value if the option as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Company generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element'), if material, is recognised in OCI within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

*Derivatives that do not qualify for hedge accounting*

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

**2.12 Employees' benefits**

An accrual is made for the estimated liability for employees' entitlements to annual leave and leave passage as a result of services rendered by the employees up to the statement of financial position date. A provision is made for the end of service benefits due to employees in accordance with the UAE Labour Law for their periods of service up to the statement of financial position date. The accrual relating to annual leave and leave passage is included in trade and other payables, while the provision relating to employees' end of service benefits is disclosed as a non-current liability.

**2.13 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

# Sweihan PV Power Company PJSC

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### **2 SIGNIFICANT ACCOUNTING POLICIES** continued

#### **2.14 Provisions**

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised as 'finance costs'.

#### **2.15 Due from a related party**

Due from a related party represent the lease receivable for operating lease revenue in the ordinary course of business. If the collection is expected in on year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current asset.

Due from a related party is recognised initially at the amount of consideration, unless they contain significant financing components, when they are recognised at fair value. The Company holds the amounts due from a related party with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the statement of comprehensive income. When a due from a related party is uncollectible, it is written off against the provision for impairment of due from a related party. Subsequent recoveries of amounts previously written off are credited against the statement of comprehensive income. The Company applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for due from a related party (refer note 2.8).

#### **2.16 Revenue recognition**

##### *Operating lease revenues*

Output and operational & maintenance revenue is recognised as operating lease revenues in accordance with the contractual terms of the PPA, to the extent output energy has been made available to EWEC during the period. The PPA agreement does not contain a minimum output requirement. Hence, the revenue is not contractually fixed and this contract is accounted for as operating lease. The operating lease revenue calculated with reference to kWh of electricity produced in the measuring point of the electricity grid. The selling price per unit is calculated in accordance with the mechanism set out in the PPA and includes both the capital and operational & maintenance components of the electrical energy payment.

#### **2.17 Other income**

Other income in respect of revenue generated prior to Project Commercial Operation Date is recognised over-time.

#### **2.18 Share capital**

Ordinary shares are classified as equity.

**2 SIGNIFICANT ACCOUNTING POLICIES** continued

**2.19 Impairment of non-financial assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Assets in the course of construction or under inspection pending certification/approval for their intended use, are carried at cost as capital work-in-progress, and transferred to property and equipment when available for use. All costs directly attributable to bringing the asset to the location and condition necessary for it to be used in the manner intended by management, are included in the cost of the asset. No depreciation is charged on such assets until available for use.

**2.20 Value added tax**

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a net basis and disclosed as an asset and liability. Where provision has been made for the ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

**2.21 Bank borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Term loans are classified as a non-current liability as the Company has an unconditional right to defer settlement of the liability for more than 12 months after the reporting date.

Commitment fees paid on establishment or extending of loan facilities are recognised as transaction costs of the facility to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will not be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates (Note 12).

**2.22 Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

**2.23 Leases**

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

*Company as a lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

# Sweihan PV Power Company PJSC

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 2 SIGNIFICANT ACCOUNTING POLICIES continued

#### 2.23 Leases continued

*Company as a lessee continued*

##### i) Right-of-use assets

The Company 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the asset.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

##### ii) Lease liabilities

At the commencement date of the lease, the Company 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 Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

##### (a) Market risk

##### (i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not entity's functional currency. The Company does not have any significant foreign currency exposure, as a significant proportion of the transactions are denominated in AED or currencies pegged to the AED.

AED is pegged to USD at a fixed rate of exchange.

# Sweihan PV Power Company PJSC

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 3 FINANCIAL RISK MANAGEMENT continued

#### 3.1 Financial risk factors continued

(a) *Market risk* continued

(ii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all the instruments traded in the market. The Company has no significant exposure to price risk.

(iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Company is exposed to interest rate risk resultant from its short-term borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rates for borrowings at the reporting date. The analysis is prepared assuming that these amounts outstanding at the reporting date were outstanding throughout the period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates.

During the year, the Company has issued project green bonds of USD 700,800,000 (AED 2,573,688,000). These bonds carry an interest coupon rate of 3.625% per annum and repayable in January 2049. The Company has used the proceeds from the issue of these bonds towards the repayment of outstanding borrowings including the related hedging obligations in full. The Company is not exposed to interest rate risk on its borrowings as the borrowings carry fixed interest rate.

(b) *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's exposure to credit risk arises from cash and cash equivalents and trade and other receivables. For bank and financial institutions, only independently rated parties with a good reputation are accepted.

As set out in note 2.8, the due from a related party consists of only one customer, EWEC, which is ultimately held by the Government of Abu Dhabi, accordingly, the balance due from EWEC are considered low credit risk and furthermore, the Company has not experienced any default from EWEC since the commencement of the Plant's commercial operations in 2019. Refer to note 8 for information on balances and transactions.

For other receivables, the Company assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set in accordance with limits set by the management.

Based on management's impairment assessment, there is no provision required in respect of other receivables transactions, as these balances are considered to have low credit risk and the Company has not experienced any material default from these receivables. The compliance with credit limits by customers is regularly monitored by management.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

**3 FINANCIAL RISK MANAGEMENT** continued

**3.1 Financial risk factors** continued

*(c) Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed credit facilities to reduce the risk that an entity would be unable to meet financial commitments. The Company has cash and cash equivalents on hand at 31 December 2022 of AED 140,314 thousand (2021: AED 4,870 thousand). Additionally, as set out in note 12 the Company has accessed to a number of credit facilities. The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for: all non-derivative financial liabilities, and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

## Sweihan PV Power Company PJSC

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

#### 3 FINANCIAL RISK MANAGEMENT continued

##### 3.1 Financial risk factors continued

###### (c) Liquidity risk continued

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

	Carrying amount AED '000	1 year or less AED '000	Between 1 to 5 years AED '000	More than 5 years AED '000	Total AED '000
<b>Maturities of financial liabilities at 31 December 2022</b>					
<i>Non-derivatives</i>					
Trade and other payables	45,340	45,340	-	-	45,340
Borrowings	<u>2,556,212</u>	<u>60,996</u>	<u>363,791</u>	<u>2,131,425</u>	<u>2,556,212</u>
	<u>2,601,552</u>	<u>106,336</u>	<u>363,791</u>	<u>2,131,425</u>	<u>2,601,552</u>
<b>Maturities of financial liabilities at 31 December 2021</b>					
<i>Non-derivatives</i>					
Trade and other payables	5,572	5,572	-	-	5,572
Borrowings	<u>2,154,253</u>	<u>2,154,253</u>	-	-	<u>2,154,253</u>
	<u>2,159,825</u>	<u>2,159,825</u>	-	-	<u>2,159,825</u>

\* The category more than 5 years includes the repayment of borrowings until their maturity in the year 2049.

Sweihan PV Power Company PJSC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

3 FINANCIAL RISK MANAGEMENT continued

3.1 Financial risk factors continued

(c) Liquidity risk continued

	Carrying amount AED '000	1 year or less AED '000	Between 1 to 5 years AED '000	More than 5 years AED '000	Total AED '000
<b>31 December 2022</b>					
<i>Derivatives*</i>					
Gross settled (interest rate swap – cash flow hedges)	-	-	-	-	-
(Inflow)	-	-	-	-	-
Outflow	-	-	-	-	-
<b>31 December 2021</b>					
<i>Derivatives</i>					
Gross settled (interest rate swap – cash flow hedges)	(280,849)	(288,588)	-	-	(288,588)
(Inflow)	462,543	503,142	-	-	503,142
Outflow	181,694	214,554	-	-	214,554

\* During the year, the Company terminated the derivative arrangements.



# Sweihan PV Power Company PJSC

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 3 FINANCIAL RISK MANAGEMENT continued

#### 3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for the other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio.

The Company monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total equity plus net debt. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as total equity as shown in the statement of financial position plus net debt.

The gearing ratio at 31 December is as follows:

	2022 AED'000	2021 AED'000
Total borrowings (Note 12)	2,556,212	2,154,253
Total derivatives (Note 6)	-	181,694
Trade and other payables	45,340	5,572
Due to a related party	19,961	-
Less: cash and cash equivalents (Note 9)	<u>(139,169)</u>	<u>(4,870)</u>
Net debt	2,482,344	2,336,649
Total equity	<u>359,672</u>	<u>584,111</u>
Total capital	<u>2,842,016</u>	<u>2,920,760</u>
Gearing ratio	<u>87%</u>	<u>80%</u>

#### 3.3 Fair value estimation

The fair values of the Company's financial assets and liabilities as at 31 December 2022 and 2021 approximate their carrying amounts as reflected in these financial statements.

As at 31 December 2022 and 2021, the fair value measurement hierarchy of the Company's assets and liabilities is as follows:

	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
<b>Items measured at fair value</b>				
<b>At 31 December 2022</b>				
Interest rate swap – hedged	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Items measured at fair value</b>				
<b>At 31 December 2021</b>				
Interest rate swap – hedged	<u>181,694</u>	<u>-</u>	<u>181,694</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

**3 FINANCIAL RISK MANAGEMENT** continued

**3.3 Fair value estimation** continued

The Company uses the following hierarchy for determining and disclosing the fair value of assets and liabilities 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.

During the year ended 31 December 2022 and 2021, 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 value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value the instrument are observable, the instrument is included in level 2.

The carrying values of non-derivative financial assets and financial liabilities of the Company approximate their fair values, and considered as level 3, as they are either short term in nature, or held at amortised cost or fair value. The nominal values less impairment provision of trade and other receivables and payables are assumed to approximate their fair values as they are recoverable within 12 months.

**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

*(a) Useful lives of property, plant and equipment*

The Company assigns useful lives and residual values to property, plant and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. The Company has reviewed the residual values and useful lives of major items of property, plant and equipment and determined that no adjustment is necessary.

# Sweihan PV Power Company PJSC

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS continued

#### (b) *Interest rate benchmark reform*

In calculating the change in fair value attributable to the hedged risk of floating-rate debt, the Company has made the following assumptions that reflect its current expectations:

- The floating-rate debt will move to SONIA during 2022 and the spread will be similar to the spread included in the interest rate swap used as the hedging instrument.
- No other changes to the terms of the floating-rate debt are anticipated.
- The Company has incorporated the uncertainty over when the floating-rate debt will move to SONIA, the resulting adjustment to the spread, and the other aspects of the reform that have not yet been finalised by revising an additional spread to the discount rate used in the calculation.

#### (c) *Fair value of derivative financial instruments*

The Company may, from time to time, hold financial instruments that are not quoted in active markets, such as derivatives. Fair values of such instruments are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel at the Company, independent of the party that created them.

#### (d) *Expected credit losses on financial assets*

The expected credit loss charge reflects estimates of losses that may arise from the failure or inability of the parties concerned to make the required payments or the time value of money. The charge is based on the expected credit losses on trade and other receivables that have been grouped together based on their shared credit risk characteristics, the party's credit worthiness and historic write-off experience. Changes to the estimated expected credit loss allowance may be required if the financial condition of the customers was to improve or deteriorate.

#### (e) *Service Concession Arrangements*

IFRIC Interpretation 12 Service Concession Arrangements applies to service concession operations and explains how to account for the obligations undertaken and rights received in service concession arrangements. The Company has entered into a power purchase agreement ("PPA") with EWEC. Based on the terms of the PPA, management has determined that EWEC does not control any residual interest in the plant at the end of the term of the PPA and therefore does not consider the PPA to fall within the scope of IFRIC Interpretation 12 Service Concession Arrangements.

#### (f) *Operating Lease Commitments — Company as Lessor*

As described above, the Company has entered into a long-term PPA and as it does not contain a minimum output requirement. Hence, the revenue is not contractually fixed and accordingly this agreement is accounted for as an operating lease.

# Sweihan PV Power Company PJSC

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 5 PROPERTY, PLANT AND EQUIPMENT

	<b>2022</b>	<i>Solar plant</i> <b>2021</b>
	<i>AED'000</i>	<i>AED'000</i>
<b>Cost</b>		
At 1 January	3,153,404	3,151,798
Additions	<u>5,363</u>	<u>1,606</u>
At 31 December	<u><b>3,158,767</b></u>	<u><b>3,153,404</b></u>
<b>Depreciation</b>		
At 1 January	280,581	175,521
Charge for the year	<u>105,764</u>	<u>105,060</u>
At 31 December	<u><b>386,345</b></u>	<u><b>280,581</b></u>
<b>Net book value</b>		
At 31 December	<u><b>2,772,422</b></u>	<u><b>2,872,823</b></u>

All depreciation expenses are recognised in operating costs (Note 16). During the year ended 31 December 2022, the Company capitalised interest of nil (2021: nil).

### 6 DERIVATIVES

#### *Hedging activities – cash flow hedges*

The Company has the following derivative financial instruments:

	<b>2022</b>	<b>2021</b>
	<i>AED'000</i>	<i>AED'000</i>
<b>Current liability</b>		
Interest rate swaps – cash flow hedges	<u>-</u>	<u>181,694</u>
<b>Non-current liability</b>		
Interest rate swaps – cash flow hedges	<u>-</u>	<u>-</u>
	<u><b>-</b></u>	<u><b>181,694</b></u>

In the previous years, the Company entered into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. In 2021, the Company only hedged 89% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness for interest rate swaps is assessed and may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan; and
- expected payments on the borrowings may not exactly match the contractual payments

# Sweihan PV Power Company PJSC

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 6 DERIVATIVES continued

Hedge ineffectiveness in relation to the interest rate swaps was negligible for 2021.

During the year 2022, the Company has terminated the derivative contracts, accordingly there are no derivatives related balances are presented in the statement of financial position as at 31 December 2022.

Movement in the derivative financial instruments during the year is as follows:

	2022 AED'000	2021 AED'000
At 1 January	181,694	326,355
Repayments during the year	(189,902)	(144,961)
Termination charges	<u>8,208</u>	<u>-</u>
At 31 December	<u><u>-</u></u>	<u><u>181,694</u></u>

### 7 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2022 AED'000	2021 AED'000
Advance to supplier	3,046	22,383
Prepayments	1,590	1,202
Other receivables	<u>45,540</u>	<u>10,969</u>
	<u><u>50,176</u></u>	<u><u>34,554</u></u>

The carrying value of other receivables approximates their fair value. The maximum exposure to credit risk at the reporting date is the carrying value of other receivables mentioned above, that meet definition of financial instruments. Prepayments do not fall in the scope of IFRS 7, *Financial Instruments: Disclosure*. The Company does not hold any collateral as security.

### 8 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties represent Government of Abu Dhabi, associated companies, shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

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

	2022 AED'000	2021 AED'000
<b><i>Due from a related party</i></b>		
Emirates Water & Electricity Company (EWEC)	<u><u>12,921</u></u>	<u><u>13,383</u></u>
<b><i>Due to a related party</i></b>		
Jink Solar Holding Co. Ltd	<u><u>(19,961)</u></u>	<u><u>-</u></u>
<b><i>Equity</i></b>		
Loan from shareholders	<u><u>107,167</u></u>	<u><u>340,433</u></u>

# Sweihan PV Power Company PJSC

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 8 RELATED PARTY TRANSACTIONS AND BALANCES continued

During the year, the Company entered into the following significant transactions with related parties in the ordinary course of business, carried out on terms and conditions, agreed between the parties.

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Operating lease revenues generated from a related party (Note 15)	<u>219,832</u>	<u>228,653</u>

#### Other transactions

The activities of the Company are carried out from premises and equipment constructed on land leased from AD Power at a nominal amount of AED 1. The initial term of the lease is 30 years. Leasehold land is carried in the books at nil value.

### 9 CASH AND BANK BALANCES

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
<b>Cash at bank:</b>		
Current accounts	<u>140,314</u>	<u>4,870</u>
Company's restricted bank account for borrowings repayment*	<u>(1,145)</u>	<u>-</u>
Cash and cash equivalents	<u>139,169</u>	<u>-</u>

\*In accordance with the Bonds agreement, company is required to maintain sufficient funds set aside named as Maintenance Reserve Account ("MRA") for repayment purposes.

### 10 SHARE CAPITAL

Share capital comprises of 37,808,380 (2021: AED 37,808,380) ordinary shares of AED 10 each fully issued and paid. Based on the Board of Directors resolution dated 1 May 2019, the Company capital increased to AED 378,084 from AED 5,000. During 2019, an increase in capital was funded through repayment by the shareholders of the equity bridge loan of an amount of AED 315,227 thousand and capitalisation of AED 57,857 thousand from the loan from shareholders.

### 11 LEGAL RESERVE

The UAE Federal Law No. (32) of 2021, and the Company's Articles of Association required the Company to transfer 10% of its profit for the year to a legal reserve, which is non-distributable. Transfers to this reserve were required to be made until such time as it equalled at least 50% of the paid up share capital of the Company.

# Sweihan PV Power Company PJSC

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 12 BORROWINGS

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
<i>Non-current</i>		
Interest bearing borrowings – Bonds	2,495,216	-
<i>Current</i>		
Interest bearing term loans – Term facility	<u>-</u>	<u>2,154,253</u>
	<u><b>2,556,212</b></u>	<u><b>2,154,253</b></u>

Facilities for the construction of Power Plant:

In 2017, the Company obtained Term Facility of AED 2,378,672 thousand (US\$ 647.6 million) and stand-by facility of AED 65 million (US\$ 17.7 million) under the terms and conditions defined in the Common Terms Facility Agreement, the Commercial Facility Agreement and successive amendments. A commitment fee of 0.42% is due on quarterly basis for the amount of the commitment not yet drawdown by the Company. The Term Facility carries interest at variable rate of 6 months USD LIBOR plus a margin of 1.2% per annum payable on a semi-annual bases (30 April and 30 October).

On 21 January 2022, the Company has issued bonds worth USD 700,800,000 (AED 2,573,688,000). These bonds carry an interest coupon rate of 3.625% per annum and repayable in January 2049. The Bonds issued under an agreement entered into between:(a) Sweihan PV Power Company; (b) HSBC Corporate Trustee Company (UK) Limited, as the Bond Trustee and Offshore Security Agent; (c) HSBC Bank Middle East Limited, Dubai Branch as Onshore Security Agent; (d) HSBC Bank USA National Association, as US Paying Agent and US Registrar; and (d) HSBC Bank plc, as UK Registrar, UK Paying Agent and Transfer Agent. The Company has used the proceeds from the issue of these bonds towards the repayment of outstanding borrowings including the related hedging obligations in full.

#### *Key financial covenants*

Under the terms of the major borrowing facilities, the Company is required to comply with the certain financial covenants:

- the DSCR for the DSCR Period in relation to the most recent Calculation Date falling prior to the date of such drawing (as finally determined) was at least 1.10:1; and
- sufficient funds are set aside in designated bank account as Maintenance Reserved Account (“MRA”) up to 31 January 2028.

The Company has complied with these covenants throughout the reporting period.

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Long term borrowings	2,556,212	-
Less: unamortised transaction cost	(9,302)	-
<i>Unamortised transaction cost</i>		
At 1 January	9,628	-
Amortised during the year	<u>(326)</u>	<u>-</u>
At 31 December	<u><b>9,302</b></u>	<u><b>-</b></u>

# Sweihan PV Power Company PJSC

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 13 TRADE AND OTHER PAYABLES

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Trade payables	-	148
Other payables and accruals	<u>45,340</u>	<u>5,424</u>
	<u>45,340</u>	<u>5,572</u>

### 14 LOAN FROM SHAREHOLDERS

In compliance with the obligations defined in the Shareholders' Agreement, Sweihan Energy Holding Company PJSC and Sweihan Solar Holding Company advanced to the Company a total amount of AED 380,830 thousand (60% and 40% respectively) under the form of shareholder subordinated loan for which terms and conditions are defined within the Equity Bridge Loan ("EBL") Agreement. The loan from shareholders was fully drawn during 2017. On the EBL repayment date, the Company shall convert a portion of the loan as share capital representing part paid shares held by Sweihan Energy Holding Company PJSC and Sweihan Solar Holding Company. The remaining amount will remain as interest free loan and will be payable at the discretion of the Company. Accordingly, the loan has been classified within equity in the statement of financial position. During the year ended 31 December 2022 an amount of AED 233,266 thousand (2021: AED 40,397 thousand) was paid based on the approval of the board of directors of the Company.

### 15 OPERATING LEASE REVENUES

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Output revenue	195,859	206,054
Operation and maintenance revenue	<u>23,973</u>	<u>22,599</u>
	<u>219,832</u>	<u>228,653</u>

The Company derives revenue from the selling of energy over time in the following major product line and geographical region:

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
<b><i>Timing of revenue recognition</i></b>		
Over time	<u>219,832</u>	<u>228,653</u>
<b><i>Geographical markets</i></b>		
Revenue generated within UAE	<u>219,832</u>	<u>228,653</u>



# Sweihan PV Power Company PJSC

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 16 OPERATING COSTS

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Operation and maintenance service charges	15,270	17,750
Depreciation (note 5)	<u>105,764</u>	<u>105,060</u>
	<u><b>121,034</b></u>	<u><b>122,810</b></u>

### 17 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Consultancy fees	8,337	6,888
Staff costs	5,593	4,688
Insurance	2,961	2,637
Utilities expense	1,969	431
Legal fees	147	476
Agency fees	154	508
Others	<u>71</u>	<u>-</u>
	<u><b>19,232</b></u>	<u><b>15,628</b></u>

### 18 FINANCE COSTS, NET

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Interest on bond	87,907	-
Hedge termination charges	8,208	-
Interest expense on borrowings	1,743	31,590
Interest expense on swaps designated as hedges of the term loans	-	50,575
Other interest expense	2,444	39
Interest income	<u>(582)</u>	<u>(64)</u>
	<u><b>99,720</b></u>	<u><b>82,140</b></u>

### 19 OTHER INCOME

	<i>2022</i> <i>AED'000</i>	<i>2021</i> <i>AED'000</i>
Liquidation damages from supplier	15,692	22,178
Other revenue	<u>55</u>	<u>-</u>
	<u><b>15,747</b></u>	<u><b>22,178</b></u>

# Sweihan PV Power Company PJSC

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 20 DIVIDENDS PAID

During the year ended 31 December 2022, the shareholders of the Company declared a dividend of AED 25,708 thousand (2021: AED 16,527) which was paid in accordance with the shareholders ownership percentages.

### 21 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	<i>Financial assets at amortised cost</i>	
	2022	2021
	AED'000	AED'000
<i>Financial assets as per statement of financial position</i>		
Other receivables	10,886	10,969
Cash and cash equivalents	<u>140,314</u>	<u>4,870</u>
	<u>151,199</u>	<u>15,839</u>
	<i>Financial liability at amortised cost</i>	
	2022	2021
	AED'000	AED'000
<i>Financial liabilities as per statement of financial position</i>		
Trade and other payables	45,340	5,572
Borrowings	<u>2,556,212</u>	<u>2,154,253</u>
	<u>2,601,552</u>	<u>2,159,825</u>

Derivative financial instruments are carried at fair value as set out in note 6.

### 22 NET DEBT RECONCILIATION

	2022	2021
	AED'000	AED'000
Cash and bank balances	140,314	4,870
Borrowings repayable within one year	(60,996)	(2,154,253)
Borrowings repayable after one year	(2,495,216)	-
Derivatives repayable within one year	<u>-</u>	<u>(181,694)</u>
Net debt	<u>(2,415,898)</u>	<u>(2,331,077)</u>
Cash and cash equivalents	140,314	4,870
Gross debt – Fixed interest rates	(2,556,212)	(2,222,699)
Gross debt – Variable interest rates	<u>-</u>	<u>(113,248)</u>
	<u>(2,415,898)</u>	<u>(2,331,077)</u>

# Sweihan PV Power Company PJSC

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

### 22 NET DEBT RECONCILIATION continued

	<i>Other assets</i>	<i>Liabilities from financing activities</i>			<i>Total</i>
	<i>Cash and cash equivalents AED'000</i>	<i>Borrowings-repayable within one year AED'000</i>	<i>Borrowings-repayable after one year AED'000</i>	<i>Derivatives – current AED'000</i>	<i>AED'000</i>
<i>Net debt</i>					
As at 1 January 2021	66,147	(2,236,611)	-	(326,655)	(2,497,119)
Cash flows	(61,277)	82,358	-	-	21,081
Changes in fair values of derivatives financial instruments	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,961</u>	<u>144,961</u>
As at 31 December 2021	<u>4,870</u>	<u>(2,154,253)</u>	<u>-</u>	<u>(181,694)</u>	<u>(2,331,077)</u>
As at 1 January 2022	<b>4,870</b>	<b>(2,154,253)</b>	-	<b>(181,694)</b>	<b>(2,331,077)</b>
Cash flows	<b>135,444</b>	<b>(401,959)</b>	-	-	<b>(266,515)</b>
Changes in fair values of derivatives financial instruments	<u>-</u>	<u>-</u>	<u>-</u>	<u><b>181,694</b></u>	<u><b>181,694</b></u>
<b>As at 31 December 2022</b>	<u><b>140,314</b></u>	<u><b>(2,556,212)</b></u>	<u>-</u>	<u>-</u>	<u><b>(2,415,898)</b></u>