

Sweihan PV Power Company PJSC

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2021

Sweihan PV Power Company PJSC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2021

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Sweihan PV Power Company PJSC
DIRECTORS' REPORT
Year ended 31 December 2021

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 2021.

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 2042 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 2021 are set out on page 6 of the financial statements.

Directors

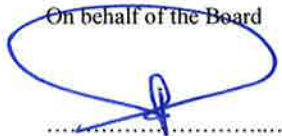
The Directors who served during the year were:

H. E. Mr. Ahmed Al Rumaithi, Chairman
Mr. AbdulAziz Al Obaidli
Miss. Hanan Al Hadhrami
Mr. Ali Al Basher
Mr. Mothana Bahjeat Qteishat
Mr. Carlos Alcazar
Mr. Kato Masayuki

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



.....
Ahmed Al Rumaithi
(Chairman)



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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 2021, 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 2021 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.

Other matter

The financial statements of the Company for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 September 2021.

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.

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. (2) of 2015 (as amended) 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SWEIHAN PV POWER COMPANY PJSC continued

Report on the Audit of the Financial Statements continued

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

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.
- 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SWEIHAN PV POWER COMPANY PJSC continued

Report on Other Legal and Regulatory Matters

Further, as required by the UAE Federal Law No. (2) of 2015 (as amended), we report that for the year ended 31 December 2021:

- 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. (2) of 2015 (as amended) and the Articles of Association of the Company;
- iii) the Company has maintained proper books of account;
- 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 2021;
- 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 2021, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or of its Articles of Association which would have a material impact on its activities or its financial position as at 31 December 2021; and
- viii) there are no social contributions made by the Company during the year.



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

27 April 2022
Abu Dhabi

Sweihan PV Power Company PJSC

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 AED'000	2020 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	<u>2,872,823</u>	<u>2,976,277</u>
Current assets			
Advances, prepayments and other receivables	7	34,554	24,376
Due from a related party	8	13,383	13,234
Cash and cash equivalents	9	<u>4,870</u>	<u>66,147</u>
		<u>52,807</u>	<u>103,757</u>
TOTAL ASSETS		<u>2,925,630</u>	<u>3,080,034</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	378,084	378,084
Legal reserve	11	11,587	8,562
Cumulative changes in fair value of derivatives		(173,384)	(326,655)
Retained earnings		<u>27,391</u>	<u>16,690</u>
		<u>243,678</u>	<u>76,681</u>
Loan from shareholders	14	<u>340,433</u>	<u>380,830</u>
Net equity		<u>584,111</u>	<u>457,511</u>
LIABILITIES			
Non-current liabilities			
Borrowings	12	-	2,154,558
Derivatives	6	-	<u>284,439</u>
		-	<u>2,438,997</u>
Current liabilities			
Borrowings	12	2,154,253	82,053
Derivatives	6	181,694	42,216
Trade and other payables	13	5,572	36,805
Due to a related party	8	-	<u>22,452</u>
		<u>2,341,519</u>	<u>183,526</u>
Total liabilities		<u>2,341,519</u>	<u>2,622,523</u>
TOTAL EQUITY AND LIABILITIES		<u>2,925,630</u>	<u>3,080,034</u>

These financial statements were approved on APR 27, 2022 by the Board of Directors and signed on its behalf by:


Abdulla Alkayoumi
CEO


Ahmed Al Rumaithi
Chairman

The notes on pages 9 to 34 form an integral part of these financial statements.

Sweihan PV Power Company PJSC

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	<i>Notes</i>	2021 <i>AED'000</i>	2020 <i>AED'000</i>
Operating lease revenues	15	228,653	236,101
Operating costs	16	<u>(122,810)</u>	<u>(124,086)</u>
Gross profit		105,843	112,015
General and administrative expenses	17	(15,628)	(16,664)
Other income	19	<u>22,178</u>	<u>10,499</u>
Operating profit		112,393	105,850
Finance costs, net	18	<u>(82,140)</u>	<u>(87,312)</u>
Profit for the year		<u>30,253</u>	<u>18,538</u>
Other comprehensive gain/loss			
<i>Items that may be reclassified to profit or loss</i>			
Gains/ (Losses) on cashflow hedges		<u>153,271</u>	<u>(173,731)</u>
Total comprehensive gain/(loss) for the year		<u>183,524</u>	<u>(155,193)</u>

The notes on pages 9 to 34 form an integral part of these financial statements.

Sweihan PV Power Company PJSC

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Share capital AED '000	Legal reserve AED '000	Cumulative changes in fair value of derivatives AED '000	Retained earnings AED '000	Total AED '000	Loan from shareholders AED '000	Equity AED '000
At 1 January 2020	378,084	6,708	(152,924)	60,375	292,243	414,983	707,226
Total comprehensive loss for the year	-	-	(173,731)	18,538	(155,193)	-	(155,193)
Transfer to legal reserve	-	1,854	-	(1,854)	-	-	-
Repayment of loan from shareholders (Note 14)	-	-	-	-	-	(34,153)	(34,153)
Paid dividends (Note 20)	-	-	-	(60,369)	(60,369)	-	(60,369)
At 31 December 2020	<u>378,084</u>	<u>8,562</u>	<u>(326,655)</u>	<u>16,690</u>	<u>76,681</u>	<u>380,830</u>	<u>457,511</u>
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>

The notes on pages 9 to 34 form an integral part of these financial statements.

Sweihaan PV Power Company PJSC

STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	<i>Notes</i>	2021 AED'000	2020 AED'000
Cash flows from operating activities			
Profit for the year		30,253	18,538
<i>Adjustments for:</i>			
Depreciation	5 & 16	105,060	105,062
Finance costs	18	82,204	87,740
Interest income	18	<u>(64)</u>	<u>(428)</u>
Operating cash flows before changes in working capital		<u>217,453</u>	<u>210,912</u>
<i>Changes in working capital:</i>			
Advances, prepayments and other receivables		(10,178)	7,087
Due from a related party		(149)	12,459
Due to a related party		(22,452)	-
Trade and other payables		<u>(31,233)</u>	<u>(2,575)</u>
Net cash flow generated from operating activities		<u>153,441</u>	<u>227,883</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	5	(1,606)	(160)
Interest income received	18	<u>64</u>	<u>428</u>
Net cash flows (used in) / from investing activities		<u>(1,542)</u>	<u>268</u>
Cash flows from financing activities			
Interest paid		(73,894)	(87,740)
Shareholders loan repayment	14	(40,397)	(34,153)
Dividends paid	20	(16,527)	(60,369)
Repayments from borrowings net of costs		<u>(82,358)</u>	<u>(77,988)</u>
Net cash flow used in financing activities		<u>(213,176)</u>	<u>(260,250)</u>
Net decrease in cash and cash equivalents			
Cash and cash equivalents, beginning of the year	9	<u>66,147</u>	<u>98,246</u>
Cash and cash equivalents, end of the year	9	<u>4,870</u>	<u>66,147</u>

The notes on pages 9 to 34 form an integral part of these financial statements.

Sweihan PV Power Company PJSC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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 2042 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. After this period, the Company will manage the day-to-day operations and maintain the Plant by itself through its employees.

There were no social contributions made by the Company during the year ended 31 December 2021. The Company has not purchased or invested in any shares during the financial year ended 31 December 2021.

Federal Law by Decree No 32 of 2021, which repeals and replaces Federal Law No. 2 of 2015 (as amended) on Commercial Companies, was issued on 20 September 2021, and is effective from 2 January 2022. The Company is in the process of reviewing the new law and will apply the requirements thereof no later than one year from the date on which the new Decree Law came into effect.

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). 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.

Sweihaan PV Power Company PJSC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES continued

2.2 Changes in accounting policies

(a) *New and amended standards adopted by the Company*

The following new and amended standards have been effective as of 1 January 2021 and have been adopted by the Establishment in the preparation of these financial statements:

- Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments include the following practical expedients:
 - A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
 - Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
 - Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.
- Amendments to IFRS 16: Covid-19 Related Rent Concessions beyond 30 June 2021

The application of these new standards, interpretation and amendments did not have any material impact on the financial statements of the Establishment.

(b) *Standards issued but not yet effective*

The 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.

- IFRS 17 Insurance Contracts;
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter;
- IFRS 9 Financial Instruments - Fees in the '10 percent' test for derecognition of financial liabilities;
- IAS 41 Agriculture - Taxation in fair value measurements;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 3: Reference to the Conceptual Framework;
- Amendments to IAS 16: Property, Plant and Equipment - Proceeds before Intended Use;
- Amendments to IAS 37: Onerous Contracts - Costs of Fulfilling a Contract;
- Amendments to IAS 8: Definition of Accounting Estimates; and
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.

The Company does not expect these new standards and amendments to have any significant impact on the separate financial statements, when implemented in future periods.

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.

Sweihaan PV Power Company PJSC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES continued

2.3 Property, plant and equipment continued

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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 2021

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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 Employee 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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 2021

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

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. Company policy is to maintain 89% (2020: 89%) of its borrowings at fixed rate, using floating-to-fixed interest rate swaps to achieve this when necessary. Generally, the Company enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Company borrowed at fixed rates directly. During 2021 and 2020, the Company's borrowings at variable rate were mainly denominated in US dollars.

The Company's borrowings are carried at amortised cost.

The exposure of the Company's borrowings to interest rate changes at the end of the reporting period are as follows:

	<i>Of total 2021 loans</i>		<i>Of total 2020 loans</i>	
	<i>AED'000</i>	<i>%</i>	<i>AED'000</i>	<i>%</i>
Variable rate borrowings	236,968	11	246,027	11

Instruments used by the Company

Swaps currently in place cover approximately 89% (2020 – 89%) of the variable loan principal outstanding. The fixed interest rates of the swaps range between 2.72% and 2.78% (2020 – 1.99% and 2.77%), and the variable rates of the loans are 6 months USD LIBOR which, at the end of the reporting period, was 0.2% (2020 – 0.224%).

The swap contracts require settlement of gross interest receivable or payable every 180 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Effects of hedge accounting on the financial position and performance

The effects of the interest rate swaps on the Company's financial position and performance are as follows:

	2021	2020
Carrying amount (current and non-current liability) (AED'000)	181,694	326,655
Notional amount (AED'000)	1,911,267	2,244,174
Maturity date*	30 April 2038	30 April 2038
Hedge ratio*	0.89:1	0.9:1
Change in value of hedged item used to determine hedge effectiveness (AED'000)	144,961	173,731
Weighted average hedged rate for the year	2.76%	2.76%

*Hedges are in place until the maturity date of the borrowings. Furthermore, the hedge ratio was determined based on the directions and approval of the shareholders of the Company.

Sweihaan PV Power Company PJSC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

3 FINANCIAL RISK MANAGEMENT continued

3.1 Financial risk factors continued

(iii) Cash flow and fair value interest rate risk continued

Hedge ineffectiveness in relation to the interest rate swaps was negligible for 2021 and 2020. Refer to Note 6 for the movement of cumulative changes in fair value of derivatives.

The Company has settled the total outstanding borrowings fully including the exposure towards instruments used for hedging in the month of January 2022 (refer note 24). Accordingly, management believes that presenting the interest rate sensitivity analysis is not relevant considering the fact that all the borrowings are fully settled subsequently.

(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.

	2021 AED'000	2020 AED'000
<i>Cash at bank</i>		
A1	664	63,202
Aa3	<u>4,206</u>	<u>2,945</u>
	<u>4,870</u>	<u>66,147</u>

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.

(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.

Sweihan PV Power Company PJSC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

3 FINANCIAL RISK MANAGEMENT continued

3.1 Financial risk factors continued

(c) Liquidity risk continued

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 2021 of AED 4,870 thousand (2020: AED 66,147 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.

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		Total AED '000
			1 to 5 years AED '000	More than 5 years AED '000	
Maturities of financial liabilities at 31 December 2021					
<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>
	2,159,825	2,159,825	-	-	2,159,825
<i>Maturities of financial liabilities at 31 December 2020</i>					
<i>Non-derivatives</i>					
Trade and other payables	36,805	36,805	-	-	36,805
Borrowings	<u>2,236,611</u>	<u>82,053</u>	<u>364,601</u>	<u>1,789,957</u>	<u>2,236,611</u>
	2,273,416	118,858	364,601	1,789,957	2,273,416

* The category more than 5 years includes the repayment of borrowings until their maturity in the year 2043.

Sweihan PV Power Company PJSC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

3 FINANCIAL RISK MANAGEMENT continued

3.1 Financial risk factors continued

(c) Liquidity risk continued

31 December 2021

Derivatives

Gross settled (interest rate swap – cash flow hedges)

(Inflow)

Outflow

	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
(288,849)	(288,849)	(288,588)	-	-	(288,588)
462,543	462,543	503,142	-	-	503,142
181,694	181,694	181,694	-	-	181,694
(2,005,082)	(2,005,082)	(76,142)	(380,708)	(1,751,810)	(2,208,660)
2,319,445	2,319,445	118,358	591,790	1,825,167	2,535,315
314,363	314,363	42,216	211,082	73,357	326,655

31 December 2020

Derivatives

Gross settled (interest rate swap – cash flow hedges)

(Inflow)

Outflow

Sweihan PV Power Company PJSC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Total borrowings (Note 12)	2,154,253	2,236,611
Total derivatives (Note 6)	181,694	326,655
Less: cash and cash equivalents (Note 9)	<u>(4,870)</u>	<u>(66,147)</u>
Net debt	2,331,077	2,497,119
Total equity	<u>584,111</u>	<u>457,511</u>
Total capital	<u>2,915,188</u>	<u>2,954,630</u>
Gearing ratio	<u>80%</u>	<u>85%</u>

3.3 Fair value estimation

The fair values of the Company's financial assets and liabilities as at 31 December 2021 and 2020 approximate their carrying amounts as reflected in these financial statements.

As at 31 December 2021 and 2020, the fair value measurement hierarchy of the Company's assets and liabilities is as follows:

	<i>Total</i> <i>AED'000</i>	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>
<i>Items measured at fair value</i>				
<i>At 31 December 2021</i>				
Interest rate swap – hedged	<u>181,694</u>	<u>-</u>	<u>181,694</u>	<u>-</u>
<i>Items measured at fair value</i>				
<i>At 31 December 2020</i>				
Interest rate swap – hedged	<u>326,655</u>	<u>-</u>	<u>326,655</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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 2021 and 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 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.

(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.

Sweihan PV Power Company PJSC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS continued

(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.

(g) *COVID-19 pandemic*

COVID-19 was first identified in Wuhan, Hubei Province, China in late 2019. Since then it has spread rapidly, infecting people around the world and causing a substantial number of deaths across the globe. Almost all countries that have been significantly affected have introduced measures to try to contain the spread of the virus, including border closures and restricting movement of their citizens. The measures have resulted in the closure of numerous businesses in those countries and widespread job losses. To address these factors, many governments have introduced significant support programmes for qualifying citizens and businesses.

It is currently unclear how long these restrictions will be in place and what their ultimate impact will be on global and local economies, as well as on the businesses operated by the Company.

The Company has been affected by the pandemic and its consequences. The COVID-19 pandemic has contributed to unprecedented volatility in both equity markets and commodity markets. All of the above has the potential, particularly if the impact is prolonged, to adversely affect the Company's business performance, cash flows and financial position.

Sweihan PV Power Company PJSC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

5 PROPERTY, PLANT AND EQUIPMENT

	<i>Solar plant</i> <i>AED'000</i>
Cost	
At 1 January 2020	3,151,638
Additions	<u>160</u>
At 31 December 2020	<u>3,151,798</u>
At 1 January 2021	3,151,798
Additions	<u>1,606</u>
At 31 December 2021	<u>3,153,404</u>
Depreciation	
At 1 January 2020	70,459
Charge for the year	<u>105,062</u>
At 31 December 2020	<u>175,521</u>
At 1 January 2021	175,521
Charge for the year	<u>105,060</u>
At 31 December 2021	<u>280,581</u>
Net book value	
At 31 December 2021	<u>2,872,823</u>
At 31 December 2020	<u>2,976,277</u>

All depreciation expenses are recognised in operating costs (Note 16). During the year ended 31 December 2021, the Company capitalised interest of AED nil (2020: Nil).

6 DERIVATIVES

Hedging activities – cash flow hedges

The Company has the following derivative financial instruments:

	2021 AED'000	2020 <i>AED'000</i>
<i>Current liability</i>		
Interest rate swaps – cash flow hedges	<u>181,694</u>	<u>42,216</u>
<i>Non-current liability</i>		
Interest rate swaps – cash flow hedges	<u>-</u>	<u>284,439</u>
	<u>181,694</u>	<u>326,655</u>

Sweihan PV Power Company PJSC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

6 DERIVATIVES continued

The Company enters 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 and 2020, 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

Hedge ineffectiveness in relation to the interest rate swaps was negligible for 2021 and 2020.

7 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2021 AED'000	2020 AED'000
Advance to supplier	22,383	11,017
Prepayments	1,202	1,131
Other receivables	<u>10,969</u>	<u>12,228</u>
	<u>34,554</u>	<u>24,376</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 TRANSACTIONS AND BALANCES

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:

	2021 AED'000	2020 AED'000
<i>Due from a related party</i>		
Emirates Water & Electricity Company (EWEC)	<u>13,383</u>	<u>13,234</u>
<i>Due to a related party</i>		
Jink Solar Holding Co. Ltd	<u>-</u>	<u>22,452</u>
<i>Equity</i>		
Loan from shareholders (note 14)	<u>340,433</u>	<u>380,830</u>

Sweihan PV Power Company PJSC

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31 December 2021

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.

	2021 AED'000	2020 AED'000
Operating lease revenues generated from a related party (Note 15)	<u>228,653</u>	<u>236,101</u>
Secondment and other fees charged by related parties	<u>-</u>	<u>858</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 CASH EQUIVALENTS

	2021 AED'000	2020 AED'000
Cash at bank - current accounts	<u>4,870</u>	<u>66,147</u>

10 SHARE CAPITAL

Share capital comprises of 37,808,380 (2020: 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 (2) of 2015 (as amended), 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.

12 BORROWINGS

	2021 AED'000	2020 AED'000
<i>Non-current</i>		
Interest bearing term loans – Term facility	-	2,154,558
<i>Current</i>		
Interest bearing term loans – Term facility	<u>2,154,253</u>	<u>82,053</u>
	<u>2,154,253</u>	<u>2,236,611</u>

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

12 BORROWINGS continued

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). Loan outstanding balance At 31 December 2021 amounted to AED 2,154,253 thousand (31 December 2020: 2,236,611 thousand).

Loan covenants

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

- sufficient funds are set aside in order to pay any Hedging Termination payments which have arisen but are not payable until the agreed Repayment Date
- the Company certifies to the offshore account bank (in a form and substance satisfactory to the offshore account bank and the Global Facility Agent) within fifteen (15) days from the date of issuance of a Cover Ratio Certificate issued in accordance with common term agreement (Cover Ratio Certificates) that each such condition is satisfied on the date of such withdrawal or
- 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;

The Company has complied with these covenants throughout the reporting period. Also refer note 23 for

13 TRADE AND OTHER PAYABLES

	2021 AED'000	2020 AED'000
Trade payables	148	2,001
Other payables and accruals	<u>5,424</u>	<u>34,804</u>
	<u>5,572</u>	<u>36,805</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 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 2021 an amount of AED 40,397 thousand (2020: AED 34,153 thousand) was paid based on the approval of the board of directors of the Company.

Sweihan PV Power Company PJSC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

15 OPERATING LEASE REVENUES

	2021 AED'000	2020 AED'000
Output revenue	206,054	213,081
Operation and maintenance revenue	<u>22,599</u>	<u>23,020</u>
	<u>228,653</u>	<u>236,101</u>

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

	2021 AED'000	2020 AED'000
<i>Timing of revenue recognition</i>		
Over time	<u>228,653</u>	<u>236,101</u>
<i>Geographical markets</i>		
Revenue generated within UAE	<u>228,653</u>	<u>236,101</u>

16 OPERATING COSTS

	2021 AED'000	2020 AED'000
Operation and maintenance service charges	17,750	19,024
Depreciation	<u>105,060</u>	<u>105,062</u>
	<u>122,810</u>	<u>124,086</u>

17 GENERAL AND ADMINISTRATIVE EXPENSES

	2021 AED'000	2020 AED'000
Consultancy fees	6,888	6,997
Staff costs	4,688	4,343
Insurance	2,637	2,543
Utilities expense	431	1,484
Legal Fee	476	-
Agency fees	508	884
Others	<u>-</u>	<u>413</u>
	<u>15,628</u>	<u>16,664</u>

Sweihan PV Power Company PJSC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

18 FINANCE COSTS, NET

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Interest expense on term loan	31,590	53,705
Interest expense on swaps designated as hedges of the term loans	50,575	33,841
Other interest expense	39	194
Interest income	<u>(64)</u>	<u>(428)</u>
	<u>82,140</u>	<u>87,312</u>

19 OTHER INCOME

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Liquidation damages from supplier	<u>22,178</u>	<u>10,499</u>

20 DIVIDENDS PAID

During the year ended 31 December 2021, the shareholders of the Company declared a dividend of AED 16,527 thousand (2020: AED 60,369) 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>	
	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
<i>Financial assets as per statement of financial position</i>		
Other receivables	10,969	12,228
Cash and cash equivalents	<u>4,870</u>	<u>66,147</u>
	<u>15,839</u>	<u>78,375</u>
	<i>Financial liability at amortised cost</i>	
	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
<i>Financial liabilities as per statement of financial position</i>		
Trade and other payables	5,572	36,805
Borrowings	<u>2,154,253</u>	<u>2,236,611</u>
	<u>2,159,825</u>	<u>2,273,416</u>

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

Sweihan PV Power Company PJSC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

22 NET DEBT RECONCILIATION

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Cash and bank balances	4,870	66,147
Borrowings repayable within one year	(2,154,253)	(82,053)
Borrowings repayable after one year	-	(2,154,558)
Derivatives repayable within one year	(181,694)	(42,216)
Derivatives repayable after one year	<u>-</u>	<u>(284,439)</u>
Net debt	<u>(2,331,077)</u>	<u>(2,497,119)</u>
Cash and cash equivalents	4,870	66,147
Gross debt – Fixed interest rates	(2,222,699)	(2,438,997)
Gross debt – Variable interest rates	<u>(113,248)</u>	<u>(124,269)</u>
	<u>(2,331,077)</u>	<u>(2,497,119)</u>

Sweihan PV Power Company PJSC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

22 NET DEBT RECONCILIATION continued

	Liabilities from financing activities				Total
	Other assets	Borrowings- repayable within one year AED '000	Borrowings- repayable after one year AED '000	Derivatives – current AED '000	
<i>Net debt</i>					
As at 1 January 2020	98,246	(78,010)	(2,236,589)	(14,416)	(138,508)
Cash flows	(32,099)	(4,043)	82,031	-	45,889
Changes in fair values of Derivatives financial instruments	-	-	-	(27,800)	(145,931)
As at 31 December 2020	66,147	(82,053)	(2,154,558)	(42,216)	(2,497,119)
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	-	-	-	144,961	144,961
As at 31 December 2021	4,870	(2,154,253)	-	(181,694)	(2,331,077)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

23 SUBSEQUENT EVENTS

On 21 January 2022, 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. Accordingly, the outstanding balances of borrowings and derivative as at 31 December 2021 are shown under current liabilities.

24 COMPARATIVE INFORMATION

Certain comparative figures have been reclassified, wherever necessary, to confirm to the presentation adopted in the current year financial statements. Such reclassification has no impact on previously reported profit or equity of the Company.