Sweihan PV Power Company PJSC

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2023

DIRECTORS' REPORT
Year ended 31 December 2023

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 2023.

Principal activity
The principal activities of the Company are to develop, finance and operate 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 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 started Commercial Operations on 30 April 2019.

Results and appropriations
The results of the Company for the year ended 31 December 2023 are set out on page 6 of the financial statements.

Directors
The Directors who served during the year were:

Ms. Fatima Al Shaygi
Mr. AbdulAziz Al Obaidli
Mr. Ali Al Basher
Mr. Abdulrahman Maddi
Mr. Mothana Bahjeat Qteishat
Mr. Imad Saket
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

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Ms. Fatima Al Shaygi
Chairwoman

Sweihan PV Power Company PJSC

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

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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 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 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.

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.

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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
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.

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.

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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. (32) of 2021, we report that for the year ended 31 December 2023:

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;

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 2023;

vi) note 7 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 2023, 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 2023; 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 2023:

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

Signed by:
Walid Nakfour
Partner
Ernst & Young
Registration No: 5479

18 April 2024
Abu Dhabi

STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	*2023* *AED'000*	*2022* *AED'000*
ASSETS			
Non-current asset			
Property, plant and equipment	5	**2,667,099**	2,772,422
Current assets			
Inventories		**8,819**	5,352
Advances, prepayments and other receivables	6	**46,355**	50,176
Due from a related party	7	**12,542**	12,921
Cash and cash equivalents	8	**132,918**	140,314
		200,634	208,763
TOTAL ASSETS		**2,867,733**	2,981,185
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**378,084**	378,084
Legal reserve	10	**11,587**	11,587
Cumulative changes in fair value of derivatives		**(125,674)**	(134,442)
Accumulated losses		**(12,733)**	(2,724)
		251,264	252,505
Loan from shareholders	13	**55,751**	107,167
Total equity		**307,015**	359,672
LIABILITIES			
Non-current liability			
Borrowings	11	**2,429,330**	2,495,216
Current liabilities			
Borrowings	11	**65,886**	60,996
Accrued expenses and other payables	12	**45,541**	45,340
Due to a related party	7	**19,961**	19,961
		131,388	126,297
Total liabilities		**2,560,718**	2,621,513
TOTAL EQUITY AND LIABILITIES		**2,867,733**	2,981,185

These financial statements were approved on **27 March 2024** by the Board of Directors and signed on its behalf by:

Abdulla Alkayoumi
CEO

Ms. Fatima Al Shaygi
Chairwoman

The attached notes 1 to 19 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2023

	Notes	***2023 AED'000***	*2022 AED'000*
Operating lease revenues	14	**227,518**	219,832
Operating costs	15	**(119,553)**	(121,034)
GROSS PROFIT		**107,965**	98,798
General and administrative expenses	16	**(19,228)**	(19,232)
Other income		**1,102**	15,747
Operating profit		**89,839**	95,313
Finance costs, net	17	**(99,848)**	(99,720)
LOSS FOR THE YEAR		**(10,009)**	(4,407)
Other comprehensive gain			
Items that may be reclassified to profit or loss			
Reclassification of cashflow hedge reserve to profit or loss		**8,768**	38,942
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(1,241)**	34,535

The attached notes 1 to 19 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2023

	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 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
Repayment of loan from shareholders (Note 13)	-	-	-	-	-	(233,266)	(233,266)
Dividends paid during the year (Note 18)	-	-	-	(25,708)	(25,708)	-	(25,708)
At 31 December 2022	378,084	11,587	(134,442)	(2,724)	252,505	107,167	359,672
At 1 January 2023	378,084	11,587	(134,442)	(2,724)	252,505	107,167	359,672
Total comprehensive gain / (loss) for the year	-	-	8,768	(10,009)	(1,241)	-	(1,241)
Repayment of loan from shareholders (Note 13)	-	-	-	-	-	(51,416)	(51,416)
At 31 December 2023	**378,084**	**11,587**	**(125,674)**	**(12,733)**	**251,264**	**55,751**	**307,015**

The attached notes 1 to 19 form part of these financial statements.

STATEMENT OF CASH FLOWS
Year ended 31 December 2023

	Notes	*2023* *AED'000*	*2022* *AED'000*
OPERATING ACTIVITIES			
Loss for the year		**(10,009)**	(4,407)
Adjustments for:			
Depreciation	5	**105,480**	105,764
Finance costs	17	**101,889**	100,302
Interest income	17	**(2,041)**	(582)
Operating cash flows before changes in working capital		**195,319**	201,077
Working capital changes:			
Advances, prepayments and other receivables		**3,821**	(15,622)
Due from a related party		**379**	462
Due to a related party		**-**	19,961
Inventories		**(3,467)**	(5,352)
Accrued expenses and other payables		**1,130**	39,768
Net cash flows generated from operating activities		**197,182**	240,294
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	5	**(157)**	(5,363)
Interest income received	17	**2,041**	582
Net cash from (used in) investing activities		**1,884**	(4,781)
FINANCING ACTIVITIES			
Interest paid		**(102,818)**	(108,612)
Shareholders loan repayment	13	**(51,416)**	(233,266)
Dividends paid	18	**-**	(25,708)
Reclassification of cashflow hedge reserve to profit or loss		**8,768**	(134,442)
Net movement in restricted cash	8	**(2,393)**	(1,145)
Repayments of bank borrowings		**(60,996)**	
Receipts from Bonds		**-**	401,959
Net cash flows used in financing activities		**(208,855)**	(101,214)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(9,789)**	134,299
Cash and cash equivalents, beginning of the year		**139,169**	4,870
CASH AND CASH EQUIVALENTS, END OF THE YEAR	8	**129,380**	139,169

The attached notes 1 to 19 form part of these financial statements.

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 and operate 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 started Commercial Operations 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 maintenance of the Plant. On 21 December 2023 the Company issued the Final Acceptance Certificate to the EPC contractor

There were no social contributions made by the Company during the year ended 31 December 2023. The Company has not purchased or invested in any shares during the financial year ended 31 December 2023.

2 MATERIAL 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.

2 MATERIAL ACCOUNTING POLICIES continued

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

These amendments had no significant impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

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.

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to a 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. With the publication of this Decision, the UAE CT Law is considered to have been substantively enacted for the purposes of accounting for Income Taxes.

Subsequently, the UAE CT Law has been supplemented by a number of Decisions of the Cabinet of Ministers of the UAE (Decisions). Such Decisions and other interpretive guidance of the UAE Federal Tax Authority provide important details relating to the interpretation of the UAE CT Law and are required to fully evaluate the impact of the UAE CT Law on the Company.

The Company should be subject to the provisions of the UAE CT Law with effect from 1 January 2024, and current taxes shall be accounted for as appropriate in the financial statements for the period beginning 1 January 2024.

Based on the current provisions of the UAE CT Law (including interpretation based on the Ministerial decisions and related guidance) and in accordance with IAS 12 Income Taxes, the Company has considered related deferred tax accounting impact as at the reporting date, as follows:

No potential deferred tax assets or liabilities have been identified as at the reporting date.

2.3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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.

- Amendments to IFRS 16: Lease Liability in a Sale and Lease back
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current
- Supplier Finance Arrangement – Amendments to IAS 7 and IFRS 17

The Company does not expect that the adoption of these new and amended standards and interpretations will have a material impact on its financial statements.

2 MATERIAL ACCOUNTING POLICIES continued

2.4 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:

	Years
Solar 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.

2.5 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.

2.6 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 MATERIAL ACCOUNTING POLICIES continued

2.7 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.

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 MATERIAL ACCOUNTING POLICIES continued

2.8 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.

2.9 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.

2.10 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.

2.11 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.

2.12 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).

2 MATERIAL ACCOUNTING POLICIES continued

2.12 Derivatives continued

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.

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 MATERIAL ACCOUNTING POLICIES continued

2.13 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.

2.14 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.

2.15 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'.

2.16 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.

2 MATERIAL ACCOUNTING POLICIES continued

2.17 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.

2.18 Other income

Other income, pertains to the revenue loss during the outage caused by rectification work performed by the contractor.

2.19 Share capital

Ordinary shares are classified as equity.

2.20 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.

2.21 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.

2.22 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. Bonds 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.

2 MATERIAL ACCOUNTING POLICIES continued

2.23 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.

2.24 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.

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.

2.25 Inventories

Inventories are stated at the lower of cost and net realisable value after adjusting allowance for any slow and non-moving items. Inventories are valued at the weighted average basis and comprises purchase price, freight and other charges incurred in bringing inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

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.

(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 not exposed to interest rate risk as at 31 December 2023.

(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 2.9, 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 7 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.

3 FINANCIAL RISK MANAGEMENT continued

3.1 Financial risk factors continued

(b) Credit risk continued

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.

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.

(c) Liquidity risk

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 2023 of AED 129,380 thousand (2022: AED 139,169 thousand). The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all financial liabilities, for which the contractual maturities are essential for an understanding of the timing of the cash flows.

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*
Maturities of financial liabilities at 31 December 2023					
Other payables	**1,538**	**1,538**	**-**	**-**	**1,538**
Borrowings	**2,495,216**	**155,640**	**630,459**	**3,003,686**	**3,789,785**
	2,496,754	**157,178**	**630,459**	**3,003,686**	**3,791,323**
Maturities of financial liabilities at 31 December 2022					
Other payables	1,604	1,604	-	-	1,604
Borrowings	2,556,212	152,751	628,804	3,160,981	3,942,536
	2,557,816	154,355	628,804	3,160,981	3,944,140

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

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:

	2023	*2022*
	AED'000	*AED'000*
Total borrowings (note 11)	**2,495,216**	2,556,212
Other payables (note 12)	**1,538**	1,604
Due to a related party (note 7)	**19,961**	19,961
Less: cash and cash equivalents (note 8)	**(129,380)**	(139,169)
Net debt	**2,387,335**	2,438,608
Total equity	**307,015**	359,672
Total capital	**2,694,350**	2,798,280
Gearing ratio	**89%**	87%

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS continued

(b) 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.

(c) 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.

(d) 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.

(e) Allowance for slow moving inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and allowance for impairment applied according to the inventory type and the degree of ageing or obsolescence, based on Company's policy for inventory provisioning.

At the reporting date, gross inventories were AED 8,819 thousand (2022: AED 5,352 thousand).

5 PROPERTY, PLANT AND EQUIPMENT

	Solar plant	
	2023	*2022*
	AED'000	*AED'000*
Cost:		
At 1 January	**3,158,767**	3,153,404
Additions	**157**	5,363
At 31 December	**3,158,924**	3,158,767
Depreciation:		
At 1 January	**386,345**	280,581
Charge for the year	**105,480**	105,764
At 31 December	**491,825**	386,345
Net book value:		
At 31 December	**2,667,099**	2,772,422

All depreciation expenses are recognised as operating costs (note 15).

6 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2023	*2022*
	AED'000	*AED'000*
Prepayments	**1,725**	1,590
Advance to supplier	**55**	3,046
Unamortised transaction costs	**32,950**	34,255
Unbilled revenue	**11,625**	11,285
	46,355	50,176

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.

7 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:

	2023	*2022*
	AED'000	*AED'000*
Due from a related party		
Emirates Water & Electricity Company (EWEC)	**12,542**	12,921
Due to a related party		
Jink Solar Holding Co. Ltd	**(19,961)**	(19,961)
Equity		
Loan from shareholders (Note 13)	**55,751**	107,167

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.

	2023	*2022*
	AED'000	*AED'000*
Operating lease revenues generated from a related party (note 14)	**227,518**	219,832

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.

8 CASH AND BANK BALANCES

	2023	*2022*
	AED'000	*AED'000*
Cash at bank:		
Current accounts	**132,918**	140,314
Company's restricted bank account for borrowings repayment*	**(3,538)**	(1,145)
Cash and cash equivalents	**129,380**	139,169

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

9 SHARE CAPITAL

Share capital comprises of 37,808,380 (2022: 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 thousand from AED 5,000 thousand. 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.

10 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.

11 BORROWINGS

	2023	*2022*
	2023	*2022*
	AED	*AED*
Interest bearing borrowings-Bonds	**2,495,216**	2,556,212

Disclosed in the statement of financial position as follows:

	2023	*2022*
	AED	*AED*
Current	**65,886**	60,996
Non-current	**2,429,330**	2,495,216
	2,495,216	2,556,212

Facilities for the construction of Power Plant:

The Bonds bear interest from the date of issuance at a rate of 3.625% per annum, payable semi-annually in arrear on 31 January and 31 July of each year, beginning on 31 July 2022. Principal on the Bonds will be repayable in semi-annual instalments, pursuant to an amortization schedule set forth herein, on 31 January and 31 July of each year, beginning 31 July 2022. The Bonds will mature on 31 January 2049.

11 BORROWINGS continued

Changes in liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows used in financing activities.

	1 January 2023 AED'000	*Cash flows AED'000*	*Other AED'000*	***31 December 2023 AED'000***
At 31 December 2023				
Current:				
Interest bearing loans and borrowings	60,996	(60,996)	65,886	**65,886**
Non-current:				
Interest bearing loans and borrowings	2,495,216	-	(65,886)	**2,429,330**
Total	2,556,212	(60,996)	-	**2,495,216**
At 31 December 2022				
Current:				
Interest bearing loans and borrowings	-	-	60,996	60,996
Non-current:				
Interest bearing loans and borrowings	-	2,556,212	(60,996)	2,495,216
Total	-	2,556,212	-	2,556,212

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.

12 ACCRUED EXPENSES AND OTHER PAYABLES

	2023 AED'000	*2022 AED'000*
Accrued expenses	**41,938**	43,529
Provision for employees' end of service benefits	**229**	207
Deferred income	**1,836**	-
Other payables	**1,538**	1,604
	45,541	45,340

13 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 2023 an amount of AED 51,416 thousand (2022: AED 233,266 thousand) was paid based on the approval of the board of directors of the Company.

14 OPERATING LEASE REVENUES

	2023	*2022*
	AED'000	*AED'000*
Output revenue	**201,285**	195,859
Operation and maintenance revenue	**26,233**	23,973
	227,518	219,832

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

	2023	*2022*
	AED'000	*AED'000*
Timing of revenue recognition		
Over time	**227,518**	219,832
Geographical markets		
Revenue generated within UAE	**227,518**	219,832

15 OPERATING COSTS

	2023	*2022*
	AED'000	*AED'000*
Operation and maintenance service charges	**14,073**	15,270
Depreciation (note 5)	**105,480**	105,764
	119,553	121,034

16 GENERAL AND ADMINISTRATIVE EXPENSES

	2023 **AED'000**	2022 AED'000
Consultancy fees	**8,418**	8,187
Staff costs	**5,556**	5,593
Insurance	**3,103**	2,961
Utilities expense	**1,699**	1,969
Legal fees	**176**	147
Agency fees	**-**	154
Audit fee	**160**	150
Others	**116**	71
	19,228	19,232

Audit fee includes, audit fee of AED 53 thousand (2022: AED 50 thousand) with respect to opinion on effectiveness of internal control over financial reporting.

17 FINANCE COSTS, NET

	2023 **AED'000**	2022 AED'000
Interest on bonds	**90,818**	87,907
Hedge termination charges	**-**	8,208
Interest expense on term facility loan	**-**	1,743
Reclassification of cashflow hedge reserve to profit or loss	**8,768**	-
Other interest expense	**2,303**	2,444
Interest income	**(2,041)**	(582)
	99,848	99,720

18 DIVIDENDS

During the year ended 31 December 2023, the shareholders of the Company declared a dividend of nil (2022: AED 25,708 thousand) which was paid in accordance with the shareholders ownership percentages.

19 COMPARATIVE INFORMATION

The Company has changed presentation of comparative information in statement of financial position to conform to the current year presentation. This reclassification did not have any impact on the previously reported profit of the Company.