

ACWA POWER COMPANY

(Saudi Listed Joint Stock Company)

**Consolidated Financial Statements
and Independent Auditor's Report
31 December 2023**



KPMG Professional Services

Roshn Front, Airport Road
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤
المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of ACWA Power Company (A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of ACWA Power Company (A Saudi Joint Stock Company) and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent Auditor's Report

To the Shareholders of ACWA Power Company (A Saudi Joint Stock Company) (continued)

Impairment of non-financial assets (other than goodwill)

Refer to note 3 in the consolidated financial statements for material accounting policies, note 4 for estimates, assumptions and judgments relating to impairment of non-financial assets, note 5 for property, plant and equipment and note 7 for investment in equity accounted investees.

The key audit matter

As at 31 December 2023, the carrying value of the property, plant and equipment and investment in Equity Accounted Investees (EAI) included in the consolidated statement of financial position amounted to SAR 10,292 million (2022: SAR 10,106 million) and SAR 15,873 million (2022: SAR 12,624 million) respectively.

Property, plant and equipment mainly comprise of plants operated by the Group under operating lease arrangements. Further, results of EAI primarily depend on the performance of the plants held by EAI. Any changes in technology, market expected returns or regulatory changes may impact the recoverable amount of these plants and consequently impact the Group's valuation of these plants either capitalized as property, plant and equipment or forming part of the net assets of EAI.

Where indicators of impairment are identified, management performs impairment assessment on the recoverable amount of property, plant and equipment and investment in EAI at both Group and investee level, in case of EAI.

The recoverable amounts were mostly determined based on value-in-use calculations using discounted cash flows models. The models were based on most recent financial plan and included projection periods over the term of the relevant agreements with the off taker or the remaining economic useful life of an asset.

We identified impairment of property, plant and equipment and investment in equity accounted investees as a key audit matter as determining recoverable amount involves significant judgments and use of assumptions by management such as

- Estimating cash flows that the Cash Generating Unit (CGU) is expected to generate including assessment of underlying assumptions with respect to useful life, production volumes and capacity variations etc.; and
- Determination of the pre-tax discount rates to use for discounting these cash flows.

How the matter was addressed in our audit

We performed the following procedures:

- Obtain an understanding of the management's process of identifying the impairment indicators and performing impairment assessment on non-financial assets where impairment indicators exists.
- Performed multiple risk assessment procedures including and not limited to inquiries with management and internal audit, inspection of minutes of meetings, and financial performance of the assets to identify and assess impairment indicators at the plant and investee company level.
- For the assets where the impairment indicators were identified, we performed the following procedures:
 - Obtained and evaluated the impairment assessment performed by management for each component where indicators for impairment were identified;
 - Assessed and tested the reasonableness of assumptions used by management in impairment assessment;
 - Discussed with management and inspected the underlying evidence based on which impairment assessments were prepared;
 - Engaged KPMG valuation specialists to consider the appropriateness of the discount rate used for impairment assessment; and
 - Tested the accuracy of the impairment assessment model.
- Assessed adequacy of Group's disclosures in the consolidated financial statements.

Independent Auditor's Report

To the Shareholders of ACWA Power Company (A Saudi Joint Stock Company) (continued)

Impairment of goodwill

See Note 3 to the consolidated financial statements for the accounting policy relating to goodwill and note 6.1 for the related disclosure

The key audit matter

As of 31 December 2023, the carrying value of the goodwill in the Group's financial statements amounted to SAR 1,915 million.

The goodwill is allocated at operating segment level of Thermal & Water Desalination, and Renewable.

Management of the Company has performed an annual impairment assessment of goodwill and concluded that the goodwill is not impaired as at 31 December 2023.

The model was based on the most recent financial plans and cash flows that are estimated over the expected period of the underlying projects' lives within a particular operating segment.

We considered this to be a key audit matter given the significant judgment and estimation required to determine recoverable amounts of the operating segments and uncertainty inherent in underlying forecasts and assumptions.

How the matter was addressed in our audit

We performed the following procedures:

- We considered the process followed by management for the identification of the Cash Generating Unit (CGU) and assessed its appropriateness. Further, we assessed reasonableness of allocation of goodwill to each identified operating segment.
- We obtained the impairment assessment model used by management to assess Goodwill impairment and we performed the following procedures:
 - We checked the accuracy and reasonableness of the underlying information, on a sample basis, used for the impairment assessment of Goodwill;
 - We considered reasonableness of the assumptions used in the impairment assessment by considering management's most recent approved plans, cash flow estimates, our understanding of the business and other corroborating evidence gathered during the audit;
 - We involved KPMG valuation specialist for assessing the calculation performed by management in determining the discount rate;
 - We assessed the sensitivity of the results of the recoverable amount to the various key assumptions, such as long-term growth rate and discount rate, within a reasonably possible range reflective of the current environment; and
 - We tested mathematical accuracy of the calculations.
- We assessed the adequacy of disclosures in the consolidated financial statements in respect of goodwill impairment assessment.

Independent Auditor's Report

To the Shareholders of ACWA Power Company (A Saudi Joint Stock Company) (continued)

Valuation of derivative financial instruments and hedge effectiveness

See Note 3 to the consolidated financial statements for the accounting policy relating to derivative financial instruments and note 22 for the related disclosure

The key audit matter

As at 31 December 2023, the positive and negative fair value of derivatives held by the Group amounted to SAR 843 million and SAR 63 million respectively.

The Group has entered into various derivative transactions, including interest rate swap, forward foreign exchange contracts and options. Swaps, forwards and options derivative contracts are over the counter (OTC) derivatives that are not traded in active markets and hence, the valuation of these contracts is subjective as it takes into account a number of assumptions which often involves the exercise of judgement by management.

An inappropriate valuation of derivatives could have a material impact on the consolidated financial statements and can have an impact in hedge accounting thereon.

Application of hedge accounting requires robust documentation and compliance with hedge effectiveness requirements and parameters.

We considered this as a key audit matter as there is complexity and subjectivity involved in determining the valuation, where complex modelling techniques are being used. Further, assessing the hedge effectiveness, involves high degree of judgement and significant impact on the financial statements, in case of hedge ineffectiveness.

How the matter was addressed in our audit

We performed the following procedures:

- Obtained an understanding about the Group's valuation process with respect to its derivatives and accounting for hedge relationships.
- For a selected sample of derivatives, we performed the following procedures:
 - Obtained counter party bank confirmation for valuation of derivatives and compared with the valuation of derivatives reflected in the financial statements;
 - Involved KPMG specialists to perform an independent valuations of the derivatives and compared the result with the valuation used by management and evaluated any variances noted; and
 - Tested the accuracy of the particulars of derivatives selected for independent valuation by our specialist by tracing the details to the relevant derivative agreements;
- Inspected hedge documentation for a sample of hedge arrangements and performed the following procedures:
 - Involved our specialists to evaluate the hedge effectiveness assessment performed by the Group; and
 - Considered the appropriateness of hedge accounting and assessed whether the accounting is in line with the requirements of the relevant accounting and reporting standards.
- Considered the adequacy of the disclosures in the financial statements relating to the valuation basis and inputs used in the fair value measurement.

Independent Auditor's Report

To the Shareholders of ACWA Power Company (A Saudi Joint Stock Company) (continued)

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 9 Sha'ban 1444H (corresponding to 1 March 2023)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, the Board of Directors, is responsible for overseeing the Group's financial reporting process.

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

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

Independent Auditor's Report

To the Shareholders of ACWA Power Company (A Saudi Joint Stock Company) (continued)

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of ACWA Power Company (A Saudi Joint Stock Company) and its subsidiaries ("the Group").

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

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

KPMG Professional Services


Dr. Abdullah Hamad Al Fozan
License No 348

Riyadh on February 29, 2024
Corresponding to: Sha'ban 19, 1445



ACWA POWER Company
(Saudi Listed Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

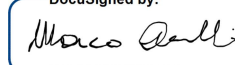
(All amounts in Saudi Riyals thousands unless otherwise stated)

| | <i>Note</i> | As of 31 Dec 2023 | As of 31 Dec 2022 |
|--|-------------|------------------------------|------------------------------|
| <u>ASSETS</u> | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 10,292,460 | 10,105,713 |
| Intangible assets | 6 | 2,047,374 | 2,028,830 |
| Equity accounted investees | 7 | 15,873,449 | 12,624,518 |
| Net investment in finance lease | 8 | 11,234,491 | 11,501,842 |
| Deferred tax asset | 21.4 | 153,323 | 119,955 |
| Fair value of derivatives | 22 | 754,927 | 924,537 |
| Other assets | 9 | 379,812 | 397,775 |
| Total non-current assets | | 40,735,836 | 37,703,170 |
| Current assets | | | |
| Inventories | 10 | 479,322 | 406,820 |
| Net investment in finance lease | 8 | 382,185 | 378,486 |
| Fair value of derivatives | 22 | 88,153 | 106,131 |
| Due from related parties | 23 | 1,356,247 | 985,120 |
| Accounts receivable, prepayments and other receivables | 11, 40.2 | 3,214,580 | 2,771,708 |
| Short term investments | 13, 40.2 | 1,217,791 | 199,998 |
| Cash and cash equivalents | 12, 40.2 | 4,740,941 | 6,154,524 |
| | | 11,479,219 | 11,002,787 |
| Assets held for sale | 34.3, 34.6 | 2,803,259 | 139,963 |
| Total current assets | | 14,282,478 | 11,142,750 |
| Total assets | | 55,018,314 | 48,845,920 |

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The attached notes 1 to 41 form an integral part of these consolidated financial statements.

ACWA POWER Company
(Saudi Listed Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

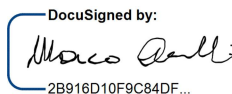
(All amounts in Saudi Riyals thousands unless otherwise stated)

| | <i>Note</i> | As of 31 Dec 2023 | As of 31 Dec 2022 |
|---|-------------|------------------------------|------------------------------|
| <u>EQUITY AND LIABILITIES</u> | | | |
| Equity | | | |
| Shareholders' equity | | | |
| Share capital | 14.1 | 7,134,143 | 7,134,143 |
| Share premium | | 5,335,893 | 5,335,893 |
| Statutory reserve | | 1,038,937 | 872,766 |
| Retained earnings | | 3,247,401 | 2,080,853 |
| Proposed dividends | 14.3 | 328,995 | 606,813 |
| Equity attributable to owners of the Company before other reserves | | 17,085,369 | 16,030,468 |
| Other reserves | 14.5 | 2,072,589 | 2,629,419 |
| Equity attributable to owners of the Company | | 19,157,958 | 18,659,887 |
| Non-controlling interest | 15 | 1,550,933 | 1,368,507 |
| Total equity | | 20,708,891 | 20,028,394 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long-term financing and funding facilities | 16 | 23,549,709 | 22,332,678 |
| Due to related parties | 23 | 854,938 | 862,887 |
| Deferred tax liability | 21.4 | 163,476 | 214,277 |
| Obligation for equity accounted investees | 7 | 623,129 | 68,370 |
| Fair value of derivatives | 22 | 62,908 | 1,669 |
| Deferred revenue | 18 | 139,746 | 90,651 |
| Employee end of service benefits' liabilities | 17 | 211,298 | 190,788 |
| Other liabilities | 24 | 767,562 | 820,070 |
| Total non-current liabilities | | 26,372,766 | 24,581,390 |
| Current liabilities | | | |
| Accounts payable, accruals and other financial liabilities | 19, 40.2 | 3,149,023 | 2,595,791 |
| Short-term financing facilities | 20 | 316,876 | 275,052 |
| Current portion of long-term financing and funding facilities | 16 | 1,613,301 | 1,039,904 |
| Due to related parties | 23 | 79,157 | 88,603 |
| Zakat and taxation | 21.3 | 194,095 | 236,786 |
| | | 5,352,452 | 4,236,136 |
| Liabilities associated with assets held for sale | 34.6 | 2,584,205 | - |
| Total current liabilities | | 7,936,657 | 4,236,136 |
| Total liabilities | | 34,309,423 | 28,817,526 |
| Total equity and liabilities | | 55,018,314 | 48,845,920 |

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The attached notes 1 to 41 form an integral part of these consolidated financial statements.

ACWA POWER Company
(Saudi Listed Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

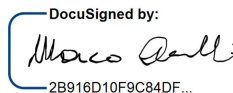
(All amounts in Saudi Riyals thousands unless otherwise stated)

| | <i>Note</i> | For the year ended 31 December | |
|--|-------------|---------------------------------------|--------------------|
| | | <u>2023</u> | <u>2022</u> |
| <u>Continuing operations</u> | | | |
| Revenue | 25 | 6,095,010 | 5,275,930 |
| Operating costs | 26 | (2,599,830) | (2,410,582) |
| Gross profit | | 3,495,180 | 2,865,348 |
| Development cost, provision and write offs, net of reversals | 11.3 | (69,582) | (35,438) |
| General and administration expenses | 27 | (1,236,692) | (1,029,339) |
| Share in net results of equity accounted investees, net of zakat and tax | 7.1.1 | 244,571 | 294,442 |
| Other operating income | 28 | 550,308 | 519,748 |
| Operating income before impairment loss and other expenses | | 2,983,785 | 2,614,761 |
| Impairment loss and other expenses, net | 30 | (213) | (251,510) |
| Operating income after impairment loss and other expenses | | 2,983,572 | 2,363,251 |
| Other income | 29, 40.1 | 92,131 | 276,261 |
| Finance income | 40.1 | 231,434 | 118,391 |
| Exchange gain / (loss), net | 31 | 2,774 | (36,934) |
| Financial charges | 32 | (1,474,903) | (1,228,822) |
| Profit before zakat and income tax | | 1,835,008 | 1,492,147 |
| Zakat and tax charge | 21.1 | (53,731) | (232,841) |
| Profit for the year from continuing operations | | 1,781,277 | 1,259,306 |
| <u>Discontinued operations</u> | | | |
| Gain from discontinued operations including loss recognised on assets held for sale | 34.9 | (9,948) | 217,104 |
| Profit for the year | | 1,771,329 | 1,476,410 |
| Profit / (loss) attributable to: | | | |
| Equity holders of the parent | | 1,661,714 | 1,540,035 |
| Non-controlling interests | | 109,615 | (63,625) |
| | | 1,771,329 | 1,476,410 |
| Basic and diluted earnings per share to equity holders of the parent (in SR) | | | |
| | 33.2 | 2.27 | 2.11 |
| Basic and diluted earnings per share from continuing operations to equity holders of the parent (in SR) | | | |
| | 33.2 | 2.29 | 1.81 |

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ACWA POWER Company
(Saudi Listed Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

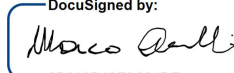
(All amounts in Saudi Riyals thousands unless otherwise stated)

| | <i>Note</i> | For the year ended 31 December | |
|---|-------------|---------------------------------------|-------------------------|
| | | <u>2023</u> | <u>2022</u> |
| Profit for the year | | 1,771,329 | 1,476,410 |
| <u>Other comprehensive (loss) / income</u> | | | |
| Items that are or may be reclassified subsequently to profit or loss | | | |
| Foreign operations – foreign currency translation differences | | (12,750) | (337) |
| Change in fair value of cash flow hedge reserve | | 51,574 | 1,977,505 |
| Settlement of cash flow hedges transferred to profit or loss | | 96,848 | (41,924) |
| Cash flow hedge reserve recycled to profit or loss upon termination of hedge relationships | 14.5, 29.1 | - | (56,546) |
| Cash flow hedge reserve recycled to profit or loss on loss of control of a subsidiary | 34.2 | - | (510,382) |
| Equity accounted investees – share of OCI | 14.5, 7.1 | (688,834) | 2,942,468 |
| Cash flow hedge reserve recycled to profit or loss on sale of an equity accounted investee | | - | 128,638 |
| Cash flow hedge reserve associated with equity accounted investees recycled to profit or loss upon termination of hedge relationships | 14.5 | (6,769) | (555) |
| Items that will not be reclassified to profit or loss | | | |
| Re-measurement of defined benefit liability | 17.1 | (7,118) | 5,796 |
| Total other comprehensive (loss) / income | | <u>(567,049)</u> | <u>4,444,663</u> |
| Total comprehensive income | | <u>1,204,280</u> | <u>5,921,073</u> |
| Total comprehensive income attributable to: | | | |
| Equity holders of the parent | | 1,104,884 | 5,741,733 |
| Non-controlling interests | | 99,396 | 179,340 |
| | | <u>1,204,280</u> | <u>5,921,073</u> |

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ACWA POWER Company
(Saudi Listed Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

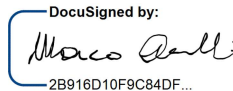
(All amounts in Saudi Riyals thousands unless otherwise stated)

| | <i>Note</i> | For the year ended 31 December | |
|---|-------------|---|-------------|
| | | 2023 | 2022 |
| Cash flows from operating activities | | | |
| Profit before zakat and tax from continuing operations | | 1,835,008 | 1,492,147 |
| Profit before zakat and tax from discontinued operations | | (9,927) | 217,137 |
| <i>Adjustments for:</i> | | | |
| Depreciation and amortisation | 5.3, 6.2 | 463,141 | 465,817 |
| Financial charges | 32, 40.1 | 1,474,903 | 1,228,674 |
| Unrealised exchange (gain) / loss | 31, 40.1 | (15,510) | 56,756 |
| Share in net results of equity accounted investees, net of zakat and tax | 7.1 | (237,804) | (291,373) |
| Charge for employees' end of service benefits | 17.1 | 51,712 | 35,629 |
| Fair value of cash flow hedges recycled to profit or loss | | 276 | (5,933) |
| Provisions | | 73,539 | 112,442 |
| Provision for long-term incentive plan | 24.3, 27 | 36,100 | 30,814 |
| Gain on disposal of property, plant and equipment | | (5,823) | (23,278) |
| Impairment loss in relation to property, plant and equipment and goodwill | 30.1 | - | 121,595 |
| Gain recognised on loss of control in a subsidiary | 34.5, 34.7 | (3,398) | (235,700) |
| Development cost, provision and write offs, net of reversals | 11.3 | 69,582 | 35,438 |
| Loss on disposal of an equity accounted investee | | 8,628 | 17,179 |
| Finance income from shareholder loans and deposits | | (441,479) | (259,152) |
| Gain on remeasurement of derivatives and options | 29 | (54,412) | (106,986) |
| | | 3,244,536 | 2,891,206 |
| <i>Changes in operating assets and liabilities:</i> | | | |
| Accounts receivable, prepayments and other receivables | | (559,721) | (440,893) |
| Inventories | | (80,098) | (28,948) |
| Accounts payable, accruals and other liabilities | | 200,081 | (7,110) |
| Due from related parties | | 289,919 | (17,643) |
| Due to related parties | | (61,749) | - |
| Net investment in finance lease | | 303,833 | 410,719 |
| Deferred revenue | | 49,095 | 36,320 |
| Net cash from operations | | 3,385,896 | 2,843,651 |
| Payment of employees' end of service benefits and long-term incentive | 17.1, 24.3 | (68,820) | (29,874) |
| Zakat and tax paid | 21.3 | (183,509) | (101,080) |
| Dividends received from equity accounted investees | 7.1, 11 | 211,332 | 198,670 |
| <i>Net cash generated from operating activities</i> | | 3,344,899 | 2,911,367 |
| Cash flows from investing activities | | | |
| Addition to property, plant and equipment, and intangible assets | | (3,682,008) | (1,562,870) |
| Proceeds on disposal of equity accounted investees, net of transaction cost | | 74,019 | 391,440 |
| Proceeds on partial disposal of subsidiary without loss of control | | - | 60,905 |
| Proceeds on disposal of property, plant and equipment | | 58,147 | 26,982 |
| Investments in equity accounted investees | | (3,359,018) | (949,054) |
| Finance income from deposits | | 231,434 | 118,391 |
| Other assets | | - | (236,250) |
| Short-term deposits with original maturities of more than three months | 13 | (1,017,793) | (199,998) |
| Cash deconsolidated on loss of control | | (713,198) | (11,162) |
| <i>Net cash used in investing activities</i> | | (8,408,417) | (2,361,616) |

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The attached notes 1 to 41 form an integral part of these consolidated financial statements.

ACWA POWER Company

(Saudi Listed Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | <i>Note</i> | For the year ended 31 December | |
|---|-------------|---|--------------------|
| | | <u>2023</u> | <u>2022</u> |
| Cash flows from financing activities | | | |
| Proceeds from financing and funding facilities, net of transaction cost | | 6,685,150 | 6,023,840 |
| Repayment of financing and funding facilities | | (827,934) | (3,284,988) |
| Due to related parties | | - | (757,933) |
| Financial charges paid | | (1,575,310) | (1,281,418) |
| Dividends paid | 14.3 | (705,992) | (625,619) |
| Capital contributions from and other adjustments to non-controlling interest | | 182,209 | 351,672 |
| <i>Net cash generated from financing activities</i> | | <u>3,758,123</u> | <u>425,554</u> |
| Net (decrease) / increase in cash and cash equivalents during the year | | (1,305,395) | 975,305 |
| Cash and cash equivalents at beginning of the year | | 6,154,524 | 5,172,921 |
| Cash and cash equivalents in relation to assets classified as held for sale | 34.6 | (100,281) | - |
| Net foreign exchange difference | | (7,907) | 6,298 |
| Cash and cash equivalents at end of the year | 12 | <u>4,740,941</u> | <u>6,154,524</u> |

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The attached notes 1 to 41 form an integral part of these consolidated financial statements.

ACWA POWER Company
(Saudi Listed Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

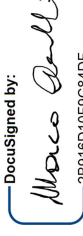
(All amounts in Saudi Riyals thousands unless otherwise stated)

| | Share capital | Share premium | Statutory reserve | Retained earnings | Proposed dividends | Other Reserves (note 14.5) | Equity attributable to owners of the parent | Non-controlling interests | Total equity |
|--|---------------|---------------|-------------------|-------------------|--------------------|----------------------------|---|---------------------------|--------------|
| Balance at 1 January 2022 | 7,134,143 | 5,335,893 | 718,763 | 1,307,826 | 560,000 | (1,572,279) | 13,484,346 | 835,799 | 14,320,145 |
| Profit / (loss) for the period | - | - | - | 1,540,035 | - | - | 1,540,035 | (63,625) | 1,476,410 |
| Other comprehensive income | - | - | - | - | - | 4,201,698 | 4,201,698 | 242,965 | 4,444,663 |
| Total comprehensive income | - | - | - | 1,540,035 | - | 4,201,698 | 5,741,733 | 179,340 | 5,921,073 |
| Changes to non-controlling interests | - | - | - | - | - | - | - | 351,672 | 351,672 |
| Divestment in subsidiary without loss of control (note 15.2) | - | - | - | (3,245) | - | - | (3,245) | 64,150 | 60,905 |
| Dividends (note 14.3) | - | - | - | (2,947) | (560,000) | - | (562,947) | (62,454) | (625,401) |
| Proposed dividends (note 14.3) | - | - | - | (606,813) | 606,813 | - | - | - | - |
| Transfer to statutory reserve | - | - | 154,003 | (154,003) | - | - | - | - | - |
| Balance at 31 December 2022 | 7,134,143 | 5,335,893 | 872,766 | 2,080,853 | 606,813 | 2,629,419 | 18,659,887 | 1,368,507 | 20,028,394 |
| Balance at 1 January 2023 | 7,134,143 | 5,335,893 | 872,766 | 2,080,853 | 606,813 | 2,629,419 | 18,659,887 | 1,368,507 | 20,028,394 |
| Profit for the period | - | - | - | 1,661,714 | - | - | 1,661,714 | 109,615 | 1,771,329 |
| Other comprehensive loss | - | - | - | - | - | (556,830) | (556,830) | (10,219) | (567,049) |
| Total comprehensive income / (loss) | - | - | - | 1,661,714 | - | (556,830) | 1,104,884 | 99,396 | 1,204,280 |
| Changes to non-controlling interests | - | - | - | - | - | - | - | 182,209 | 182,209 |
| Dividends (note 14.3) | - | - | - | - | (606,813) | - | (606,813) | (99,179) | (705,992) |
| Proposed dividends (note 14.3) | - | - | - | (328,995) | 328,995 | - | - | - | - |
| Transfer to statutory reserve | - | - | 166,171 | (166,171) | - | - | - | - | - |
| Balance at 31 December 2023 | 7,134,143 | 5,335,893 | 1,038,937 | 3,247,401 | 328,995 | 2,072,589 | 19,157,958 | 1,550,933 | 20,708,891 |


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The attached notes 1 to 41 form an integral part of these consolidated financial statements.

ACWA POWER Company

(Saudi Listed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 ACTIVITIES

ACWA POWER Company (the “Company” or “ACWA POWER” or the “Group”) is a Saudi listed joint stock company established pursuant to a ministerial resolution numbered 215 dated 2 Rajab 1429H (corresponding to 5 July 2008) and is registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration number 1010253392 dated 10 Rajab 1429H (corresponding to 13 July 2008). The Company’s Head Office is located at Exit 8, Eastern Ring Road, Qurtubah District, P.O. Box 22616, Riyadh 11416, Kingdom of Saudi Arabia.

The Company’s main activities are the development, investment, operation and maintenance of power generation, water desalination and green hydrogen production plants and bulk sale of electricity, desalinated water, green hydrogen and/or green ammonia to address the needs of state utilities and industries on long-term, off-taker contracts under utility services outsourcing models in the Kingdom of Saudi Arabia and internationally.

1.1 Information of the Group’s direct subsidiaries/investees as of 31 December is included in the below table:

| <u>Entity name</u> | <u>Country of incorporation</u> | <u>Principal activities</u> | <u>Direct shareholding</u> | |
|---|--|--|----------------------------|-------------|
| | | | <u>2023</u> | <u>2022</u> |
| ACWA Power Saudi Electricity and Water Development Company (“APSE”) | Kingdom of Saudi Arabia | Investment in industrial and commercial enterprises and management; and managing office. | 100.00% | 100.00% |
| Kahromaa Company (“KAHROMAA”) | Kingdom of Saudi Arabia | Installation, maintenance and operation contracting of electricity generation and desalination plants. | 99.97% | 99.97% |
| ACWA Power Reinsurance Co. Ltd. (captive insurance) (“ACWA Re”) | United Arab Emirates (Dubai International Financial Centre – ‘DIFC’) | To effect and carry out contracts of insurance restricted to those of a Class 3 Captive Insurer. Under its captive license, ACWA Re can insure a part of its own affiliate’s assets and that of related third party. | 100.00% | 100.00% |
| Multiple Shares Company (“MSC”) | Kingdom of Saudi Arabia | Installation, maintenance and operation, contracting of electricity generation and desalination plants. | 95.00% | 95.00% |
| ACWA Power Bahrain Holdings W.L.L. (“APBH”) | Kingdom of Bahrain | Installation, maintenance and operation contracting of electricity generation and desalination plants. | 99.73% | 99.73% |
| ACWA Power Global Services Ltd. (“APGS”) | United Arab Emirates (DIFC) | Own investments in group of companies, provide financial advisory, book-keeping and reporting, tax compliance and related services. | 100.00% | 100.00% |
| ACWA Power Management and Investments One Ltd. (“APMI One”) | United Arab Emirates (DIFC) | Investment in industrial and commercial enterprises and management; and managing office. | 100.00% | 100.00% |
| ACWA Power Renewable Energy Holding Ltd. (“APREH”) | United Arab Emirates (DIFC) | Power generation, water desalination and distribution or other business related to or ancillary thereto, development and management of such companies and provision of technical, commercial, administrative services. | 51.00% | 51.00% |
| First National Holding Company (“NOMAC”) | Kingdom of Saudi Arabia | NOMAC is engaged in constructing, owning, buying, managing, operating and investing in industrial, services and construction projects of power stations, electricity, steam stations, water desalination plants and providing operation and maintenance (O&M) under long term contracts. | 100.00% | 100.00% |
| ACWA Industrial Investment Company | Kingdom of Saudi Arabia | Power generation, water desalination and distribution or other business related to or ancillary thereto. | 100.00% | 100.00% |

ACWA POWER Company
(Saudi Listed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 ACTIVITIES (CONTINUED)

1.2 Information of the Group's material subsidiaries as of 31 December controlled, directly or indirectly, through its direct subsidiaries is included in the below table:

| <u>Entity name</u> | <u>Country of incorporation</u> | <u>Principal activities</u> | <u>Effective shareholding</u> | |
|---|---------------------------------|---|-------------------------------|-------------|
| | | | <u>2023</u> | <u>2022</u> |
| Rabigh Arabian Water & Electricity Company ("RAWEC") | Kingdom of Saudi Arabia | RAWEC is a captive unit engaged in supplying power, water and steam under a 25-year Water and Energy Conversion Agreement with Rabigh Refining and Petrochemical Company. Its commercial operation commenced in June 2008 and June 2016 for phase 1 and phase 2 respectively. | 99.00% | 99.00% |
| Shuaibah 2 Water Development Project Company ("SEPCO II") | Kingdom of Saudi Arabia | SEPCO II is engaged in a 25-year Water Purchase Agreement ("WPA") with Water and Electricity Company ("WEC") for supply of desalinated water. Its commercial operations commenced in June 2019. | 100.00% | 100.0% |
| Rabigh Three Company ("Rabigh III") | Kingdom of Saudi Arabia | Rabigh III engaged in a 25-year Water Purchase Agreement ("WPA") with Water and Electricity Company ("WEC") for supply of desalinated water. Its commercial operations commenced in December 2021. | 70.00% | 70.00% |
| Sakaka Solar Energy Company ("Sakaka") | Kingdom of Saudi Arabia | Sakaka is engaged in generating renewable energy using Photovoltaics (PV). Sakaka commenced commercial operations in December 2020. | 70.00% | 70.00% |
| ACWA Power Ouarzazate S.A. ("APO I") | Kingdom of Morocco | APO I is engaged in generating renewable energy using Concentrated Solar Power (CSP) technology. Its commercial operations commenced in January 2016. | 73.13% | 73.13% |
| ACWA Power Ouarzazate II S.A. ("APO II") | Kingdom of Morocco | APO II is engaged in generating renewable energy using Concentrated Solar Power (CSP) technology. Its commercial operations commenced in 2018. | 75.00% | 75.00% |
| ACWA Power Ouarzazate III S.A. ("APO III") | Kingdom of Morocco | APO III is engaged in generating renewable energy using Concentrated Solar Power (CSP) technology. Its commercial operations commenced in 2018. | 75.00% | 75.00% |
| Barka Water and Power Company SAOG ("Barka") | Sultanate of Oman | Barka is a listed company on the Muscat Securities Market ("MSM"). It is engaged in operating a power and water desalination plant. Its commercial operations commenced in June 2003. | 41.91% | 41.91% |
| Central Electricity Generating Company ("CEGCO") | Jordan | CEGCO is engaged in generation of power and supply to National Electric Power Company ("NEPCO") under various power purchase agreements. Its commercial operations commenced in January 1999. CEGCO also provides operation and maintenance services to some other investees of the Group including Zarqa and Mafraq. | 40.93% | 40.93% |
| Al Zarqa Power Plant for Energy Generation ("Zarqa") | Jordan | Zarqa is engaged in generation of power. Zarqa achieved commercial operations in 2018. | 60.00% | 60.00% |

ACWA POWER Company
(Saudi Listed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 ACTIVITIES (CONTINUED)

| <u>Entity name</u> | <u>Country of incorporation</u> | <u>Principal activities</u> | <u>Effective shareholding</u> | |
|---|---------------------------------|---|-------------------------------|-------------|
| | | | <u>2023</u> | <u>2022</u> |
| First National Operations & Maintenance Company Limited (“ NOMAC O&M ”) | Kingdom of Saudi Arabia | NOMAC is engaged in providing Operation and Maintenance (O&M) under long term contracts, (direct or as a sub-contractor) to various of the Group’s subsidiaries and equity accounted investees. | 100.00% | 100.00% |
| Rabigh Power Company Limited (“ RPC ”) | Kingdom of Saudi Arabia | Management, operation and maintenance of power plants including the provision of specialised refurbishment and repair services. | 100.00% | 100.00% |
| First National Company for Operation & Maintenance Services LLC (“ NOMAC Oman ”) | Sultanate of Oman | Management, operation, maintenance and investment in power stations and desalination plants. | 100.00% | 100.00% |
| Rabigh Operation and Maintenance Company (“ ROMCO ”) | Kingdom of Saudi Arabia | Management, operation and maintenance of power plants including the provision of specialised refurbishment and repair services. | 60.00% | 60.00% |
| NOMAC Maroc SARL | Kingdom of Morocco | Operation and maintenance of power projects in the Kingdom of Morocco. | 100.00% | 100.00% |
| NOMAC Gulf O&M LLC | United Arab Emirates | Operation and maintenance of power projects in the United Arab Emirates. | 100.00% | 100.00% |
| NOMAC Gulf Coal Energy LLC | United Arab Emirates | Operation and maintenance of the Hassyan Coal Project in the United Arab Emirates. | 100.00% | 100.00% |

Information of the Group’s equity accounted investees is included in note 7 of these consolidated financial statements.

ACWA POWER Company (Saudi Listed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Saudi Riyals thousands unless otherwise stated)

2 BASIS OF PREPARATION AND CONSOLIDATION

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"); and IFRS issued by IASB as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"), (collectively referred as "IFRS as endorsed in KSA"). The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its bylaws for any changes to align the Articles to the provisions of the Law. Consequently, the Company shall present the amended Articles of By-laws to the shareholders in their Extraordinary / Annual General Assembly meeting for their ratification.

2.1 Basis of preparation

These consolidated financial statements are prepared under the historical cost convention and accrual basis of accounting except for the following:

- i) Derivative financial instruments including commodity derivatives, options and hedging instruments which are measured at fair value;
- ii) Employee end of service benefits' liability is recognised at the present value of future obligations using the Projected Unit Credit method; and
- iii) Assets held for sale which are measured at the lower of their carrying amount and fair value less costs to sell.

These consolidated financial statements are presented in Saudi Riyals ("SR") which is the functional and presentation currency of the Company. All values are rounded to the nearest thousand (SR'000), except when otherwise indicated.

2.2 Basis of consolidation

These consolidated financial statements comprise the assets, liabilities and the results of operations of the Group. Subsidiaries are entities that are controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- the contractual arrangement with other vote holders of the investee;
- rights arising from other contractual arrangements including Board and Shareholders' reserved matters as included in the shareholder agreement; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

ACWA POWER Company (Saudi Listed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Saudi Riyals thousands unless otherwise stated)

2 BASIS OF PREPARATION AND CONSOLIDATION (CONTINUED)

2.2 Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Consistent accounting policies are used across the Group and if required, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in ownership interest in subsidiaries

Changes in Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). In such circumstances the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the shareholders of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. Any retained investment is recorded at fair value.

3 MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the following material accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

The material accounting policies adopted are as follows:

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consists of bank balances, cash on hand and short-term bank deposits that have an original maturity of three months or less and excludes restricted cash deposit.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition

The Group records a financial asset or a financial liability in its consolidated statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument.

At initial recognition, financial assets or financial liabilities are measured at their fair values. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value including transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount.

ACWA POWER Company (Saudi Listed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Classification

The Group classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortised cost.

These classifications are on the basis of business model of the Group for managing the financial assets, and contractual cash flow characteristics.

The Group measures a financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in the consolidated statement of profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group classifies all non-derivative financial liabilities as subsequently measured at amortised cost using the effective interest rate method except for financial liabilities at fair value through profit or loss.

The Group designates a non-derivative financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed, and its performance is evaluated on a fair value basis.

Derecognition

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When the Group has neither transferred substantially all of the risks and rewards of the asset, nor transferred control of the asset, it continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

ACWA POWER Company
(Saudi Listed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured for any changes in their fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from the changes in the fair value of derivatives are taken directly to the consolidated statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in the consolidated statement of other comprehensive income and later reclassified to the consolidated statement of profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e., rebalances the hedge) so that it meets the qualifying criteria again.

When the Group discontinues hedge accounting for a cash flow hedge, the amount that has been accumulated in the cash flow hedge reserve remains in the consolidated statement of other comprehensive income if the hedged future cash flows are still expected to occur, until such cash flows occur. If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified to the consolidated statement of profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised without replacement or rollover (as part of the hedging strategy), or when the hedge no longer meets the criteria for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument previously recognised in the consolidated statement of other comprehensive income is retained separately in the consolidated statement of other comprehensive income until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in the consolidated statement of other comprehensive income is transferred to the consolidated statement of profit or loss for the period.

Accounts receivables

After initial recognition, accounts receivables are stated at amortised cost less allowance for any impairment. The Group recognises an allowance for impairment for expected credit losses. Such impairment allowances are charged to profit or loss and reported under "General and administration expenses". When an account receivable is uncollectible, it is written-off against the impairment allowance. Any subsequent recoveries of amounts previously written-off are credited against "General and administration expenses" in the consolidated statement of profit or loss.

Projects development cost

Costs incurred on projects under development, which are considered as feasible, are recognised as an asset in the consolidated statement of financial position to the extent they are assessed to be recoverable. If a project is no longer considered feasible, the accumulated costs relating to that project are expensed to the profit or loss in the period in which the determination is made. The Group makes provision against these projects based on expected project success outcomes.

ACWA POWER Company
(Saudi Listed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Projects development cost (continued)

Development costs reimbursed by successful projects are recognised as a deduction from deferred costs in the consolidated statement of financial position.

Investments in associates and joint ventures – equity accounted investees

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in its associates and joint ventures are accounted for using the equity method of accounting from the date that the significant influence or joint-control commences until the date that such influence or joint-control ceases. Under the equity method of accounting, investments in associates and joint ventures are carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associates and joint ventures. The Group's profit or loss reflects the Group's share of the profit or loss of the associates and joint ventures. Where there has been a change recognised directly in the other comprehensive income of the associates and joint ventures, the Group recognises its share of such changes in its consolidated statement of other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate or joint ventures ("upstream and downstream") are eliminated to the extent of the Group's interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of associates and joint ventures is shown separately in the consolidated statement of profit or loss under operating income and represents profit or loss after tax and non-controlling interest in the subsidiaries of the associate or joint venture.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring their accounting policies in line with those of the Group.

After application of the equity method of accounting, the Group determines whether it is necessary to recognise an impairment loss on its investment in associates or joint ventures. At each reporting date the Group determines whether there is objective evidence that the investment in an associate or a joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in associate or joint venture and its carrying value, then recognises the loss within 'Share in results of associates and joint ventures' in the consolidated statement of profit or loss.

When the Group's share of losses exceeds its interest in associates or joint ventures, the Group's carrying amount of investments in associate or joint venture is reduced to zero and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of such investee companies.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

When the Group increases its ownership interest in an existing associate / joint venture which remains an associate / joint venture after that increase, the purchase price paid for the additional interest is added to the existing carrying amount of the associate / joint venture and the existing share in net assets of the associate or joint venture is not re-measured. The cost of additional investment is allocated between the share of the fair value of net assets and goodwill. Any excess of the additional share in fair value of net assets acquired over the purchase price is recognised as a gain in profit or loss.

Appropriate adjustments are recognised in the Group's share of the associate's / joint venture's profit or loss after additional acquisition in order to reflect the Group's share in fair value of net assets at the acquisition date, arising from the additional acquisition.

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3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment, except for land and capital work in progress, is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land and capital work in progress are stated at cost less accumulated impairment loss, if any. Capital work in progress represents all costs relating directly or indirectly to the projects in progress and will be accounted for under relevant category of property, plant and equipment upon completion.

The cost less estimated residual value of other items of property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively.

Business combinations

Business combinations, excluding business combinations involving entities under common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administration expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

Subsequently, for the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group of cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed off in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

For business combinations involving entities under common control the assets and liabilities of the combining entities are reflected at their carrying amounts. Adjustments are made to the carrying amounts in order to incorporate any differences arising due to differences in accounting policies used by the combining entities. No goodwill or gain is recognised as a result of the combination and any difference between the consideration paid/transferred and the equity acquired is reflected within the equity of the Group. The consolidated statement of profit or loss and other comprehensive income reflects the results of the combining entities from the date when the combination took place.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and which:

- represents a separate major line of business or geographical area of operations;
- is a part of single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

When an operation is classified as a discontinued operation, the comparative statement of consolidated profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from start of the comparative year.

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3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment

Financial assets

The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss (FVTPL):

- financial assets that are debt instruments;
- trade receivables and contract assets;
- lease receivables;
- cash at bank;
- related parties;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments. The Group measures impairment allowances using the general approach for all financial assets except for trade receivables including short term related party receivables which follows the simplified approach.

Under the general approach, the Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Under the simplified approach, impairment allowances are always measured at an amount equal to lifetime ECL. The Group applies the simplified approach to measure the ECL on trade receivables. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

The Group categorises its financial assets into following three stages in accordance with the IFRS 9 methodology:

- Stage 1 – financial assets that are not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months ECL.
- Stage 2 – financial assets that has significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on lifetime ECL. The impairment allowance is recorded based on lifetime PD.
- Stage 3 – for financial assets that are impaired, the Group recognises the impairment allowance based on lifetime ECL.

The Group also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs.

The forward-looking information will include the elements such as macroeconomic factors (e.g., unemployment, GDP growth, inflation, profit rates and house prices) and economic forecasts obtained through internal and external sources.

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3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment (continued)

Financial assets (continued)

ECL represent probability-weighted estimates of credit losses. These are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the net carrying amount and the present value of estimated future cash flows, which includes amounts recoverable from guarantees and collateral;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less cash flows that the Group expects to receive any.

Expected credit losses are discounted to the reporting date at the effective interest rate (EIR) determined at initial recognition or an approximation thereof and consistent with income recognition.

Non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

The Group's impairment calculation is based on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. Except for goodwill, a previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in profit or loss. Impairment loss recorded against the carrying value of goodwill is not reversed in subsequent periods.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. These are initially recognised at fair value and subsequently re-measured at amortised cost.

Statutory reserve

In accordance with the Company's By-Laws, the Company must set aside 10% of its income after zakat and tax in each year until it has built up a reserve equal to 30% of its capital. The reserve is not available for distribution.

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3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases

The Group 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.

Group as a lessor

The Group's leasing activities includes provision of desalinated water and power under long-term Water / Power purchase agreements. Revenue in relation to these activities is disclosed in note 25.

Where the Group determines a long-term power / water supply arrangement to be, or to contain, a lease and where the Group transfers substantially all the risks and benefits incidental to ownership of the leased item, the arrangement is considered as a finance lease. A finance lease is presented as net investment in finance lease and is recognised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments received are apportioned between finance income and the reduction of the net investment in finance lease so as to achieve a constant rate of return on the remaining balance of the asset. The amount of net investment in finance lease is recorded in the consolidated statement of financial position as an asset at the gross amount receivable under the finance lease less unearned finance income.

Asset retirement obligation

The Group records the present value of estimated costs of legal decommissioning obligations required to restore the site to its original condition in the period in which the obligation is incurred. The nature of these activities includes dismantling and removing structures, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed, or the ground/environment is disturbed at the location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related property, plant and equipment to the extent that it was incurred as a result of the development/construction of the asset.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss as part of finance costs. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes if any, in the estimated future costs or in the discount rate applied are added or deducted from the cost of the asset.

Revenue recognition

When the Group enters into an agreement with a customer, goods and services deliverable under the contract are identified as separate performance obligations to the extent that the customer can benefit from the goods or services on their own and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services do not meet the criteria to be identified as separate performance obligations they are aggregated with other goods and/or services in the agreement until a separate obligation is identified. The performance obligations identified will depend on the nature of individual customer contracts.

The Group determines the transaction price to which it expects to be entitled in return for providing the promised performance obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. The transaction price is allocated between the identified performance obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each performance obligation deliverable in the contract is determined according to the prices that the Group would achieve by selling the same goods and/or services included in the performance obligation to a similar customer on a standalone basis.

Revenue is recognised when the respective performance obligations in the contract are delivered to the customer and payment remains probable. Revenue is measured as the fair value of the consideration received or receivable for the provision of services in the ordinary course of business, net of trade discounts, volume rebates, and sales taxes excluding amounts collected on behalf of third parties. Payment is typically due within 10-45 days from the invoice date depending on the specific terms of the contract.

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3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from supply of desalinated water and power is recognised upon satisfaction of performance obligation which in general happens upon delivery of desalinated water and power to the customer. Capacity charge income (excluding receipts for services provided, such as insurance and maintenance) under Power and Water Purchase Agreements ("PWPA") or Power Purchase Agreements ("PPA") or Water Purchase Agreements ("WPA") for each hour during which the plant is available for power generation and/or water desalination is recognised over the lease term or upon actual billing period as appropriate considering the terms of each PWPA or PPA or WPA.

Where the Group acts as a lessor, (see 'Leases' above), at the inception of the lease, the total unearned finance income i.e. the excess aggregate minimum lease payments plus residual value (guaranteed and unguaranteed), if any, over the cost of the leased assets, is amortised over the term of the lease, and finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding with respect to the lease.

Revenue from the rendering of technical, operation and maintenance services ("O&M") are recognised when contracted services are performed and is typically recognised over time.

Revenue earned by the Group for project development services provided in relation to the development of projects is typically recognised upon financial close of the project (being the point in time at which committed funding for the project has been achieved). Any excess reimbursement of development cost against the carrying value of capitalised project development cost is recognised as revenue upon financial close of the project.

Revenue from construction management services provided in relation to the construction of power and/or water plants and revenue from various consultancy and advisory services provided by the Group is recognised over time or at a point in line with the satisfaction of performance obligations in the related contract. Revenue is recognised over time when the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Company performs. Otherwise, revenue is recognised at a point in time upon satisfaction of performance obligations and once any contingent events have been achieved.

Any amount collected from the customers for which the revenue recognition criteria have not been met during the period reported, is recognised as a contract liability and recorded as deferred revenue in the consolidated statement of financial position.

Customers are typically billed monthly in the same month services are rendered; however, this may be delayed. Accrued revenue is recognised in trade and other receivables in the consolidated statement of financial position, for any services rendered where customers have not yet been billed.

Zakat and taxation

Zakat and taxation is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority (the "ZATCA") in the Kingdom of Saudi Arabia and on an accruals basis. Zakat and income tax related to the Company and its subsidiaries is charged to profit or loss. Differences, if any, resulting from final assessments are adjusted in the period of their finalisation.

For subsidiaries outside the Kingdom of Saudi Arabia, provision for tax is computed in accordance with tax regulations of the respective countries.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Zakat and taxation (continued)

Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Foreign currencies

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated in the functional currency at the rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary assets and liabilities are taken to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

On consolidation, assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statements of income or expense are translated in Saudi Riyals at average exchange rates prevailing during the reporting period of related transactions. Exchange differences arising on translation for consolidation, if material, are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income for exchange differences relating to that particular foreign operation is recognised in profit or loss.

Value added tax ("VAT")

VAT receivable represents input tax paid on purchases including purchase of property, plant and equipment. VAT receivable is presented on an undiscounted basis net of any output tax collected on revenue.

Dividends

Final dividends are recognised as a liability at the time of their approval by the General Assembly. Interim / proposed dividends are recorded as and when approved by the Board of Directors.

Earnings per share

Earnings per share are calculated by dividing profit for the period attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

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3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

New standards, amendments and interpretations adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The Group has adopted *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the consolidated financial statements.

The amendments require the disclosure of 'material', rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies. Management reviewed the accounting policies and made updates to the information disclosed in Material accounting policies (2022: Significant accounting policies) in certain circumstances in line with the amendments.

IFRS 17 Insurance Contracts:

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The amendments have not had a significant impact on the Group's disclosures of accounting policies. Also refer to note 40.2.2.

Definition of Accounting Estimates - Amendments to IAS 8:

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

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

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

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3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective

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

Classification of Liabilities as Current or Non-Current Liabilities with Covenants (Amendments to IAS 1)

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify the requirements on determining whether a liability is current or non-current and require new disclosures for non-current liabilities that are subject to future covenants.

The amendments apply for annual reporting periods beginning on or after 1 January 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

In May 2023, the IASB issued amendments to *IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures* to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the consolidated financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk.

The amendments apply for annual reporting periods beginning on or after 1 January 2024. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted, and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates

In August 2023, the IASB issued amendments to IAS 21 to clarify when a currency is exchangeable into another currency and how an entity estimates a spot rate when a currency lacks exchangeability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted, and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

4 USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with IFRS as endorsed in KSA and IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments 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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may differ from the related actual results.

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4 USE OF ESTIMATES AND ASSUMPTIONS (CONTINUED)

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

(i) Impairment of property, plant and equipment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the approved financial model / budget for the projects' useful lives and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the asset or cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

(ii) Impairment of Goodwill

The management monitors Goodwill at an operating segment level i.e., at group of cash generating units (CGUs) included within an operating segment. The performance of an individual asset is assessed based on total returns (i.e. returns associated with investment, development, operation and optimisation) which is usually spread across various CGUs within an operating segment. Accordingly, for the purpose of impairment testing, the management believe that it is more appropriate to consider total cash flows that are relevant for operating segments (i.e., group of CGUs). For the purpose of impairment testing, cash flow projections are used from the approved financial models. Impairment calculations are usually sensitive to the discount rate and the internal rate of return ("IRR") achieved on projects. However, a reasonably possible change in discount rate and IRR will not cause the carrying amount of goodwill to exceed its recoverable amount due to availability of significant headroom.

(iii) Impairment of accounts receivable

An estimate of the collectible amount of accounts receivable is made using an expected credit loss model which involves evaluation of credit rating and days past due information.

(iv) Provisions

Management continually monitors and assesses provisions recognised to cover contractual obligations and claims raised against the Group. Estimates of provisions, which depend on future events that are uncertain by nature, are updated periodically and provided for by the management. The estimates are based on expectations including timing and scope of obligation, probabilities, future cost level and includes a legal assessment where relevant.

(v) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

(vi) Fair value of unquoted financial instruments

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

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and call options. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates and interest rate curves.

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4 USE OF ESTIMATES AND ASSUMPTIONS (CONTINUED)

(vi) Fair value of unquoted financial instruments (continued)

Pursuant to certain shareholder agreements, the Group has written put options on non-controlling interests in subsidiaries and on counterparty's ownership interest in an equity accounted investee. The fair values of these put options are derived from discounted projected cash flow analysis of the respective entities and the redemption amount determined pursuant to contractual agreements. The fair value measurements are performed at each reporting date. Also, refer to note 38.

(vii) Lease classification and subsequent remeasurement

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Where an arrangement is determined to contain a lease, the arrangement is accounted for as either an operating or a finance lease.

The following are the critical assumptions that have been made in the process of applying the Group's accounting policies for determining whether an arrangement contains a lease and have a significant effect on the amounts recognised in the consolidated financial statements:

- The Power and Water Purchase Agreements ("PPA" or "WPA" or "PWPA") are not from public-to-private and the Group does not have any direct responsibility towards the public, and accordingly management believes that this should not be accounted for as "Service Concession Arrangements".
- The price that the off-taker will pay for the output is neither contractually fixed per unit of output nor is equal to the current market price per unit of output at the time of delivery of the output and accordingly management believes that the arrangement contains a lease.
- If at the end of the term of the PPA or WPA or PWPA, the ownership of the Plant is transferred to the off-taker, the lease is classified as finance lease otherwise other factors are considered by management which affect the classification of lease as a finance or operating lease.

After lease commencement, the net investment in a lease is remeasured when the following occurs:

- The lease is modified (i.e., a change in the scope of the lease, or the consideration for the lease, that was not part of its original terms and conditions), and the modified lease is not accounted for as a separate contract.
- The lease term is revised when there is a change in the non-cancellable period of the lease.
- There is a change in the estimated unguaranteed residual value.

(viii) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. For this purpose, the management takes into account various factors including Board approval, availability of share purchase agreement, conditions precedent in the share purchase agreement, asset's availability for immediate sale, expected period to complete the sale etc.

(ix) Classification of joint arrangements

Classifying a joint arrangement requires the Group to use its judgment to determine whether the entity in question is a joint venture or a joint operation. IFRS 11 requires an analysis of "other facts and circumstances" when determining the classification of jointly controlled entities. For an entity to be classified as a joint operation, the terms of the arrangements including other facts and circumstances must give rise to the Group's rights to the assets, and obligations for the liabilities, of the joint arrangement. While in case of joint venture, the Group has rights to the net assets of the arrangement ("Project" or "Entity"). Considering the contractual terms of joint arrangements including other facts and circumstances, all of the Group's joint arrangements qualify as joint ventures and are accordingly equity accounted.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

5 PROPERTY, PLANT AND EQUIPMENT (“PPE”)

The following rates are used for calculation of depreciation:

| | | | |
|--|--------------|--------------------------------|------------|
| Buildings | 2% - 7% | Plant, machinery and equipment | 2.5% - 25% |
| Furniture, fixtures and office equipment | 10% - 33.3% | Motor vehicles | 20% - 25% |
| Capital spares | 3.3% - 12.5% | | |

Cost:

| | | | | | | | |
|---|----------------|-------------------|----------------|---------------|---------------|----------------|-------------------|
| At 1 January 2023 | 917,485 | 14,733,607 | 109,807 | 61,132 | 39,116 | 412,588 | 16,273,735 |
| Additions, net | 908 | 63,396 | 21,068 | 12,085 | 6,507 | 4,048,709 | 4,152,673 |
| Disposals | (2,198) | (49,955) | (4,291) | (1,067) | (3,958) | - | (61,469) |
| De-recognition on loss of control of a subsidiary (note 34.5) | - | - | - | - | - | (1,286,738) | (1,286,738) |
| Reclassified as held for sale (note 34.6) | - | - | - | - | - | (2,197,230) | (2,197,230) |
| Foreign currency translation | (350) | (151) | (1,942) | (251) | (81) | - | (2,775) |
| At 31 December 2023 | 915,845 | 14,746,897 | 124,642 | 71,899 | 41,584 | 977,329 | 16,878,196 |

Accumulated depreciation and impairment

| | | | | | | | |
|---|----------------|------------------|----------------|---------------|---------------|----------------|-------------------|
| At 1 January 2023 | 513,029 | 5,481,431 | 102,664 | 36,067 | 34,831 | - | 6,168,022 |
| Depreciation charge for the year (note 5.3) | 26,539 | 375,924 | 11,929 | 11,277 | 3,200 | - | 428,869 |
| Relating to disposals | (24) | (4,869) | (312) | (974) | (2,966) | - | (9,145) |
| Foreign currency translation | (313) | (99) | (1,417) | (153) | (28) | - | (2,010) |
| At 31 December 2023 | 539,231 | 5,852,387 | 112,864 | 46,217 | 35,037 | - | 6,585,736 |
| Carrying amount as of 31 December 2023 | 376,614 | 8,894,510 | 11,778 | 25,682 | 6,547 | 977,329 | 10,292,460 |

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5 PROPERTY, PLANT AND EQUIPMENT ("PPE") (CONTINUED)

| | Land and Buildings * | Plant, machinery and equipment** | Furniture, fixtures and office equipment | Capital spares | Motor vehicles | Capital work in progress (CWIP) | Total |
|---|-------------------------|-------------------------------------|--|-------------------|-------------------|------------------------------------|-------------------|
| <u>Cost:</u> | | | | | | | |
| At 1 January 2022 | 945,103 | 15,363,850 | 112,294 | 60,650 | 40,716 | 1,631,055 | 18,153,668 |
| Additions | 2,572 | 54,652 | 13,094 | 482 | 4,468 | 1,228,356 | 1,303,624 |
| Disposals | (29,762) | (679,980) | (7,041) | - | (2,558) | - | (719,341) |
| De-recognition on loss of control of a subsidiary (note 34) | - | (4,825) | (6,897) | - | (3,112) | (2,446,823) | (2,461,657) |
| Foreign currency translation | (428) | (90) | (1,643) | - | (398) | - | (2,559) |
| At 31 December 2022 | 917,485 | 14,733,607 | 109,807 | 61,132 | 39,116 | 412,588 | 16,273,735 |
| <u>Accumulated depreciation and impairment</u> | | | | | | | |
| At 1 January 2022 | 507,570 | 5,657,863 | 105,915 | 29,571 | 37,021 | - | 6,337,940 |
| Depreciation charge for the year (note 5.3) | 34,326 | 385,119 | 11,094 | 6,496 | 2,775 | - | 439,810 |
| Impairment loss (note 30.1) | - | 121,595 | - | - | - | - | 121,595 |
| Relating to disposals | (28,783) | (678,280) | (6,880) | - | (1,694) | - | (715,637) |
| De-recognition on loss of control of a subsidiary (note 34) | - | (4,775) | (6,240) | - | (2,851) | - | (13,866) |
| Foreign currency translation | (84) | (91) | (1,225) | - | (420) | - | (1,820) |
| At 31 December 2022 | 513,029 | 5,481,431 | 102,664 | 36,067 | 34,831 | - | 6,168,022 |
| Carrying amount as of 31 December 2022 | 404,456 | 9,252,176 | 7,143 | 25,065 | 4,285 | 412,588 | 10,105,713 |

* Cost of land as of 31 December 2023 amounts to SR 120.2 million (31 December 2022: SR 122.4 million).

** This primarily represents property, plant and equipment under the operating lease arrangements of the Group entities (note 8).

5.1 CWIP as of 31 December 2023 and 31 December 2022 is primarily related to certain of the Group's under construction projects in Egypt, Uzbekistan and Azerbaijan.

5.2 Borrowing costs capitalised during the year amounted to SR 141.4 million (2022: SR 94.0 million) which represents the borrowing incurred during construction phase of qualifying assets.

5.3 Depreciation reflected in profit or loss account is as follows:

Depreciation charge for the year ended 31 December

Depreciation charge in relation to right of use asset

Depreciation charge for the year ended 31 December – (refer note 26 & 27)

| | 2023 | 2022 |
|--|----------------|---------|
| | 428,869 | 439,810 |
| | 18,376 | 12,972 |
| | 447,245 | 452,782 |

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(All amounts in Saudi Riyals thousands unless otherwise stated)

6 INTANGIBLE ASSETS

| | <i>Note</i> | As of 31 Dec 2023 | As of 31 Dec 2022 |
|-------------------------|-------------|------------------------------|------------------------------|
| Goodwill | 6.1 | 1,915,527 | 1,924,687 |
| Other intangible assets | 6.2 | 131,847 | 104,143 |
| | | <u>2,047,374</u> | <u>2,028,830</u> |

6.1 Goodwill

Intangible assets include goodwill which represents the excess of the aggregate of the consideration transferred and the amount recognised for minority interests over fair value of identifiable assets acquired and liabilities assumed by the Group on acquisition.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

This goodwill arose on acquisition of 100% equity stake, in the share capital of ACWA Power Projects (“APP”). This goodwill is allocated to the Group’s operating segments, as follows, for the purpose of impairment testing:

| | As of 31 Dec 2023 | As of 31 Dec 2022 |
|--------------------------------|------------------------------|------------------------------|
| Thermal and water desalination | 762,315 | 762,315 |
| Renewables | 1,153,212 | 1,162,372 |
| | <u>1,915,527</u> | <u>1,924,687</u> |

Management monitors Goodwill at an operating segment level i.e., at group of cash generating units (CGUs) included within an operating segment. The performance of an individual asset is assessed based on total returns (i.e. returns associated with investment, development, operation and optimisation) which is usually spread across various CGUs within an operating segment. Accordingly, for the purpose of impairment testing, the management believe that it is more appropriate to consider total cash flows that are relevant for operating segments (i.e., group of CGUs). However, when a particular asset within an operating segment is disposed-off, the Management allocates a portion of goodwill to the asset (based on the relative fair values) for the purpose of computing gain or loss on disposal.

At the reporting date, management has determined that the recoverable amount of this goodwill is higher than the carrying amount of goodwill. The recoverable amount was determined on the basis of using discounted cash flow approach. These calculations use cash flow projections based on financial models approved by management. Cash flows are estimated over the expected period of the relevant projects’ lives, which ranges from 15 to 50 years, and discounted using a pre-tax discount rate of 7.60%. The discount rate used represents the current market assessment of the risks specific to the cash generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The approach is sensitive to the discount rate and the internal rate of return (“IRR”) achieved on projects. However, a reasonably possible change in discount rate and IRR is not expected to result in impairment.

6.2 Other intangible assets

Other intangible assets includes:

- computer software which is amortised at the rate of 25% - 33.33% per annum; and
- other intangibles are amortised over the period of contract.

| | 2023 | 2022 |
|---|-----------------------|-----------------------|
| <i>Cost:</i> | | |
| At 1 January | 175,834 | 118,799 |
| Additions* | 43,600 | 57,142 |
| De-recognition on loss of control of a subsidiary (note 34) | - | (107) |
| At 31 December | <u>219,434</u> | <u>175,834</u> |

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6 INTANGIBLE ASSETS (CONTINUED)

6.2 Other intangible assets (continued)

| | <u>2023</u> | <u>2022</u> |
|---|----------------|-------------|
| <i><u>Accumulated amortisation:</u></i> | | |
| At 1 January | 71,691 | 58,656 |
| Amortisation charge for the year (refer to note 27) | 15,896 | 13,035 |
| At 31 December | 87,587 | 71,691 |
| Carrying amount as of 31 December | 131,847 | 104,143 |

**Additions during the year 2023 amounting to SR 43.6 million (31 December 2022: SR 57.1 million) includes SR 36.8 million (31 December 2022: SR 50.3 million) on account of cost incurred in relation to work in progress representing new systems implementation and enhancements of existing systems.*

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7 EQUITY ACCOUNTED INVESTEEES

7.1 Contribution from equity accounted investees

The table below shows the contribution of each equity accounted investees (joint ventures) in the consolidated statement of financial position, income statement, other comprehensive income ("OCI"), and the "Dividends received from equity accounted investees" line of the statement of cash flows.

31 December 2023

| | % of effective ownership | Country of domicile | Opening balance | Additions / (disposals) / other adjustments | Share in net income / (loss) | Dividends received | Share in OCI | Closing balance |
|--|--------------------------|---------------------|-------------------|---|------------------------------|--------------------|------------------|-------------------|
| SGA/NOVA SGA Marafiq Holdings ("SGA Marafiq") | 33.33% | Bahrain | 588,391 | *(34,223) | 24,231 | - | (11,520) | 566,879 |
| Saudi Malaysian Water and Electricity Company Limited ("SAMAWEC") | 50.00% | Saudi Arabia | 1,285,475 | - | 58,524 | (130,333) | (1,029) | 1,212,637 |
| Suez Nomac O&M Holdings Company W.L.L. | 40.00% | Bahrain | 27,281 | - | 15,198 | (17,250) | - | 25,229 |
| Jubail Operations Holdings Company W.L.L. | 40.00% | Bahrain | 27,297 | - | 15,211 | (17,250) | - | 25,258 |
| Qurayyah Investment Company ("QIC") | 44.98% | Saudi Arabia | 582,036 | 46,875 | (4,249) | (8,037) | (10,743) | 605,882 |
| Rabigh Electricity Company | 40.00% | Saudi Arabia | 657,426 | - | (50,601) | (23,536) | (13,613) | 569,676 |
| Al Mourjan for Electricity Production Company | 50.00% | Saudi Arabia | 544,166 | - | (15,211) | - | (6,926) | 522,029 |
| Dhofar Generating Company | 27.00% | Oman | 97,000 | - | 4,283 | - | (1,680) | 99,603 |
| MAP Inland Holdings Ltd. (JAFZA) | 47.26% | UAE | 588,051 | 22,447 | (34,675) | - | (10,764) | 565,059 |
| MAP Coastal Holding Company Limited (JAFZA) | 47.26% | UAE | 475,051 | 16,967 | (23,844) | - | (9,550) | 458,624 |
| ACWA Power Renewable Energy Holding Ltd ("APREH") | 51.00% | UAE | 480,778 | - | (22,301) | (4,578) | (2,171) | 451,728 |
| Dhofar O&M Company LLC | 35.00% | Oman | 3,070 | - | 849 | - | - | 3,919 |
| Hassyan Energy Phase 1 P.S.C. | 26.95% | UAE | 1,631,517 | **211,829 | 25,726 | - | (22,944) | 1,846,128 |
| Dhofar Desalination Co. SAOC | 50.10% | Oman | 71,556 | - | (11,629) | - | (1,409) | 58,518 |
| Taweelah RO Desalination Company LLC | 40.00% | UAE | 201,531 | 5,072 | 12,026 | - | (31,006) | 187,623 |
| Water Consortium Holding Company | 40.11% | Saudi Arabia | 99,373 | **254,876 | (9,661) | - | (11,572) | 333,016 |
| Renewable Energy for Morocco (O&M) Company | 49.00% | Morocco | 714 | - | 295 | - | - | 1,009 |
| ACWA Power Solarreserve Redstone Solar Thermal Power Plant (Pty) Ltd | 36.05% | South Africa | 284,426 | **116,112 | (961) | - | (25,600) | 373,977 |
| Jazan Integrated Gasification and Power Company ("Jazan") (note 7.1.3) | 25.00% | Saudi Arabia | 2,949,102 | **1,387,173 | 368,928 | - | (19,767) | 4,685,436 |
| Shuqaiq Services Company for Maintenance | 68.00% | Saudi Arabia | 170,179 | - | 2,274 | (20,696) | (1,348) | 150,409 |
| Neom Green Hydrogen Company | 33.33% | Saudi Arabia | 841,120 | **62,010 | (2,394) | - | 58,375 | 959,111 |
| ACWA Power Uzbekistan Project Holding Company (note 34.2) | 51.00% | Uzbekistan | 48 | (19,772) | 2,505 | - | 26,327 | 9,108 |
| Amwaj International Company Ltd | 49.90% | Saudi Arabia | 241,294 | - | 8,411 | - | (48,958) | 200,747 |
| Haya Power & Desalination Company | 60.00% | Bahrain | 210,003 | **532,080 | (22,952) | - | (34,958) | 684,173 |
| Noor Energy 1 P.S.C. | 24.90% | UAE | 128,111 | **439,805 | (124,801) | - | (23,420) | 419,695 |
| Naq'a Desalination Plant LLC | 40.00% | UAE | 239,986 | **178,449 | 24,605 | - | (16,007) | 427,033 |
| Shams Ad-Dhahira Generating Company SAOC | 50.00% | Oman | 31,341 | **240,293 | (12,073) | - | (4,414) | 255,147 |
| Sudair One Holding Company | 35.00% | Saudi Arabia | 168,195 | - | 15,444 | - | (18,207) | 165,432 |
| Oasis Joint Holding Company | 66.72% | Saudi Arabia | - | 8,421 | (118) | - | 19 | 8,322 |
| Hassyan Water Company A P.S.C | 40.00% | UAE | - | 2,042 | - | - | - | 2,042 |
| Equity accounted investees | | | 12,624,518 | 3,470,456 | 243,040 | (221,680) | (242,885) | 15,873,449 |

* These represents repayment of shareholder loan during the year ended 31 December 2023.

** These represents additional investment during the year ended 31 December 2023.

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7 EQUITY ACCOUNTED INVESTEEES (CONTINUED)

7.1 Contribution from equity accounted investees (continued)

31 December 2023

| | % of effective ownership | Country of domicile | Opening balance | Additions / (disposals) / other adjustments | Share in net income / (loss) | Dividends received | Share in OCI | Closing balance |
|--|--------------------------------|------------------------|--------------------|---|---------------------------------|-----------------------|------------------|--------------------|
| Dhafra Water Desalination Company | 68.00% | Saudi Arabia | (66,800) | - | (46) | - | 9,662 | (57,184) |
| Veolia First National Water Service Company | 35.00% | Oman | (1,570) | - | 1,039 | - | - | (531) |
| Noor Al Shuaibah Holding Company | 35.00% | Saudi Arabia | - | (31,792) | (176) | - | (69,302) | (101,270) |
| Wafra Holding Company | 45.00% | Saudi Arabia | - | (14,563) | - | - | (71,981) | (86,544) |
| Ishaa holding company | 50.10% | Saudi Arabia | - | (19,884) | 83 | - | (99,643) | (119,444) |
| Nawwar holding company | 50.10% | Saudi Arabia | - | (28,448) | 368 | - | (136,800) | (164,880) |
| Saad 2 holding company | 50.10% | Saudi Arabia | - | (16,020) | 263 | - | (77,519) | (93,276) |
| ACWA Guc Elektrik Isletme Ve Yonetim Sanayi Ve Ticaret A.S. (*ACWA GUC*) (note 7.1.2) | 70.00% | Turkey | - | - | - | - | - | - |
| Obligation for equity accounted investees | | | (68,370) | (110,707) | 1,531 | - | (445,583) | (623,129) |
| Total continued operations | | | 12,556,148 | 3,359,749 | 244,571 | (221,680) | (688,468) | 15,250,320 |
| Shuaa Energy 3 P.S.C. (note 34.3) | 24.00% | UAE | 62,609 | - | (2,900) | - | (7,135) | 52,574 |
| Vinh Hao 6 Power Joint Stock (note 34.4) | 0.00% | Vietnam | 77,354 | (73,487) | (3,867) | - | - | - |
| Total held for sale | | | 139,963 | (73,487) | (6,767) | - | (7,135) | 52,574 |

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7 EQUITY ACCOUNTED INVESTEEES (CONTINUED)

7.1 Contribution from equity accounted investees (continued)

31 December 2022

| | % of effective ownership | Country of domicile | Opening balance | Additions / (disposals) / other adjustments | Share in net income / (loss) | Dividends received | Share in OCI | Closing balance |
|--|--------------------------------|------------------------|--------------------|---|---------------------------------|-----------------------|------------------|--------------------|
| SGA/NOVA SGA Marafiq Holdings ("SGA Marafiq") | 33.33% | Bahrain | 485,581 | *(48,550) | 45,242 | - | 106,118 | 588,391 |
| Saudi Malaysian Water and Electricity Company Limited ("SAMAWEC") | 50.00% | Saudi Arabia | 1,255,759 | - | 111,224 | (105,915) | 24,407 | 1,285,475 |
| Suez Nomac O&M Holdings Company W.L.L. | 40.00% | Bahrain | 28,294 | - | 11,812 | (12,825) | - | 27,281 |
| Jubail Operations Holdings Company W.L.L. | 40.00% | Bahrain | 28,300 | - | 11,822 | (12,825) | - | 27,297 |
| Qurayyah Investment Company ("QIC") | 44.98% | Saudi Arabia | 521,030 | - | (6,725) | (17,092) | 84,823 | 582,036 |
| Rabigh Electricity Company | 40.00% | Saudi Arabia | 610,463 | - | (31,855) | (37,423) | 116,241 | 657,426 |
| Al Mourjan for Electricity Production Company | 50.00% | Saudi Arabia | 440,658 | - | (72,674) | - | 176,182 | 544,166 |
| Dhofar Generating Company | 27.00% | Oman | 70,974 | - | 5,119 | - | 20,907 | 97,000 |
| MAP Inland Holdings Ltd. (JAFZA) | 47.26% | UAE | 529,554 | - | (25,579) | - | 84,076 | 588,051 |
| MAP Coastal Holding Company Limited (JAFZA) | 47.26% | UAE | 428,143 | - | (38,559) | - | 85,467 | 475,051 |
| ACWA Power Renewable Energy Holding Ltd ("APREH") | 51.00% | UAE | 428,697 | - | (17,475) | (4,781) | 74,337 | 480,778 |
| Dhofar O&M Company LLC | 35.00% | Oman | 7,062 | - | 877 | (4,869) | - | 3,070 |
| Hassyan Energy Phase 1 P.S.C. | 26.95% | UAE | 397,119 | **826,062 | 10,646 | - | 397,690 | 1,631,517 |
| Dhofar Desalination Co. SAOC | 50.10% | Oman | 49,660 | - | (812) | - | 22,708 | 71,556 |
| Taweelah RO Desalination Company LLC | 40.00% | UAE | 132,167 | - | (20,581) | - | 89,945 | 201,531 |
| Water consortium Holding Company | 40.11% | Saudi Arabia | 11,226 | - | (13) | - | 88,160 | 99,373 |
| Renewable Energy for Morocco (O&M) Company | 49.00% | Morocco | 427 | - | 287 | - | - | 714 |
| ACWA Power Solarreserve Redstone Solar Thermal Power Plant (Pty) Ltd | 36.05% | South Africa | 270,683 | 17,286 | (3,169) | - | (374) | 284,426 |
| Jazan Integrated Gasification and Power Company ("Jazan") (note 7.1.3) | 25.00% | Saudi Arabia | 2,814,564 | *(252,143) | 303,830 | - | 82,851 | 2,949,102 |
| Shuqaiq Services Company for Maintenance | 68.00% | Saudi Arabia | - | 159,035 | 11,144 | - | - | 170,179 |
| Neom Green Hydrogen Company | 33.33% | Saudi Arabia | - | **837,562 | 3,558 | - | - | 841,120 |
| ACWA Power Uzbekistan Project Holding Company (note 34.2) | 51.00% | Uzbekistan | - | 48 | - | - | - | 48 |
| Anwaj International Company Ltd | 49.90% | Saudi Arabia | 461,297 | *(470,185) | 22 | - | 250,160 | 241,294 |
| Haya Power & Desalination Company | 60.00% | Bahrain | (34,770) | - | (6,304) | - | 251,077 | 210,003 |
| Noor Energy 1 P.S.C. | 24.90% | UAE | (330,802) | (17,515) | (4,877) | - | 481,305 | 128,111 |
| Naq'a'a Desalination Plant LLC | 40.00% | UAE | (3,357) | - | 26,376 | - | 216,967 | 239,986 |
| Shams Ad-Dhahira Generating Company SAOC | 50.00% | Oman | (49,757) | 33,725 | (19,880) | - | 67,253 | 31,341 |
| Sudair One Holding Company | 35.00% | Saudi Arabia | (3,007) | - | (121) | - | 171,323 | 168,195 |
| Equity accounted investees | | | 8,549,965 | 1,085,325 | 293,335 | (195,730) | 2,891,623 | 12,624,518 |

* These represents repayment of shareholder loan during the year ended 31 December 2022.

** These represents additional investment during the year ended 31 December 2022.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

7 EQUITY ACCOUNTED INVESTEEES (CONTINUED)

7.1 Contribution from equity accounted investees (continued)

| | % of effective ownership | Country of domicile | Opening balance | Additions / (disposals) / other adjustments | Share in net income / (loss) | Dividends received | Share in OCI | Closing balance |
|---|--------------------------------|------------------------|--------------------|---|---------------------------------|-----------------------|-----------------|--------------------|
| 31 December 2022 | | | | | | | | |
| Dhafra Water Desalination Company | 68.00% | Saudi Arabia | - | (34,612) | - | - | (32,188) | (66,800) |
| Veolia First National Water Service Company | 35.00% | Oman | 263 | - | 1,107 | (2,940) | - | (1,570) |
| ACWA Guc Elektrik Isletme Ve Yonetim Sanayi Ve Ticaret A.S. ("ACWA GUC") (note 7.1.2) | 70.00% | Turkey | - | - | - | - | - | - |
| | | | 263 | (34,612) | 1,107 | (2,940) | (32,188) | (68,370) |
| Obligation for equity accounted investees | | | 8,550,228 | 1,050,713 | 294,442 | (198,670) | 2,859,435 | 12,556,148 |
| Total continued operations | | | (21,474) | - | 1,605 | - | 82,478 | 62,609 |
| Shuaa Energy 3 P.S.C. (note 34.3) | 24.00% | UAE | 386,399 | (378,801) | (7,598) | - | - | - |
| Shuqaiq International Water and Electricity Company Limited ("SIWEC") | 0.00% | Saudi Arabia | 74,879 | (449) | 2,924 | - | - | 77,354 |
| Vinh Hao 6 Power Joint Stock (note 34.4) | 60.00% | Vietnam | 439,804 | (379,250) | (3,069) | - | 82,478 | 139,963 |
| Total held for sale | | | | | | | | |

ACWA POWER Company (Saudi Listed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

7 EQUITY ACCOUNTED INVESTEEES (CONTINUED)

7.1 Contribution from equity accounted investees (continued)

7.1.1 Bifurcation of the Group's share in net results from continued and discontinued operations is as follows:

| | <i>Note</i> | 2023 | 2022 |
|--|-------------|----------------|-------------|
| Group's share in net results of equity accounted investees – Continued operations | | 244,571 | 294,442 |
| Group's share in net results of equity accounted investees – Discontinued operations / held for sale | 34.9 | (6,767) | (3,069) |
| Group's share in net results of equity accounted investees – Total | | 237,804 | 291,373 |

7.1.2 On 16 December 2018, certain shareholders of the Company (hereinafter referred as “the Acquirer”) acquired an effective 30% interest in a wholly owned subsidiary of the Group, ACWA Guc Elektrik Isletme Ve Yonetim Sanayi Ve Ticaret A.S (“ACWA GUC”) (refer to note 24.1) at fair value. As part of the transaction, the Acquirer entered in a joint venture agreement based on which the decisions for the relevant activities that most significantly affect the returns of ACWA GUC will be taken jointly by the Group and the Acquirer. Consequently, the Group lost control in ACWA GUC and remaining 70% ownership in ACWA GUC was assessed as nil by the Group and accounted using the equity method of accounting in accordance with the requirements of IFRS 11 – Joint Arrangements, as endorsed in KSA. The Group's carrying amount of investments in ACWA GUC is capped to zero and no further losses are recognised, where Group has no legal or constructive obligations or made payments on behalf of ACWA GUC.

7.1.3 The Group's effective beneficial ownership in Jazan is 21.25%.

Additions during the year includes shareholder loan given to Jazan Integrated Gasification and Power Company (a Joint Venture of the Group “JIGPC”) amounting to SR 1,387.2 million (31 December 2022 repayment of SR 252.1 million). On 22 January 2023, JIGPC completed the acquisition of the second group of assets for the Jazan Integrated Gasification Combined Cycle project (the “Project”).

The Project involves the acquisition of Integrated Gasification Combined Cycle “IGCC” assets amounting to SR 45.0 billion (equivalent to USD 12.0 billion) from Saudi Arabian Oil Company. The acquisition of the first group of IGCC assets was completed on 27 October 2021. With the transfer of the second group of assets, the Project has now taken over more than 95% of the revenue generating assets.

ACWA POWER Company (Saudi Listed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

7 EQUITY ACCOUNTED INVESTEEES (CONTINUED)

7.2 Financial information regarding equity accounted investees

Information on statement of financial position of the Projects under equity accounted investees:

31 December 2023

| | Non-current assets | Cash and cash equivalents | Other current assets | Short-term financing facilities | Other current liabilities | Long-term financing facilities | Other non-current liabilities | Total equity | Group's effective holding | Total equity attributable to the Group | Other long-term interest in investees* | Other adjustments** | Carrying amount |
|---|--------------------|---------------------------|----------------------|---------------------------------|---------------------------|--------------------------------|-------------------------------|--------------|---------------------------|--|--|---------------------|-----------------|
| Shuaibah Water & Electricity Company ("SWECC") – a project under SAMAWEC | 4,830,737 | 324,294 | 785,659 | (575,992) | (141,099) | (1,845,428) | (7,094) | 3,371,077 | 30.00% | 1,011,323 | - | - | 1,212,637 |
| Shuaibah Expansion Project Company ("SEPCO") – a project under SAMAWEC | 768,135 | 11,440 | 30,802 | (50,836) | (34,966) | (148,652) | (78,409) | 497,514 | 30.00% | 149,254 | 46,875 | (17,612) | 605,882 |
| Total for SAMAWEC | 8,219,157 | 51,212 | 311,892 | (299,617) | (511,663) | (4,637,360) | (569,730) | 2,563,891 | 22.49% | 576,619 | - | - | 1,212,637 |
| Hajr for Electricity Production Company ("HEPCO") – a project under QIC | 6,641,785 | 106,156 | 440,251 | (693,723) | (192,288) | (3,672,136) | (31,984) | 2,598,061 | 20.00% | 519,612 | 114,318 | (67,051) | 566,879 |
| Jubail Water and Power Company – a project under SGA Marafiq | 6,963,796 | 150,363 | 320,097 | (377,574) | (316,109) | (3,974,826) | (720,583) | 2,045,164 | 40.00% | 818,066 | - | (243,302) | 574,764 |
| Rabigh Electricity Company | 1,765,255 | 45,914 | 126,659 | (74,950) | (65,138) | (1,084,150) | (189,855) | 523,735 | 27.00% | 141,408 | - | (41,805) | 99,603 |
| Dhofar Generating Company | 4,937,737 | 9,509 | 191,084 | (149,166) | (254,922) | (3,353,311) | (191,980) | 1,188,951 | 50.00% | 594,476 | - | (72,447) | 522,029 |
| Al Mourjan for Electricity Production Company | 11,877,233 | 306,404 | 1,053,740 | (317,433) | (1,188,783) | (7,962,861) | (1,305,360) | 2,462,940 | 26.95% | 663,762 | 1,108,430 | 73,936 | 1,846,128 |
| Hassyan Energy Phase 1 P.S.C | 3,403,753 | 129,244 | 205,069 | (122,079) | (274,994) | (1,764,651) | (1,547,682) | 28,660 | 44.90% | 12,868 | 606,982 | (54,791) | 565,059 |
| Ad-Dhahirah Generating Company S.A.O.C | 3,363,369 | 21,000 | 312,158 | (103,646) | (421,019) | (1,855,290) | (1,299,178) | 17,394 | 44.90% | 7,810 | 521,718 | (70,904) | 458,624 |
| Shinas Generating Company S.A.O.C. | 4,153,725 | 4,057 | 97,903 | (103,237) | (157,728) | (2,665,940) | (785,505) | 543,275 | 60.00% | 325,965 | 532,080 | (173,872) | 684,173 |
| Haya Power & Desalination Company | 15,455,347 | 703,108 | 327,041 | (194,203) | (373,805) | (14,938,234) | (524,829) | 454,425 | 24.99% | 113,561 | 502,057 | (195,923) | 419,695 |
| Noor Energy 1 P.S.C. | 2,547,701 | 98,424 | 211,474 | (164,971) | (155,081) | (1,483,528) | (216,498) | 837,521 | 51.00% | 427,136 | - | 24,592 | 451,728 |
| Projects under APREH (note 7.2.1) | 1,317,172 | 170,910 | 99,751 | (2,139,285) | (166,560) | (2,565,295) | (81) | (3,283,388) | 70.00% | (2,298,372) | - | 2,298,372 | - |
| ACWA Guc Elektrik Isletme Ve Yonctim Sanayi Ve Ticaret A.S. ("ACWA GUC") (note 7.1.2) | 42,608,422 | 599,916 | 2,203,085 | - | (1,014,629) | (37,132,806) | (3,939,155) | 3,324,833 | 25.00% | 831,208 | 3,877,703 | (23,475) | 4,685,436 |
| Jazan Integrated Gasification and Power Company ("Jazan") | 606,107 | 9,870 | 20,482 | - | (67,698) | (410,108) | (31,807) | 126,846 | 50.10% | 63,550 | - | (5,032) | 58,518 |
| Dhofar Desalination Co. SAOC | 1,554,474 | 5,199 | 22,674 | (67,438) | (56,888) | (815,338) | (86,343) | 556,340 | 50.00% | 278,170 | - | (23,023) | 255,147 |
| Shams Ad-Dhahira Generating Company SAOC | 3,117,960 | 92,625 | 437,726 | (2,907,236) | (96,154) | - | - | 644,921 | 40.00% | 257,968 | 89,485 | (159,830) | 187,623 |
| Taweelah RO Desalination Company LLC | 3,259,123 | 256,529 | 191,449 | (77,966) | (143,504) | (2,358,099) | (495,094) | 632,438 | 40.00% | 252,975 | 178,449 | (4,391) | 427,033 |
| Naq'a'a Desalination Plant LLC | 2,127,044 | 14,660 | 151,175 | (65,257) | (130,560) | (1,826,672) | (40,847) | 229,543 | 24.00% | 55,090 | - | (2,516) | 52,574 |
| Shua Energy 3 P.S.C. | 5,991,794 | 591,594 | 508,096 | (33,749) | (412,792) | (6,225,019) | (28,891) | 391,033 | 50.10% | 195,908 | - | 4,839 | 200,747 |
| Marafiq Red Sea for Energy | 6,976,648 | 1,508,231 | 2,214,399 | - | (714,961) | (6,703,548) | (60,066) | 3,220,703 | 33.33% | 1,073,460 | - | (114,349) | 959,111 |
| Neom Green Hydrogen Company | 1,826,599 | 27,224 | 68,614 | - | (198,883) | (1,637,347) | (118,990) | (32,783) | 68.00% | (22,292) | - | (34,892) | (57,184) |
| Shuaibah Three Water Desalination Company | 3,917,289 | 87,688 | 84,720 | - | (197,684) | (2,948,525) | (535,372) | 408,116 | 51.00% | 208,139 | 12,375 | (211,406) | 9,108 |
| ACWA Power Sirdarya | | | | | | | | | | | | | |

ACWA POWER Company (Saudi Listed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

7 EQUITY ACCOUNTED INVESTEES (CONTINUED)

7.2 Financial information regarding equity accounted investees (continued)

Information on statement of financial position of the Projects under equity accounted investees(continued):

31 December 2022

| | Non-current assets | Cash and cash equivalents | Other current assets | Short-term financing and funding facilities | Other current liabilities | Long-term financing and funding facilities | Other non- current liabilities | Total equity | Group's effective holding | Total equity attributable to the Group | Other long- term interest in investees* | Other adjustments** | Carrying amount |
|---|-----------------------|---------------------------------|----------------------------|---|------------------------------|--|--------------------------------------|--------------|---------------------------------|--|---|------------------------|--------------------|
| Shuaibah Water & Electricity Company ("SWECC") – a project under SAMA WEC | 5,967,891 | 496,142 | 237,737 | (512,529) | (397,583) | (2,198,091) | (6,378) | 3,587,189 | 30.0% | 1,076,157 | | | |
| Shuaibah Expansion Project Company ("SEPCO") – a project under SAMA WEC | 809,201 | 6,676 | 30,899 | (49,224) | (39,678) | (199,026) | (81,514) | 477,334 | 30.0% | 143,200 | | | |
| | | | | | | | | 1,219,357 | | | | 66,118 | 1,285,475 |
| <i>Total for SAMAWEC</i> | | | | | | | | | | | | | |
| Hajr for Electricity Production Company ("HEPCO") – a project under QIC | 8,522,058 | 43,453 | 374,495 | (275,529) | (510,063) | (4,928,381) | (541,468) | 2,684,565 | 22.49% | 603,759 | | (21,723) | 582,036 |
| Jubail Water and Power Company – a project under SGA Marafiq | 7,398,680 | 125,770 | 418,807 | (644,753) | (194,023) | (4,365,859) | (36,146) | 2,702,476 | 20.00% | 540,495 | 148,541 | (100,645) | 588,391 |
| Rabigh Electricity Company | 7,156,697 | 120,560 | 216,179 | (352,548) | (240,350) | (4,356,041) | (571,287) | 1,973,210 | 40.00% | 789,284 | | (131,858) | 657,426 |
| Dhofar Generating Company | 1,838,634 | 63,977 | 121,706 | (71,781) | (77,595) | (1,179,100) | (181,663) | 514,178 | 27.00% | 138,828 | | (41,828) | 97,000 |
| Al Mourjan for Electricity Production Company | 5,080,595 | 20,089 | 161,616 | (130,787) | (367,937) | (3,382,477) | (142,337) | 1,238,762 | 50.00% | 619,381 | | (75,215) | 544,166 |
| Hassyan Energy Phase 1 P.S.C. | 11,414,952 | 534,634 | 739,577 | (271,070) | (591,320) | (8,252,948) | (2,550,427) | 1,023,398 | 26.95% | 275,806 | 1,136,939 | 218,772 | 1,631,517 |
| Ad-Dhahrah Generating Company S.A.O.C | 3,518,287 | 148,071 | 200,774 | (119,715) | (241,309) | (1,885,479) | (1,555,178) | 65,451 | 44.90% | 29,387 | 573,953 | (15,289) | 588,051 |
| Shinas Generating Company S.A.O.C. | 3,518,137 | 16,362 | 367,387 | (112,325) | (489,496) | (1,957,660) | (1,351,914) | (9,509) | 44.90% | (4,270) | 506,652 | (27,331) | 475,051 |
| Haya Power & Desalination Company | 4,337,465 | 17,814 | 134,026 | | (195,088) | (3,749,497) | (117,224) | 427,496 | 60.00% | 256,498 | | (46,495) | 210,003 |
| Noor Energy 1 P.S.C. | 14,566,149 | 550,069 | 383,693 | (146,311) | (475,006) | (14,045,082) | (281,072) | 552,440 | 24.99% | 138,055 | 62,252 | (72,196) | 128,111 |
| Projects under APREH (note 7.2.1) | 2,715,382 | 124,115 | 196,472 | (168,602) | (191,968) | (1,595,730) | (187,505) | 892,164 | 51.00% | 455,004 | | 25,774 | 480,778 |
| ACWA Guc Elektrik Isletme Ve Yonetim Smayyi Ve Ticearet A.S. ("ACWA GUC") (note 7.1.2) | 960,995 | 347,562 | 323,482 | (1,050,123) | (385,243) | (1,767,525) | (56) | (1,570,908) | 70.00% | (1,099,636) | | 1,099,636 | - |
| Jazan Integrated Gasification and Power Company ("Jazan") | 26,972,298 | 657,675 | 1,196,415 | | (980,048) | (15,980,510) | (9,968,352) | 1,897,478 | 25.00% | 474,370 | 2,490,531 | (15,799) | 2,949,102 |
| Dhofar Desalination Co. SAOC | 491,427 | 6,182 | 22,230 | | (50,526) | (424,406) | (25,775) | 19,132 | 50.10% | 9,585 | 64,272 | (2,301) | 71,556 |
| Shams Ad-Dhahira Generating Company SAOC | 1,549,799 | 49,221 | 33,912 | (60,756) | (119,119) | (1,304,580) | (115,839) | 32,638 | 50.00% | 16,319 | | 15,022 | 31,341 |
| Vinh Hao 6 Power Joint Stock | 182,272 | 17,149 | 34,030 | (12,981) | (554) | (104,827) | | 115,089 | 60.00% | 69,053 | 11,288 | (80,341) | - |
| Taweelah RO Desalination Company LLC | 3,167,850 | 90,596 | 343,706 | (67,744) | (101,606) | (2,792,884) | (9,465) | 630,453 | 40.00% | 252,181 | 86,442 | (137,092) | 201,531 |
| Naqra'a Desalination Plant LLC | 3,414,277 | 207,265 | 181,896 | (75,172) | (189,868) | (2,877,895) | (49,498) | 611,005 | 40.00% | 244,402 | | (4,416) | 239,986 |
| Shuaa Energy 3 P.S.C. | 1,969,956 | 91,337 | 71,359 | | (101,295) | (1,720,879) | (37,850) | 272,628 | 24.00% | 65,431 | | (2,822) | 62,609 |
| Marafiq Red Sea for Energy | 5,064,220 | 783,614 | 179,288 | | (425,943) | (5,100,477) | (692) | 500,010 | 50.10% | 250,505 | | (9,211) | 241,294 |
| Neom Green Hydrogen Company | 1,614,915 | 839,929 | 88,561 | | (17,247) | | (2,515,283) | 10,875 | 33.33% | 3,625 | 837,495 | - | 841,120 |

* Other long-term interest in investees represents advances to the investee by the Group against its equity commitments.

** Other adjustments includes net assets or liabilities of holding companies, downstream / upstream consolidation adjustments, purchase price allocation and other group level consolidation adjustments.

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7 EQUITY ACCOUNTED INVESTEEES (CONTINUED)

7.2 Financial information regarding equity accounted investees (continued)

Information on statement of profit or loss and other comprehensive income of equity accounted projects:

For year ended 31 December 2023

| | Revenues (note 7.2.2) | Operating profit before depreciation | Depreciation | Finance Charges | Finance Income | Net profit or loss * | Other comprehensive income * | Total comprehensive income * |
|--|--------------------------|--|--------------|--------------------|-------------------|-------------------------|------------------------------------|------------------------------------|
| Jubail Water and Power Company – a project under SGA Marafiq | 1,034,304 | 491,988 | (32,204) | (210,206) | 7,168 | 237,215 | (57,513) | 179,702 |
| Shuaibah Water & Electricity Company ("SWEC") – a project under SAMAWEC | 580,594 | 420,992 | (1,010) | (147,626) | 20,750 | 268,860 | (9,585) | 259,275 |
| Shuaibah Expansion Project Company ("SEPCO") – a project under SAMAWEC | 154,420 | 87,073 | (28,628) | (19,875) | 325 | 36,044 | 2,945 | 38,989 |
| Hajr for Electricity Production Company ("HEPCO") – a project under QIC | 982,209 | 528,452 | (272,842) | (253,729) | 3,053 | (24,532) | (54,143) | (78,675) |
| Rabigh Electricity Company | 875,779 | 692,996 | (221,274) | (313,451) | 7,237 | 148,426 | (32,223) | 116,203 |
| Al Mourjan for Electricity Production Company | 586,818 | 355,252 | (161,904) | (228,234) | 1,658 | (34,900) | (14,281) | (49,181) |
| Dhofar Generating Company | 512,784 | 128,143 | (39,387) | (67,214) | 1,725 | 15,909 | (6,223) | 9,686 |
| Hassyan Energy Phase 1 P.S.C. | 1,181,389 | 480,367 | (16) | (568,397) | 172,589 | 95,459 | (85,135) | 10,324 |
| Ad-Dhahirah Generating Company S.A.O.C | 939,704 | 161,054 | (87,222) | (150,881) | - | (109,103) | 72,926 | (36,177) |
| Shinas Generating Company S.A.O.C. | 1,039,619 | 192,864 | (93,787) | (147,235) | - | (77,261) | 104,114 | 26,853 |
| Haya Power & Desalination Company | 1,156,696 | 263,316 | (115,047) | (196,012) | 100 | (47,644) | (58,264) | (105,908) |
| Noor Energy 1 P.S.C. | 278,554 | 160,781 | (231,850) | (559,326) | 130,990 | (499,405) | (93,718) | (593,123) |
| Dhofar Desalination Co. SAOC | 82,299 | 27,675 | (14,936) | (26,003) | - | (18,618) | (2,812) | (21,430) |
| Vinh Hao 6 Power Joint Stock | 6,104 | 4,781 | (12) | (3,011) | 131 | 1,889 | - | 1,889 |
| Taweelah RO Desalination Company LLC | 179,304 | 122,164 | (536) | (91,564) | - | 30,064 | (77,516) | (47,452) |
| Naga'a Desalination Plant LLC | 552,832 | 153,781 | (1,164) | (98,901) | 7,734 | 61,449 | (40,017) | 21,432 |
| ACWA Guc Elektrik Isletme Ve Yonetim Sanayi Ve Ticaret A.S. ("ACWA GUC") (note 7.1.2) | 1,526,898 | (115,452) | 32,692 | (1,652,138) | 45,511 | (1,391,852) | - | (1,391,852) |
| Projects/Entities under APREH (note 7.2.1) | 509,188 | 348,839 | (121,508) | (236,545) | 30,463 | (6,322) | (18,366) | (24,688) |
| Shams Ad-Dhahira Generating Company SAOC | 132,575 | 95,688 | (52,389) | (49,147) | 74 | (18,646) | (8,828) | (27,474) |
| Dhofar O&M Company LLC | 315,245 | 2,439 | - | (11) | - | 2,426 | - | 2,426 |
| Shuaa Energy 3 P.S.C. | 133,198 | 110,163 | (67,554) | (116,377) | 61,683 | (12,085) | (29,729) | (41,814) |
| Jazan Integrated Gasification and Power Company | 6,413,184 | 4,047,749 | (13,189) | (2,042,011) | 47,473 | 1,736,133 | (93,025) | 1,643,108 |
| Other projects | 509,024 | 186,089 | (3,657) | (52,398) | 6,817 | 177,793 | (383,106) | (205,313) |
| Total | 8,947,194 | | | | | 571,299 | (884,499) | (313,200) |
| Total (ACWA Power share) | 2,601,592 | | | | | 237,804 | (695,603) | (457,799) |

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7 EQUITY ACCOUNTED INVESTEEES (CONTINUED)

7.2 Financial information regarding equity accounted investees (continued)

Information on statement of profit or loss and other comprehensive income of equity accounted projects (continued):

| | Revenues (note 7.2.2) | Operating profit before depreciation | Depreciation | Finance Charges | Finance Income | Net profit or loss * | Other comprehensive income * | Total comprehensive income * |
|--|--------------------------|--|--------------|--------------------|-------------------|-------------------------|------------------------------------|------------------------------------|
| For year ended 31 December 2022 | | | | | | | | |
| Jubail Water and Power Company – a project under SGA Marafiq | 1,110,085 | 597,739 | (27,166) | (218,139) | 1,734 | 312,202 | 530,645 | 842,847 |
| Shuqaiq Water and Electricity Company – a project under SIWEC | 132,614 | 98,744 | (29,409) | (31,060) | 10 | 37,519 | - | 37,519 |
| Shuaibah Water & Electricity Company ("SWEC") – a project under SAMAWEC | 829,100 | 698,163 | (144,525) | (179,354) | 65,522 | 410,051 | 64,811 | 474,862 |
| Shuaibah Expansion Project Company ("SEPCO") – a project under SAMAWEC | 154,858 | 84,503 | (28,512) | (22,137) | 44 | 29,263 | 27,847 | 57,110 |
| Hajr for Electricity Production Company ("HEPCO") – a project under QIC | 918,646 | 343,270 | (270,936) | (242,891) | 491 | (30,460) | 377,080 | 346,620 |
| Rabigh Electricity Company | 932,584 | 754,560 | (217,975) | (323,506) | 969 | 190,524 | 290,602 | 481,126 |
| Dhofar Generating Company | 461,083 | 130,913 | (39,522) | (68,002) | 1,907 | 19,004 | 77,438 | 96,436 |
| Al Moujjan for Electricity Production Company | 399,911 | 197,674 | (161,461) | (222,173) | 507 | (149,825) | 351,738 | 201,913 |
| Hassyan Energy Phase 1 P.S.C. | 630,444 | 186,325 | (15) | (200,986) | - | 39,502 | 1,475,658 | 1,515,160 |
| Ad-Dhahira Generating Company S.A.O.C | 937,214 | 198,088 | (87,450) | (144,167) | - | (69,923) | 187,253 | 117,330 |
| Shinas Generating Company S.A.O.C. | 995,623 | 155,087 | (93,601) | (148,514) | - | (110,638) | 190,349 | 79,711 |
| Haya Power & Desalination Company | 831,697 | 188,946 | (72,179) | (127,682) | 408 | (10,507) | 418,461 | 407,954 |
| Noor Energy 1 P.S.C. | 47,002 | 40,280 | (25,280) | (34,515) | - | (19,515) | 1,925,992 | 1,906,477 |
| Projects/Entities under APREH (note 7.2.1) | 525,073 | 391,733 | (124,869) | (259,205) | 1,603 | (11,501) | 272,004 | 260,503 |
| ACWA Guc Elektrik Isletme Ve Yonetim Sanayi Ve Ticaret A.S. ("ACWA GUC") | 2,409,420 | 93,572 | 47,448 | (1,515,579) | 44,145 | (1,153,061) | - | (1,153,061) |
| (note 7.1.2) | | | | | | | | |
| Iznan Integrated Gasification and Power Company | 4,320,622 | 2,623,761 | (11,993) | (940,956) | 8,392 | 1,429,786 | 389,889 | 1,819,675 |
| Dhofar Desalination Co. SAOC | 86,227 | 37,824 | (14,900) | (26,064) | - | 2,972 | 45,325 | 48,297 |
| Shams Ad-Dhahira Generating Company SAOC | 128,424 | 96,114 | (52,389) | (49,480) | 106 | (29,854) | 134,507 | 104,653 |
| Vinh Hao 6 Power Joint Stock | 24,749 | 20,953 | (69) | (11,342) | 331 | 9,873 | - | 9,873 |
| Taweeelah RO Desalination Company LLC | 52,550 | 28,725 | (536) | (79,641) | - | (51,452) | 224,862 | 173,410 |
| Dhofar O&M Company LLC | 293,851 | 2,886 | - | (474) | - | 2,506 | - | 2,506 |
| Shuaa Energy 3 P.S.C. | 69,553 | 61,136 | (36,893) | (17,558) | - | 6,685 | 343,658 | 350,343 |
| Naq'a'a Desalination Plant LLC | 320,292 | 99,119 | (425) | (32,916) | 162 | 65,941 | 542,417 | 608,358 |
| Other projects | 130,754 | 40,977 | (578) | (7,696) | 11,633 | 106,712 | 1,160,815 | 1,267,527 |
| Total | 7,171,092 | 40,977 | (578) | (7,696) | 11,633 | 1,025,804 | 9,031,345 | 10,057,149 |
| Total (ACWA Power share) | 2,069,405 | 2,069,405 | | | | 291,373 | 2,941,913 | 3,233,286 |

* Profit or loss, other comprehensive income and total comprehensive income included in the above table are before any intra-group transaction elimination or other group level adjustments.

7.2.1 The results of APREH comprise of the consolidated results of a portfolio of renewable project companies located in South Africa, Egypt, Morocco, Jordan and the United Arab Emirates.

7.2.2 Revenues figures are net of principal lease amortisation, wherever applicable. Impact of the Group's share in principal lease amortisation for these projects amounts to SR 234.8 million (31 December 2022: SR 156.6 million).

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8 NET INVESTMENT IN FINANCE LEASE

In relation to certain Power Purchase Agreements (“PPA”) or Water Purchase Agreements (“WPA”) between the few of the Group’s subsidiaries and their off-taker, the Group management has concluded that the PPA or WPA are within the scope of IFRS 16, “Leases”. Further, management has assessed the lease classification and where the arrangements are concluded as finance leases, a finance lease receivable has been recognised in the consolidated financial statements. Property, plant and equipment in relation to operating lease arrangements of the Group entities are disclosed in note 5.

For certain finance lease arrangements, the lease cash flows are denominated in multiple currencies. Accordingly, the minimum lease payments are determined separately for each currency involved using the interest rate implicit in the lease for each respective currency. The total finance lease income in each respective currency is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in each currency respectively with respect to the lease.

The lease receivables under the finance lease terms are detailed as follows:

| | As of 31 Dec 2023 | As of 31 Dec 2022 |
|--|----------------------|----------------------|
| <i>a) Net investment in finance leases consist of:</i> | | |
| Gross investment in finance leases (see (b) below) | 17,502,955 | 18,208,345 |
| Less: Unearned finance income (see (c) below) | <u>(5,886,279)</u> | <u>(6,328,017)</u> |
| | <u>11,616,676</u> | <u>11,880,328</u> |
| <i>Analysed as:</i> | | |
| Current portion of net investment in finance lease | <u>382,185</u> | <u>378,486</u> |
| Non-current portion of net investment in finance lease | <u>11,234,491</u> | <u>11,501,842</u> |
| <i>b) The undiscounted value of future minimum lease payments to be received consist of:</i> | | |
| Less than one year | 891,110 | 895,305 |
| One to two years | 916,143 | 887,255 |
| Two to three years | 910,269 | 884,101 |
| Three to four years | 907,832 | 878,396 |
| Four to five years | 908,815 | 876,032 |
| More than five years | <u>12,968,786</u> | <u>13,787,256</u> |
| | <u>17,502,955</u> | <u>18,208,345</u> |
| <i>c) The maturity of unearned finance income are as follows:</i> | | |
| Less than one year | 508,925 | 516,819 |
| One to two years | 492,008 | 501,391 |
| Two to three years | 474,248 | 484,362 |
| Three to four years | 455,817 | 466,928 |
| Four to five years | 436,802 | 448,823 |
| More than five years | <u>3,518,479</u> | <u>3,909,694</u> |
| | <u>5,886,279</u> | <u>6,328,017</u> |

- 8.1** The periodic rate of return used by the Group ranges from 2.04% to 10.21% (2022: 2.04% to 10.21%) per annum. During the year the Group recognised a finance lease income of SR 459.5 million (2022: SR 243.4 million) (note 25).

The finance lease income is presented net of energy generation shortfall amounting to SR 55.1 million for the year ended 31 December 2023 (31 December 2022: shortfall amounting to SR 206.8 million). Energy generation shortfalls represent lower production as compared to original estimated production levels due to non-operational periods of certain plants accounted for as finance leases.

Finance lease principal amortisation for the year ended 31 December 2023 is SR 385.3 million (31 December 2022: SR 347.1 million).

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9 OTHER ASSETS

| | <i>Note</i> | As of 31 Dec 2023 | As of 31 Dec 2022 |
|------------------------------------|-------------|------------------------------|------------------------------|
| Advance fee to customer | | 187,381 | 203,866 |
| Value Added Tax ("VAT") receivable | | 78,999 | 81,473 |
| Right of use assets | 9.1 | 77,733 | 67,401 |
| Strategic fuel inventories | 9.2 | 25,518 | 27,356 |
| Others | | 10,181 | 17,679 |
| | | 379,812 | 397,775 |

9.1 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 assets that is 2 - 40 years.

9.2 A subsidiary of the Group is required to maintain sufficient quantities of fuel (termed as "Strategic fuel inventories") in the power generating stations, for the periods stated in a Power Purchase Agreement, to enable the stations to operate continuously. As of 31 December 2023, strategic fuel inventories amounting to SR 25.5 million (31 December 2022: SR 27.4 million) were maintained at the station and classified as non-current other assets in the consolidated statement of financial position.

10 INVENTORIES

| | As of 31 Dec 2023 | As of 31 Dec 2022 |
|-----------------------------|------------------------------|------------------------------|
| Spare parts and consumables | 453,997 | 376,840 |
| Chemicals | 18,556 | 18,896 |
| Diesel | 5,972 | 10,540 |
| Goods in transit | 797 | 544 |
| | 479,322 | 406,820 |

10.1 A portion of the inventory purchased amounting to SR 7.6 million (2022: SR 8.1 million) was provided for / written down to its net realizable value. Also refer to note 27.1.

11 ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES

| | <i>Note</i> | As of 31 Dec 2023 | As of 31 Dec 2022 |
|--|--------------|------------------------------|------------------------------|
| Trade accounts receivable* | | 1,692,851 | 1,362,282 |
| Less: Allowance for impaired receivables | 11.1 | (144,513) | (86,204) |
| Net trade accounts receivable | | 1,548,338 | 1,276,078 |
| Advances to suppliers | | 437,278 | 441,727 |
| Prepayments and other receivables | | 381,722 | 579,293 |
| Reinsurance assets and premiums receivable | 11.2, 40.2.2 | 325,206 | 110,597 |
| Project development cost | 11.3 | 324,891 | 248,671 |
| Value added tax and other receivables from authorities | 11.4 | 143,732 | 86,057 |
| Advances to employees | | 30,598 | 27,430 |
| Dividend receivable | | 10,348 | - |
| Others | | 12,467 | 1,855 |
| | | 3,214,580 | 2,771,708 |

*Trade receivable balances due from related parties are disclosed in note 23.

11.1 Allowance for impaired receivables is calculated using the expected credit loss approach specified in IFRS 9. To measure the expected credit losses, trade receivables are evaluated based on customer credit rating and expected probability of defaults. Movement in allowance for impaired receivables is disclosed in note 37.1 (c).

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11 ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

11.2 The balance represents reinsurance assets and premiums receivable of a fully owned subsidiary (ACWA Power Reinsurance) of the Group. Related insurance liabilities are included in accrued expenses and other liabilities (note 19.1).

11.3 Project development cost represents costs incurred on projects under development which are considered feasible as of the reporting date. A provision is made against the project development costs based on an average project success rate and management's best estimates. During 2023, SR 69.6 million (2022: SR 35.4 million) were recorded in profit or loss from continued operations on account of provisions and write-offs.

11.4 VAT receivables have been paid on purchases of goods and services and will be utilised against VAT liabilities for future periods.

12 CASH AND CASH EQUIVALENTS

| | As of 31 Dec 2023 | As of 31 Dec 2022 |
|--|------------------------------|----------------------|
| Cash at bank and cash in hand | 1,300,863 | 4,432,679 |
| Short-term deposits with original maturities of less than three months | 3,440,078 | 1,721,845 |
| Cash and cash equivalents | 4,740,941 | 6,154,524 |

These short-term deposits primarily carry rate of return between 4.80% to 6.27% (2022: 4.00% to 4.40%) per annum.

13 SHORT TERM INVESTMENTS

| | As of 31 Dec 2023 | As of 31 Dec 2022 |
|--|------------------------------|----------------------|
| Short term deposits with original maturities of more than three months | 1,217,791 | 199,998 |

These short-term deposits carry rate of return between 5.40% to 6.27% (2022: 4.00% to 4.40%) per annum.

14 SHARE CAPITAL AND RESERVES

14.1 Share capital

The Company's authorised and fully paid-up share capital consists of 731,099,729 shares (31 December 2022: 731,099,729 shares) of SR 10 each.

Transaction cost incurred on issuance of shares is recognised in equity.

| | As of 31 Dec 2023 | As of 31 Dec 2022 |
|---|------------------------------|----------------------|
| Authorised and fully paid-up shares of SR 10 each | 7,310,998 | 7,310,998 |
| Transaction cost | (176,855) | (176,855) |
| Share capital | 7,134,143 | 7,134,143 |

14.2 Capital management

The Board of Directors' policy is to maintain an efficient capital base to retain investors, creditors, market confidence and to sustain the future development of its business. The Board of Directors monitor the return on capital employed which is determined by the Group as a result of operating activities divided by total Shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and benefit its various stakeholders.

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14 SHARE CAPITAL AND RESERVES (CONTINUED)

14.2 Capital management (continued)

There were no changes in the Group's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

14.3 Dividends

On 28 February 2024, the Board of Directors approved a dividend payment of SR 329.0 million (SR 0.45 per share) for the year 2023, payable during 2024. The proposed dividends are subject to approval of the shareholders at the ordinary general assembly meeting.

On 26 January 2023, the Board of Directors approved a dividend payment of SR 606.8 million (SR 0.83 per share) for the year 2022, payable during 2023. The proposed dividends were approved by the shareholders at the ordinary general assembly meeting held on 22 June 2023. The dividend was paid on 12 July 2023.

For the year 2021, the Board of Directors approved a dividend payment of SR 562.9 million (SR 0.77 per share). The proposed dividends were approved by the shareholders at the ordinary general assembly meeting held on 30 June 2022. The dividend was paid on 21 July 2022.

Furthermore during 2023, certain subsidiaries of the Group distributed dividends of SR 99.2 million (31 December 2022: SR 62.5 million) to the non-controlling interest shareholders.

14.4 Bonus shares

The Board of Directors, through circulation on 28 February 2024, recommended to increase the Company's capital by granting bonus shares to the Company's shareholders through capitalization of SR 14.6 million from the retained earnings by granting 1 share for every 500 shares owned.

The bonus share issuance is subject to approval of the shareholders at the general assembly meeting.

Given the growth focus, the Company would like to optimize the cash distribution by retaining earnings to support the visible pipeline of new projects.

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14 SHARE CAPITAL AND RESERVES (CONTINUED)

14.5 Other reserves

Movement in other reserve is given below:

| | Cash flow hedge reserve | Currency translation reserve | Share in OCI of equity accounted investees (note 7.1) | Re-measurement of defined benefit liability | Other (note 24.5) | Total |
|--|----------------------------|------------------------------------|--|---|----------------------|------------------|
| Balance as of 1 January 2022 | (343,967) | (6,449) | (1,165,555) | (29,128) | (27,180) | (1,572,279) |
| Change in fair value of cash flow hedge reserve net of settlements | 1,692,005 | - | 2,940,455 | - | - | 4,632,460 |
| Cash flow hedge reserve recycled to profit or loss upon termination of hedge relationships | (56,546) | - | (555) | - | - | (57,101) |
| Cash flow hedge reserve recycled to profit or loss on loss of control of a subsidiary (note 34) | (510,382) | - | - | - | - | (510,382) |
| Recycled to profit or loss on sale of an equity accounted investee (note 34) | - | - | 128,638 | - | - | 128,638 |
| Other changes | - | 1,017 | 2,013 | 5,053 | - | 8,083 |
| Balance as of 31 December 2022 | 781,110 | (5,432) | 1,904,996 | (24,075) | (27,180) | 2,629,419 |
| Change in fair value of cash flow hedge reserve net of settlements | 157,731 | - | (685,121) | - | - | (527,390) |
| Cash flow hedge reserve recycled to profit or loss upon termination of hedge relationships | - | - | (6,769) | - | - | (6,769) |
| Other changes | - | (12,039) | (3,713) | (6,919) | - | (22,671) |
| Balance as of 31 December 2023 | 938,841 | (17,471) | 1,209,393 | (30,994) | (27,180) | 2,072,589 |

Cash flow hedge reserve

The cash flow hedge reserve represents movements in Group's share in mark to market valuation of hedging instruments net of deferred taxes in relation to the Group's subsidiaries. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss. Under the terms of the long-term loan and funding facilities, the hedges are required to be held until maturity. Changes in the fair value of the undesignated portion of the hedged item, if any, are recognised in the consolidated statement of profit or loss.

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14 SHARE CAPITAL AND RESERVES (CONTINUED)

14.5 Other reserves (continued)

Currency translation reserve

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rates prevailing during the reporting period of related transactions. The exchange differences arising on translation from consolidation are recognised as currency translation reserve in equity. On disposal of a foreign operation, the component of currency translation reserve relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Share in other comprehensive income of equity accounted investees

Under the equity method of accounting the Group has also taken its share in other comprehensive income of the equity accounted investees which includes movement in cash flow hedge reserves, deferred tax on cash flow hedge reserve and actuarial gains or losses in relation to employee end of service benefit obligation of equity accounted investees.

Other

This represents amount initially recognised for the put options written by the Group in respect of shares held by non-controlling interests in a consolidated subsidiary.

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15 NON-CONTROLLING INTEREST ("NCI")

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI. Where necessary, assets and liabilities of subsidiaries are adjusted to account for group consolidation adjustments.

Information on statement of financial position

| Place of business | Central Electricity Generating Company ("CEGCO") | Barka Water and Power Company SAOG ("Barka") | Morocco | ACWA Power Ouarzazate S.A. ("APO I") | Morocco | ACWA Power Ouarzazate II S.A. ("APO II") | Morocco | ACWA Power Ouarzazate III S.A. ("APO III") | Morocco | Al Zarqa Energy Generation Company ("ZARQA") | Jordan | KSA | Sakaka Solar Energy Company ("Sakaka") | Rabigh operation and maintenance Company ("ROMCO") | ACWA Power CSP Holding Limited ("Solar CSP") | South Africa | ACWA Power Holdings Limited ("Harbin") | Others* including adjustments ("Others") | Total |
|--|--|--|-------------|--------------------------------------|-------------|--|-------------|--|-------------|--|-------------|-------------|--|--|--|--------------|--|--|-----------|
| | | | | | | | | | | | | | | | | | | | |
| | Jordan | Oman | Morocco | Morocco | Morocco | Morocco | Morocco | Morocco | Morocco | Jordan | Jordan | KSA | KSA | KSA | UAE | UAE | UAE | | |
| As of 31 December 2023 | | | | | | | | | | | | | | | | | | | |
| NCI % | 59,072% | 58,10% | 26,875% | 26,875% | 25,00% | 25,00% | 25,00% | 25,00% | 25,00% | 40,00% | 40,00% | 30,00% | 30,00% | 40,00% | 49,00% | 28,00% | 45,00% | | |
| Non-current assets | 261,694 | 556,662 | 2,132,573 | 2,132,573 | 3,002,893 | 3,002,893 | 2,566,800 | 2,566,800 | 2,566,800 | 1,959,277 | 1,959,277 | 2,604,902 | 1,017,951 | 540 | 442,324 | 255,081 | 1,405,451 | | |
| Current assets | 32,175 | 80,884 | 240,355 | 240,355 | 322,980 | 322,980 | 176,255 | 176,255 | 176,255 | 154,933 | 154,933 | 216,476 | 92,585 | 112,543 | 13,814 | - | 37,470 | | |
| Non-current liabilities | (63,174) | (224,243) | (1,516,023) | (1,516,023) | (2,552,006) | (2,552,006) | (2,321,744) | (2,321,744) | (2,321,744) | (1,347,570) | (1,347,570) | (2,390,460) | (765,860) | (3,839) | - | - | - | | |
| Current liabilities | (70,946) | (121,498) | (251,628) | (251,628) | (746,094) | (746,094) | (641,120) | (641,120) | (641,120) | (179,754) | (179,754) | (180,431) | (251,635) | (74,446) | (13,472) | (36) | (35,234) | | |
| Net assets / (liabilities) | 159,749 | 291,805 | 605,277 | 605,277 | 27,773 | 27,773 | (219,809) | (219,809) | (219,809) | 586,886 | 586,886 | 250,487 | 93,041 | 34,798 | 442,666 | 255,045 | 1,407,687 | | |
| Net assets / (liabilities) attributable to NCI | 94,367 | 169,539 | 162,668 | 162,668 | 6,943 | 6,943 | (54,952) | (54,952) | (54,952) | 234,754 | 234,754 | 75,146 | 27,912 | 13,919 | 216,906 | 71,413 | 633,459 | (101,141) | 1,550,933 |

As of 31 December 2022

| | | | | | | | | | | | | | | | | | | | |
|--|-----------|-----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|----------|----------|----------|-----------|-----------|-----------|
| NCI % | 59,072% | 58,10% | 26,875% | 26,875% | 25,00% | 25,00% | 25,00% | 25,00% | 25,00% | 40,00% | 40,00% | 30,00% | 30,00% | 40,00% | 49,00% | 28,00% | 45,00% | | |
| Non-current assets | 307,268 | 581,344 | 2,765,587 | 2,765,587 | 2,990,972 | 2,990,972 | 2,515,026 | 2,515,026 | 2,515,026 | 2,040,054 | 2,040,054 | 2,672,734 | 1,040,982 | 555 | 2,520 | 184,686 | 1,142,606 | | |
| Current assets | 547,967 | 150,798 | 191,858 | 191,858 | 260,037 | 260,037 | 174,406 | 174,406 | 174,406 | 163,155 | 163,155 | 197,880 | 101,045 | 74,068 | 12,663 | 13,285 | 231,715 | | |
| Non-current liabilities | (92,519) | (241,982) | (2,047,494) | (2,047,494) | (2,464,313) | (2,464,313) | (2,300,083) | (2,300,083) | (2,300,083) | (1,451,831) | (1,451,831) | (2,476,504) | (985,717) | (3,132) | - | - | - | | |
| Current liabilities | (373,651) | (211,734) | (257,416) | (257,416) | (684,858) | (684,858) | (637,917) | (637,917) | (637,917) | (188,801) | (188,801) | (140,354) | (52,753) | (35,672) | (15,182) | (13,287) | (42,890) | | |
| Net assets / (liabilities) | 389,065 | 278,426 | 652,535 | 652,535 | 101,838 | 101,838 | (248,568) | (248,568) | (248,568) | 562,577 | 562,577 | 253,756 | 103,557 | 35,819 | 1 | 184,684 | 1,331,431 | | |
| Net assets / (liabilities) attributable to NCI | 229,828 | 161,766 | 175,369 | 175,369 | 25,460 | 25,460 | (62,142) | (62,142) | (62,142) | 225,031 | 225,031 | 76,127 | 31,067 | 14,328 | - | 51,712 | 599,144 | (159,183) | 1,368,507 |

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15 NON-CONTROLLING INTEREST ("NCI") (CONTINUED)

Information on statement of profit of loss and other comprehensive income

| | CEGCO | Barka | APO I | APOII | APOIII | Zarqa | Rabigh 3 | Sakaka | ROMCO | Solar CSP | Redstone | Harbin | Others* | Total |
|-------------------------------------|---------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|---------------|--------------|------------|----------------|----------------|-----------------|
| 31 December 2023 | | | | | | | | | | | | | | |
| NCI % | 59,072% | 58,10% | 26,875% | 25,00% | 25,00% | 40,00% | 30,00% | 30,00% | 40,00% | 49,00% | 28,00% | 45,00% | | |
| Revenue | 219,454 | 130,745 | 220,680 | 161,849 | 147,990 | 256,291 | 297,340 | 49,519 | 89,864 | - | - | 47,215 | | |
| Profit / (loss) | 65,480 | 13,369 | 121,397 | (52,144) | 27,512 | 55,537 | 7,070 | (2,086) | 20,999 | 1,531 | (19) | 7,795 | | |
| OCI | - | - | - | - | - | (6,004) | (8,308) | (7,325) | - | - | - | - | | |
| Total comprehensive income / (loss) | 65,480 | 13,369 | 121,397 | (52,144) | 27,512 | 49,533 | (1,238) | (9,411) | 20,999 | 1,531 | (19) | 7,795 | | |
| Profit / (loss) – NCI share | 38,680 | 7,767 | 32,625 | (13,036) | 6,878 | 22,215 | 2,121 | (626) | 8,400 | 750 | (5) | 3,508 | 338 | 109,615 |
| OCI – NCI share | - | - | - | - | - | (2,402) | (2,492) | (2,198) | - | - | - | - | (3,127) | (10,219) |
| 31 December 2022 | | | | | | | | | | | | | | |
| NCI % | 59,072% | 58,10% | 26,875% | 25,00% | 25,00% | 40,00% | 30,00% | 30,00% | 40,00% | 49,00% | 28,00% | 45,00% | | |
| Revenue | 332,426 | 144,955 | 171,638 | 97,399 | (65,562) | 252,244 | 274,011 | 52,298 | 93,676 | - | - | - | | |
| Profit / (loss) | 131,605 | (130,243) | (121,795) | (111,295) | (99,897) | 30,052 | 5,076 | (660) | 27,776 | (1,072) | - | (8,577) | | |
| OCI | 2,853 | - | - | - | - | 132,167 | 423,691 | 153,736 | - | - | - | - | | |
| Total comprehensive income / (loss) | 134,458 | (130,243) | (121,795) | (111,295) | (99,897) | 162,219 | 428,767 | 153,076 | 27,776 | (1,072) | - | (8,577) | | |
| Profit / (loss) – NCI share | 77,742 | (75,671) | (32,732) | (27,824) | (24,974) | 12,021 | 1,523 | (198) | 11,110 | (525) | - | (3,860) | (237) | (63,625) |
| OCI – NCI share | 1,685 | - | - | - | - | 52,867 | 127,107 | 46,121 | - | - | - | - | 15,185 | 242,965 |

**Others mainly represents the non-controlling interest related to Rabigh Arabian Water and Electricity Company ("RAWEC"), ACWA Power Ourazate IV S.A ("APO IV"), ACWA Power Laayoune ("APL"), and ACWA Power Boujdour ("APB").*

15.1 During 2023, minority shareholders of Solar CSP, Harbin and Redstone have provided additional capital contribution amounting to SR 215.5 million (2022: Nil), SR 21.2 million (2022: SR 378.1 million) and SR 38.0 million (2022: SR 0.7 million) respectively. In addition, SR 85.0 million (2022: Nil), SR 7.6 million (2022: SR 19.5 million) and Nil (2022: SR 7.6 million) capital was repaid by CEGCO, Zarqa and RAWEC respectively to the minority shareholders. The additional capital contribution and repayment is recorded directly within the equity.

15.2 On 28 July 2022, ACWA Power Green Energy Africa Proprietary Limited (a 100% owned subsidiary of ACWA Power) (the "Seller") entered in a sale purchase agreement with a third-party buyer ("the Buyer") in relation to the Seller's 25.92% shareholding (partial shareholding) in Redstone (a 98% owned subsidiary of the Seller) for an agreed consideration of ZAR 276.8 million equivalent to SR 61.0 million. Legal formalities in relation to the share transfer were completed in December 2022. The seller will continue to control the decisions for the relevant activities that most significantly affect the returns of Redstone. Accordingly, loss in relation to this transaction amounting to SR 3.2 million is directly recorded in retained earnings within consolidated statement of changes in equity. Carrying value of net assets transferred to non-controlling interest upon share transfer amounts to SR 64.15 million.

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16 LONG-TERM FINANCING AND FUNDING FACILITIES

Recourse debt:

Financing facilities in relation to projects
Corporate facilities
Corporate bond

Non-Recourse debt:

Financing facilities in relation to projects
Corporate bond ("APMI One bond")
Loan notes ("APCM bond")

Total financing and funding facilities*

Less: Current portion of long-term financing and funding facilities

Long-term financing and funding facilities presented as non-current liabilities

**Total financing and funding facilities includes SR 9,362.8 million on account of Islamic facilities (31 December 2022: SR 8,177.5 million).*

Financing and funding facilities as reported on the Group's consolidated statement of financial position are classified as 'non-recourse debt' or 'recourse debt' facilities. Non-recourse debt facilities are generally secured by the borrower (i.e., a subsidiary) with its own assets, contractual rights and cash flows and there is no recourse to the Company under any guarantee. The recourse debt facilities are direct borrowings or those guaranteed by the Company. The Group's financial liabilities are either fixed special profit bearing or at a margin above the relevant reference rates. The Group seeks to hedge long-term floating exposures using derivatives (note 22).

The table below shows the current and non-current portion of long-term financing and funding facilities with a further allocation of debt between corporate and projects. Corporate debt represents borrowings by the Companies listed in note 1 and (or) by a fully owned corporate entity. Project financing includes direct borrowings by project companies and other holding companies (which are subsidiaries of the Group).

| | Note | Interest rate | Maturity | Non-current portion | | Current portion | |
|--|------|------------------|-----------|---------------------|-------------|-----------------|-------------|
| | | | | As of | As of | As of | As of |
| | | | | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| | 16.4 | Fixed / variable | | | | | |
| Recourse Debt | | | | | | | |
| <i>Financing facilities in relation to projects:</i> | | | | | | | |
| ACWA Power Ouarzazate III S.A. ("APO III") | | Fixed | 2025 - 39 | 82,881 | 79,499 | - | - |
| ACWA Power Kom Ombo Project Holding Company ("Kom Ombo") | | Variable | 2027 | 215,679 | 82,453 | - | - |
| ACWA Power Conventional Energy Limited ("APCE") | | Variable | 2028 | 725,685 | 724,574 | - | - |
| ACWA Power for Energy | | Variable | 2026 - 28 | 793,906 | 489,510 | - | - |
| ACWA Power Dzhankeldy Wind LLC | 34.6 | Variable | 2026 - 42 | - | 620,755 | - | - |
| ACWA Power Bash Wind LLC | 34.6 | Variable | 2026 - 42 | - | 650,724 | - | - |
| ACWA Power Green Energy Africa Pty Ltd | | Variable | 2024 - 25 | 210,738 | 293,825 | 218,388 | - |
| ACWA Power Global Services | | Variable | 2031 | 669,758 | - | - | - |
| ACWA Power Wind Karatau FE LLC | | Variable | 2026 | 81,898 | - | - | - |
| ACWA Power Azerbaijan Renewable Energy LLC | | Fixed | 2026 | 349,650 | - | - | - |
| Total – Financing facilities in relation to projects | | | | 3,130,195 | 2,941,340 | 218,388 | - |

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16 LONG -TERM FINANCING AND FUNDING FACILITIES (CONTINUED)

| | <u>Note</u> | <u>Interest rate</u> <i>Fixed /</i> <i>variable</i> | <u>Maturity</u> | <u>Non-current portion</u> | | <u>Current portion</u> | |
|---|-------------|---|-----------------|----------------------------|-------------------|------------------------|------------------|
| | | | | As of | As of | As of | As of |
| | | | | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| <i>Corporate facilities:</i> | | | | | | | |
| Revolving Corporate Murabaha Facility | | Variable | 2025 | 1,504 | 1,130 | - | - |
| Corporate bond | 16.1 | Variable | 2028 - 30 | 4,586,313 | 2,790,991 | - | - |
| Total – Recourse Debt | | | | 7,718,012 | 5,733,461 | 218,388 | - |
| Non-Recourse Debt: | | | | | | | |
| <i>Financing facilities in relation to projects:</i> | | | | | | | |
| Barka Water and Power Projects SAOG (“Barka”) | | Fixed | 2024 | - | 142,895 | 149,341 | 45,665 |
| Central Electricity Generating Company (“CEGCO”) | | Fixed | 2024 - 26 | 21,181 | 43,844 | 20,404 | 21,817 |
| ACWA Power Ouarzazate S.A. (“APO I”) | | Fixed | 2038 | 1,462,543 | 1,515,998 | 95,284 | 88,587 |
| ACWA Power Ouarzazate II S.A. (“APO II”) | | Fixed | 2039 | 2,153,375 | 2,208,464 | 113,309 | 103,530 |
| ACWA Power Ouarzazate III S.A. (“APO III”) | | Fixed | 2025 - 39 | 1,665,671 | 1,728,129 | 131,894 | 115,188 |
| ACWA Power Ouarzazate IV S.A. (“APO IV”) | | Fixed | 2035 | 149,151 | 167,689 | 14,310 | 12,925 |
| Shuaibah Two Water Development Project (“Shuaibah II”) | | Variable | 2040 | 301,235 | 326,621 | 12,551 | 12,903 |
| ACWA Power Laayoune | | Fixed | 2035 | 199,010 | 173,140 | 30,736 | 45,040 |
| ACWA Power Boujdour | | Fixed | 2035 | 64,639 | 62,873 | 4,150 | 10,693 |
| Al Zarqa Plant for Energy Generation (“ZARQA”) | | Variable | 2035 | 960,084 | 1,027,446 | 67,363 | 66,529 |
| Sakaka Solar Energy Company (“Sakaka”) | | Variable | 2044 | 716,191 | 728,980 | 12,747 | 25,966 |
| Rabigh Three Company (“Rabigh 3”) | | Variable | 2045 | 1,762,955 | 1,823,979 | 60,943 | 53,144 |
| Rabigh Arabian Water and Electricity Company (“RAWEC”) | | Both | 2030 - 34 | 3,985,018 | 4,368,815 | 393,380 | 410,675 |
| Alia Water Company | | Variable | 2024 | - | 181,826 | 181,826 | - |
| ACWA Power FEWA Project Holding Company | | Variable | 2028 | 178,565 | - | - | - |
| ACWA Power Kom Ombo for Energy (“Kom Ombo Project”) | | Variable | 2042 | 203,655 | - | 14,321 | - |
| Total – Financing facilities in relation to projects | | | | 13,823,273 | 14,500,699 | 1,302,559 | 1,012,662 |
| <i>APML One bond</i> | 16.2 | Fixed | 2039 | 1,443,172 | 1,516,247 | 75,334 | 11,003 |
| <i>APCM bond</i> | 16.3 | Fixed | 2044 | 565,252 | 582,271 | 17,020 | 16,239 |
| Total – Non-Recourse Debt | | | | 15,831,697 | 16,599,217 | 1,394,913 | 1,039,904 |
| Total financing and funding facilities | | | | 23,549,709 | 22,332,678 | 1,613,301 | 1,039,904 |

The Group has hedged its variable interest rate exposure through interest rate swaps. Refer note 37.3 for interest rate sensitivity on variable rate financial liabilities.

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16 LONG-TERM FINANCING AND FUNDING FACILITIES (CONTINUED)

16.1 On 14 June 2021, the Group issued an Islamic bond (Sukuk) amounting to SR 2,800.0 million at par (sak) value of SR 1 million each, without discount or premium. Further, on 2 February 2023, the Group completed the issuance of SR 1,800 million Sukuk under its SR 5,000 million Sukuk issuance program. The Sukuk issuance bears a return based on Saudi Arabia Interbank Offered Rate ("SIBOR") plus a pre-determined margin payable quarterly in arrears. The Sukuk will be redeemed at par on its maturity i.e., 7 years from the date of the issuance with a call option (only on the second tranche) effective on or after 5 years from the issuance date.

16.2 In May 2017, the Group (through one of its subsidiaries, APMI One) issued bonds with an aggregate principal of USD 814.0 million. The bonds carry a fixed rate of interest at 5.95% per annum due for settlement on a semi-annual basis. The bonds' principal is due to be repaid in semi-annual instalments commencing from June 2021, with the final instalment due in December 2039. The bonds are collateralised by cash flows from certain equity accounted investees and subsidiaries of the Group. During the year ended 31 December 2022, ACWA Power has partially bought back bonds amounting to USD 400.7 million (equivalent to SR 1,502.7 million) at a discount. The Group has recognised a gain of SR 74.8 million in the year ended 31 December 2022 on the buyback which is net of the proportionate share in the unamortised transaction cost in relation to the bond's issuance. The gain is presented within the other income (refer note 29.1).

16.3 APCM bond ("the Notes") were issued during 2021 with an aggregate principal of USD 166.2 million. The Notes carry an interest at 3.7% per annum and the principal repayments in semi-annual instalments from 31 May 2021, with final instalment due on 27 May 2044. The Notes were issued to refinance an existing long-term facility of one of the Group's wholly owned subsidiary, Shuaibah Two Water Development Project ("Shuaibah II").

16.4 Borrowings by project companies are primarily secured against underlying assets (i.e., plant, machinery and equipment – note 5) of the respective project companies, except borrowings that are with recourse to the Group amounting to SR 3,348.6 million as of 31 December 2023 (31 December 2022: SR 2,941.3 million).

17 EMPLOYEE END OF SERVICE BENEFITS' LIABILITIES

17.1 The movement of employee benefits (end of service) liability (unfunded) is as follows:

| | 31 Dec 2023 | 31 Dec 2022 |
|--|--------------------|--------------------|
| Balance at beginning of the year | 190,788 | 196,025 |
| Charge for the year recorded in profit or loss | 51,712 | 35,629 |
| Loss / (gain) on re-measurement of defined benefit liability (OCI) | 7,118 | (5,796) |
| Derecognised on loss of control in subsidiary / business combination | - | (5,196) |
| Paid during the year | (38,320) | (29,874) |
| Balance at end of the year | 211,298 | 190,788 |

17.2 Details of employees' end-of-service expense charge to profit or loss is as follows:

| | 2023 | 2022 |
|----------------------|---------------|-------------|
| Interest cost | 5,589 | 3,248 |
| Current service cost | 46,123 | 32,381 |
| Total | 51,712 | 35,629 |

17.3 The principal actuarial assumptions used are as follows:

| | 2023 | 2022 |
|--------------------------------|----------------------|---------------|
| Discount rate | 4.60% | 4.05% |
| Increments | 6.05% - 8.00% | 4.30% - 7.35% |
| Withdrawal rate | | |
| Up to the age of 20 years | 4% - 22.5% | 4% - 22.5% |
| From the age of 21 to 25 years | 4% - 15.0% | 4% - 18.8% |
| From the age of 26 to 30 years | 4% - 20.0% | 4% - 15% |
| From the age of 31 to 50 years | 3% - 7.5% | 3% - 7.5% |
| Above 51 | 1% - 3.8% | 1% - 3.8% |

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17 EMPLOYEE END OF SERVICE BENEFITS' LIABILITIES (CONTINUED)

17.4 Sensitivity analysis

| | <i>Change (bps)</i> | <i>Increase (decrease)</i> | |
|---------------|---------------------|----------------------------|--------------------|
| | | <u>31 Dec 2023</u> | <u>31 Dec 2022</u> |
| Discount rate | +100 | (5,686) | (4,213) |
| | - 100 | 6,152 | 4,523 |
| Increments | +100 | 5,605 | 5,100 |
| | - 100 | (5,863) | (4,842) |

18 DEFERRED REVENUE

| | <i>Note</i> | <u>2023</u> | <u>2022</u> |
|--|-------------|----------------|---------------|
| Balance as of 1 January | | 305,024 | 208,521 |
| Deferred / transferred during the year | | 523,377 | 256,990 |
| Recognised during the year | | (438,344) | (160,487) |
| Balance as of 31 December | | 390,057 | 305,024 |
| Less: current portion | 19 | (250,311) | (214,373) |
| Non-current portion at end of the year | | <u>139,746</u> | <u>90,651</u> |

Deferred revenue primarily represents advance received under long term maintenance contracts. Revenue will be recognised only upon the fulfilment of remaining performance obligations under the contract i.e., rendering of maintenance service during plant outages.

19 ACCOUNTS PAYABLES, ACCRUALS AND OTHER FINANCIAL LIABILITIES

| | <i>Note</i> | <u>As of 31 Dec 2023</u> | <u>As of 31 Dec 2022</u> |
|---|--------------|------------------------------|------------------------------|
| Accounts payable | | 1,265,877 | 1,158,626 |
| Accrued expenses and other liabilities | | 827,177 | 710,872 |
| Reinsurance liabilities and premiums payable | 19.1, 40.2.2 | 347,899 | 112,802 |
| Salaries and benefits payable | | 290,186 | 279,248 |
| Deferred revenues | 18 | 250,311 | 214,373 |
| Value added tax payable | | 116,953 | 77,853 |
| Accrued financial charges on letters of guarantee and loans | | 28,048 | 31,371 |
| Lease liabilities | | 9,739 | 7,160 |
| Other financial liabilities | 24.4 | - | 1,352 |
| Dividend payable | | 712 | 1,087 |
| Others | | 12,121 | 1,047 |
| | | <u>3,149,023</u> | <u>2,595,791</u> |

19.1 The balance represents reinsurance liabilities and premiums payable of a fully owned subsidiary (ACWA Power Reinsurance) of the Group. Related insurance receivable is included in prepayments, insurance and other receivables (note 11.2).

20 SHORT-TERM FINANCING FACILITIES

This represents working capital facilities obtained and drawn by subsidiaries and outstanding at the reporting date amounting to SR 316.9 million (31 December 2022: SR 275.1 million). The facilities carry variable rate of interest between 3.96% - 7.17% (2022: 1.15% - 8.75%) per annum.

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21 ZAKAT AND TAXATION

21.1 Amounts recognised in profit or loss

| | <i>Note</i> | 2023 | 2022 |
|--|-------------|------------------|-------------|
| Zakat and tax charge | 21.2, 21.3 | (140,839) | (122,364) |
| Deferred tax credit / (charge)* | 21.4 | 87,087 | (110,510) |
| Zakat and tax charge | | (53,752) | (232,874) |
| Less: zakat and tax charge from discontinued operation | 34.9 | 21 | 33 |
| Zakat and tax charge reflected in profit or loss | | (53,731) | (232,841) |

*Deferred tax charge disclosed in note 21.4 does not include deferred tax charge or credit associated with assets held for sale.

21.2 Significant zakat and tax assessments

The Company

The Company has filed zakat and tax returns for all the years up to 2022. The company has closed its position with Zakat, Tax & Customs Authority (the “ZATCA”) until year 2018. The ZATCA is yet to assess the years 2019 to 2022. In June 2023, the ZATCA requested additional information in respect to the Company’s zakat return for the years 2021 and 2022. The Company has responded to the ZATCA requests.

Subsidiaries and associates:

With its multi-national operations, the Group is subject to taxation in multiple jurisdictions around the world with complex tax laws including KSA. The Company’s subsidiaries / associates in KSA and other jurisdictions submit their income tax and zakat returns separately. Certain subsidiaries / associates have received assessments from ZATCA / tax authorities, which have led to additional liability totalling to SR 222.0 million (ACWA Power share is SR 126.5 million). As of 31 December 2023, the management has recognised provisions of SR 196.0 million (ACWA Power share is SR 100.0 million) against these assessments, where appropriate. Currently, these subsidiaries / associates have lodged objections against these assessments. The objections are currently undergoing review by the ZATCA and the General Secretariat of Tax Committees (“GSTC”) / Appellate authorities. Management is confident that adequate provisions been recognised and anticipates no further liabilities arising from these assessments once they are finalized.

Other aspects

On 9 December 2022, the UAE issued Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (“UAE CIT Law”), which became effective for accounting periods beginning on or after 1 June 2023. The Group’s entities in the UAE follow the calendar year (January to December) as their financial reporting year. Accordingly, the first year of taxation for the Group commenced from 1 January 2024, and the Group will therefore start providing for current tax as may be due from financial year 2024.

As mandated by G20 Group of countries, OECD launched Base Erosion Profit Shifting (“BEPS2.0”) project. BEPS 2.0 has two parts or pillars, namely, Pillar One and Pillar Two. Pillar Two would establish a minimum effective tax at a proposed rate of 15 percent applied to cross-border profits of large multinational corporations that have a “significant economic footprint” across the world. The Group should be in the scope of Pillar Two based on the revenue threshold of EUR 750 million and conducting operations in multiple jurisdictions.

As of 31 December 2023, the Kingdom of Saudi Arabia, where the Parent Company is incorporated, has not (substantively) enacted Pillar Two income tax legislation. Due to the uncertainties and on-going developments in respect to Pillar 2 in the Middle East, the Group is not able to provide a reasonable estimate at the reporting date and is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

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21 ZAKAT AND TAXATION (CONTINUED)

21.3 Zakat and tax provision for the year

The movement in zakat and tax provision for the year is as follows:

| | <u>2023</u> | <u>2022</u> |
|-----------------------------------|----------------|----------------|
| Balance as of 1 January | 236,786 | 215,502 |
| Charge - for the current year | 140,839 | 122,364 |
| Payments | (183,509) | (101,080) |
| Derecognised on loss of control | (21) | - |
| Balance as of the end of the year | <u>194,095</u> | <u>236,786</u> |

21.4 Deferred tax - Movement in deferred tax balances

The deferred tax asset / liability and deferred tax credit / (charge) in the consolidated financial statements are attributable to the following items:

| | <u>As of 31 December</u> | | | | | |
|---|--------------------------|--------------------------------------|--|-----------------|------------------------|-----------------------------|
| | Net balance at 1 Jan | Recognised in profit or loss** | Recognised in OCI including currency translation differences | Net balance | Deferred tax assets | Deferred tax liabilities |
| 2023 | | | | | | |
| Property, plant and equipment | (456,853) | (47,954) | - | (504,807) | - | (504,807) |
| Unused tax losses* | 347,917 | 126,076 | - | 473,993 | 473,993 | - |
| Fair value of derivatives | (18,947) | - | 5,837 | (13,110) | - | (13,110) |
| End-of-service employee benefit liability | 3,709 | (152) | - | 3,557 | 3,557 | - |
| Accruals, provisions and others | 29,852 | 9,117 | (8,755) | 30,214 | 30,214 | - |
| | <u>(94,322)</u> | <u>87,087</u> | <u>(2,918)</u> | <u>(10,153)</u> | <u>507,764</u> | <u>(517,917)</u> |
| Deferred tax assets and liabilities off-set | | | | | (354,441) | 354,441 |
| Net deferred tax asset / (liability) | | | | | <u>153,323</u> | <u>(163,476)</u> |

| | <u>As of 31 December</u> | | | | | |
|---|--------------------------|--------------------------------------|--|-----------------|------------------------|-----------------------------|
| | Net balance at 1 Jan | Recognised in profit or loss** | Recognised in OCI including currency translation differences | Net balance | Deferred tax assets | Deferred tax liabilities |
| 2022 | | | | | | |
| Property, plant and equipment | (270,860) | (185,993) | - | (456,853) | - | (456,853) |
| Unused tax losses* | 278,691 | 69,226 | - | 347,917 | 347,917 | - |
| Fair value of derivatives | (3,126) | - | (15,821) | (18,947) | - | (18,947) |
| End-of-service employee benefit liability | 5,947 | (2,238) | - | 3,709 | 3,709 | - |
| Accruals, provisions and others | 33,948 | 8,495 | (12,591) | 29,852 | 29,852 | - |
| | <u>44,600</u> | <u>(110,510)</u> | <u>(28,412)</u> | <u>(94,322)</u> | <u>381,478</u> | <u>(475,800)</u> |
| Deferred tax assets and liabilities off-set | | | | | (261,523) | 261,523 |
| Net deferred tax asset / (liability) | | | | | <u>119,955</u> | <u>(214,277)</u> |

*Deferred tax asset on unused tax losses in relation to certain subsidiaries is recognised only to the extent of tax depreciation which can be realised against future taxable profits for an indefinite period.

**Deferred tax expense for the year ended 31 December 2023 is net of positive impact from foreign exchange rate movements of SR 36.3 million (31 December 2022: includes negative impact of SR 161.1 million) on Group's subsidiaries in Morocco whereby foreign currency denominated assets and liabilities are carried in local currency for tax base purposes.

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22 DERIVATIVES AND CASH FLOW HEDGES

As per the provisions of facility agreements, certain equity accounted investees and subsidiaries are required to hedge the interest rate risk on loans obtained by them. These equity accounted investees and subsidiaries use derivative financial instruments to hedge their interest rate risk and / or foreign currency risk, which qualify to be designated as cash flow hedges. The Group's share of changes in effective cash flow hedge reserves, subsequent to acquisition is recognised in its equity. The Group also uses interest rate swaps and foreign exchange forward contracts to manage its exposures from highly probable forecast transactions.

Also, under shareholders' agreement, the Group holds put and call options on the equity ownership of other shareholders in equity accounted investees or subsidiaries. These are measured as derivatives with changes in fair value recognised in profit or loss.

The tables below show a summary of the hedged items, the hedging instruments, trading derivatives and their notional amounts and fair values for the Company and its subsidiaries. The notional amounts indicate the volume of transactions outstanding at the reporting date and are neither indicative of market risk nor credit risk.

| | <i>Notional</i> | | <i>Positive fair value</i> | | <i>Negative fair value</i> | |
|--|-----------------|----------------|----------------------------|----------------|----------------------------|----------------|
| | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| Hedged items | | | | | | |
| Interest payments on floating rate loans | 9,187,360 | 8,767,752 | 843,080 | 1,030,668 | (43,837) | (1,669) |
| Highly probable forecast transactions | 1,418,625 | - | - | - | (19,071) | - |
| | | | 843,080 | 1,030,668 | (62,908) | (1,669) |
| Less: Current portion | | | 88,153 | 106,131 | - | - |
| Non-current portion | | | 754,927 | 924,537 | (62,908) | (1,669) |

Derivatives often involve at their inception only a mutual exchange of promises with no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the rate underlying a derivative contract may have a significant impact on the income or equity of the Group.

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23 RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of its activities, the Group transacts business with its related parties. Related parties include the Group equity accounted investees (i.e., “Joint Ventures”), the Company’s shareholders and directors, the key management personnel, and other entities which are under common control through the Company’s shareholders (“Affiliates”). Key management personnel represent the Chief Executive Officer and his direct reports.

The Group transacts business with related parties which include transactions with entities which are either controlled, jointly controlled or under significant influence of Public Investment Fund, being the sovereign wealth fund of the Kingdom of Saudi Arabia. The Group has used the exemptions in respect of related party disclosures for government-related entities in IAS 24 “Related Party Disclosures”.

The transactions with related parties are made on mutually agreed terms and approved by the Board of Directors as necessary. Significant transactions with related parties during the period and significant balances at the reporting date are as follows:

| <i>Particulars</i> | <i>Note</i> | <i>Relationships</i> | <i>For the year ended</i> | |
|--|-------------|-----------------------------|---------------------------|-------------|
| | | | 2023 | 2022 |
| Transactions:* | | | | |
| Revenue | | Joint ventures / Affiliates | 2,483,093 | 2,073,298 |
| Group services fees | 28.1 | Joint ventures | 236,974 | 157,257 |
| Finance income from shareholder loans | 28 | Joint ventures | 210,045 | 140,761 |
| Financial charges on loan from related parties | 32 | Joint venture / Affiliates | 44,354 | 50,295 |
| Key management personnel compensation | | | | |
| Long term incentive plan** | | - | 36,100 | 30,815 |
| End of service benefits | | - | 6,249 | 9,824 |
| Remuneration including director’s remuneration | | - | 45,519 | 39,281 |

* Other transactions with the Group’s equity accounted investees are disclosed in note 7.1.

**This includes share based payments and provision for long term incentive plan for the key management personnel and directors.

| | <i>Note</i> | <i>Relationships</i> | <i>As of</i> | |
|---|-------------|----------------------|--------------------|--------------------|
| | | | 31 Dec 2023 | 31 Dec 2022 |
| Due from related parties | | | | |
| Current: | | | | |
| Hajr for Electricity Production Company | (a) | Joint venture | 238,955 | 208,190 |
| Al Mourjan for Electricity Production Company | (a) | Joint venture | 145,826 | 155,797 |
| Hassyan Energy Phase 1 P.S.C | (c) | Joint venture | 87,837 | 46,980 |
| ACWA Power Sirdarya | (a) | Joint venture | 79,985 | 46,060 |
| Rabigh Electricity Company | (a) | Joint venture | 74,146 | 35,642 |
| Dhofar O&M Company | (a) | Joint venture | 69,570 | 49,910 |
| Qudrah One Holding Company | (c) | Joint venture | 68,608 | - |
| Sidra One Holding Company | (c) | Joint venture | 68,608 | - |
| Shuqaiq Services Company for Maintenance | (a) | Joint venture | 61,272 | 25,088 |
| Haya Power & Desalination Company | (a) | Joint venture | 52,224 | 24,166 |
| Hassyan Water Company A P.S.C | (c) | Joint venture | 48,332 | - |
| Jazan Integrated Gasification and Power Company | (d) | Joint venture | 41,498 | 28,968 |
| Noor Energy 1 P.S.C | (a) | Joint venture | 41,147 | 150,106 |
| ACWA Power Solarreserve Redstone Solar TPP | (c) | Joint venture | 40,861 | 34,672 |
| Shuaibah Water & Electricity Company | (a) | Joint venture | 33,550 | 24,922 |
| ACWA Guc Isletme Ve Yonetim Sanayi Ve Ticaret | (a), (e) | Joint venture | 16,238 | 9,798 |
| Sudair One Renewable Energy Project Company | (a) | Joint venture | 13,752 | 2,406 |
| Shuaibah Expansion Project Company | (a) | Joint venture | 13,226 | 13,046 |
| ACWA Power Solafrika Bokpoort CSP Power Plant Ltd | (a) | Joint venture | 12,826 | 21,975 |
| Marafiq Red Sea for Energy | (c) | Joint venture | 12,673 | 6,261 |
| Naqa’a Desalination Plant LLC | (a) | Joint venture | 12,213 | 15,970 |
| Other related parties | | Joint venture | 122,900 | 85,163 |
| | | | 1,356,247 | 985,120 |

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23 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

| | <i>Note</i> | <i>Relationships</i> | <i>As of</i> | |
|--|-------------|--------------------------|--------------------|--------------------|
| | | | 31 Dec 2023 | 31 Dec 2022 |
| <i>Due to related parties</i> | | | | |
| <i>Non-current:</i> | | | | |
| Water and Electricity Holding Company CJSC | (g) | Shareholder's subsidiary | 771,602 | 738,808 |
| Loans from minority shareholders of subsidiaries | (b) | - | 83,336 | 124,079 |
| | | | 854,938 | 862,887 |
| <i>Current:</i> | | | | |
| Loans from minority shareholders of a subsidiary | (b) | - | 44,189 | - |
| ACWA Power Africa Holdings (Pty) Ltd | (f) | Joint venture | 11,514 | 16,199 |
| ACWA Power Renewable Energy Holding Limited | | Joint venture | 7,034 | 18,289 |
| ACWA Guc Isletme Ve Yonetim Sanayi Ve Ticaret | | Joint venture | - | 21,476 |
| Others | | Joint ventures | 16,420 | 32,639 |
| | | | 79,157 | 88,603 |

- (a) These balances mainly include amounts due from related parties to First National Holding Company ("NOMAC") (and its subsidiaries) for operation and maintenance services provided to the related parties under operation and maintenance contracts.
- (b) This includes:
- Loan payable to non-controlling shareholders of ACF Renewable Energy Limited amounting to SR 44.2 million (2022: SR 40.7 million). The loans are due for repayment in 2024 and carry profit rate at 5.75% per annum; and
 - Loan payable to non-controlling shareholders of Qara Solar Energy Company amounting to SR 83.3 million (2022: SR 83.3 million). The loans are due for repayment in 2025 and carry profit rate at LIBOR + 1.3% per annum.
- (c) These balances represent advances, receivables (on account of development services) or other fundings provided to related parties that has no specific repayment.
- (d) The balance represents interest receivable from an equity accounted investee on account of shareholder loan. The shareholder loan is a long-term interest in the project and classified within investment in equity accounted investees.
- (e) This represents amounts to be received by NOMAC for operation and maintenance services provided to the project company under operation and maintenance contracts. During the year 2023, the Group has reversed an impairment loss of SR 5.8 million which was recognised in year 2020 (2022: reversal of SR 5.1 million) upon partial recovery of balance. The balance as of 31 December 2023, represents the receivable related to O&M services provided during the year 2023.
- (f) This represents amounts payable to an equity accounted investee in respect of project development cost.
- (g) During 2020, the Group declared a one-off dividend of SR 2,701.0 million. A portion of such declared dividend, payable to the Public Investment Fund of Saudi Arabia (the "Shareholder"), was converted into a long-term non-interest-bearing loan amounting to SR 901.0 million through a wholly owned subsidiary of the Shareholder. This loan may be adjusted, on behalf of the subsidiary of the Shareholder, against future investments in renewable projects made by the Company, based on certain conditions. The loan will be repaid or settled by 31 December 2030 unless the repayment or settlement period is mutually extended by both parties. The Group recorded this loan at the present value of expected cash repayments discounted using an appropriate rate applicable for long-term loans of a similar nature. The difference between the nominal value of the loan and its discounted value was recognised as other contribution from shareholder within share premium. During the year 2023, SR 32.8 million (2022: SR 31.4 million) finance charge was amortised on the outstanding loan balance.

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24 OTHER LIABILITIES

Other liabilities as reported in the consolidated statement of financial position includes:

| | <u>Note</u> | <u>As of</u> <u>31 Dec 2023</u> | <u>As of</u> <u>31 Dec 2022</u> |
|---|-------------|------------------------------------|------------------------------------|
| Financial liabilities assumed on loss of control | 24.1 | 239,650 | 228,127 |
| Asset retirement obligations | 24.2 | 231,012 | 227,066 |
| Long term incentive plan | 24.3 | 97,410 | 91,809 |
| Liabilities in relation to long term spares agreement | | 128,601 | 127,143 |
| Lease liabilities | | 67,407 | 63,153 |
| Put options | 24.5 | 2,760 | 2,760 |
| Coal derivative liabilities | 24.4 | - | 80,012 |
| Others | | 722 | - |
| | | 767,562 | 820,070 |

24.1 This represents financial liabilities assumed on loss of control in a subsidiary during 2018 (note 7.1.2).

24.2 The movement of asset retirement obligations is as follows:

| | <u>2023</u> | <u>2022</u> |
|----------------------------------|----------------|-------------|
| Balance at beginning of the year | 227,066 | 194,320 |
| Recognised during the year | 3,023 | 25,973 |
| Unwinding of interest | 923 | 6,773 |
| Balance at end of the year | 231,012 | 227,066 |

24.3 During the year 2021, the Board of Directors approved a cash based long term incentive plan (the “LTIP”) which was granted to certain members of management. The LTIP covered a nine-year period in total effective from 1 January 2020 and comprises three separate performance periods of three years each. Cash awards will vest pursuant to the LTIP at the end of each performance period subject to the achievement of performance conditions. In this regard, during the year a provision of SR 36.1 million (2022: SR 30.8 million) has been recognised within general and administration expenses.

During the year ended 31 December 2023, the Board of Directors approved to replace the existing LTIP with a share-based incentive plan (hereinafter referred as the “Employees Stock Incentive Program” or the “Program”). In this regard, on 22 June 2023, the shareholders of the Company approved to buy back Company shares with a maximum of 2.0 million shares. As terms and conditions of the Program is yet to be communicated to eligible employees, the Grant Date criteria (as specified under IFRS 2 – Share-based payment) has not been satisfied as of 31 December 2023. Accordingly, the management has not yet taken the impact of the Program in these consolidated financial statements.

24.4 In previous periods, the Group entered into a coal supply agreement (the “Ancillary Agreement”) with a third-party supplier (the “Coal Supplier”), in relation to an independent power plant (IPP) owned by an equity accounted investee (the “Investee”), where the Group has committed to cover the difference or take up the surplus between two agreed prices with the coal supplier during the IPP’s period of operations. Pursuant to the agreement, for any difference between two agreed price formulas (i.e., reference under the coal supply agreement as opposed to the coal supplier’s actual prices agreed on sourcing of such coal) the Group is obliged to pay or receive the difference when the coal is procured.

During the year ended 31 December 2023, the Group has recognised a gain on change in fair value of the Derivative amounting to SR 25.6 million (31 December 2022: SR 104.6 million) within other income.

Further, on 11 October 2023, the Group entered into a tripartite settlement agreement (the “Settlement Agreement”) with the Coal Supplier and the Investee, whereby the parties agreed to cancel the Ancillary Agreement for a certain consideration. Pursuant to the Settlement Agreement, the Group has reversed the outstanding coal derivative liability amounting to SR 58.8 million and recognised a net gain of SR 28.8 million in other income.

24.5 This represents liability with respect to put options written by the Group in respect of shares held by non-controlling interests in a consolidated subsidiary. The contractual obligation to purchase equity instruments was initially recognised as a financial liability and a corresponding amount has been recorded in equity in the consolidated statement of financial position at the present value of the redemption amount being SR 27.2 million (note 14.5).

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25 REVENUE

| | <i>Note</i> | 2023 | 2022 |
|--|-------------|------------------|------------------|
| Services rendered | | | |
| Operation and maintenance | | 2,327,083 | 1,922,409 |
| Development and construction management services | | 944,032 | 803,865 |
| Others | 25.1 | 5,078 | 224 |
| Sale of electricity | | | |
| Capacity charges | 25.3 | 781,002 | 804,562 |
| Energy output | | 296,210 | 263,046 |
| Finance lease income | 8.1 | 357,102 | 137,947 |
| Sale of water | | | |
| Capacity charges | 25.2, 25.3 | 965,019 | 945,489 |
| Water output | 25.2 | 317,130 | 292,943 |
| Finance lease income | 8.1 | 102,354 | 105,445 |
| | | 6,095,010 | 5,275,930 |

Refer to note 36 for the geographical distribution of revenue.

25.1 This represents net underwriting insurance income from ACWA Power Reinsurance business (Captive Insurer).

25.2 Includes revenue from sale of steam of SR 399.0 million during the year (2022: SR 399.7 million).

25.3 This represents revenue in relation to the Group's operating lease assets.

26 OPERATING COSTS

| | <i>Note</i> | 2023 | 2022 |
|---|-------------|------------------|------------------|
| Direct material cost and station operating cost | | 899,790 | 773,247 |
| Staff cost | | 586,618 | 542,626 |
| Depreciation | 5.3 | 426,388 | 431,367 |
| Operating and technical fee | | 424,287 | 350,164 |
| Direct insurance cost | | 83,572 | 88,171 |
| Natural gas and fuel cost | | 33,778 | 89,660 |
| Liquidated damages expense | | - | 15,604 |
| Other direct overheads | | 145,397 | 119,743 |
| | | 2,599,830 | 2,410,582 |

27 GENERAL AND ADMINISTRATION EXPENSES

| | <i>Note</i> | 2023 | 2022 |
|--|-------------|------------------|------------------|
| Salaries and other employee benefits | | 691,870 | 578,760 |
| Professional and legal fees | | 186,828 | 151,093 |
| Travel expenses | | 57,158 | 39,947 |
| Provisions | 27.1 | 73,539 | 78,342 |
| Communication, subscription, and sponsorship costs | | 45,124 | 16,653 |
| Provision for long term incentive plan | 24.3 | 36,100 | 30,814 |
| Depreciation expense | 5.3 | 20,857 | 21,415 |
| Amortisation of intangible assets | 6.2 | 15,896 | 13,035 |
| Utilities expenses | | 14,459 | 15,359 |
| Directors' remuneration | | 13,473 | 11,020 |
| Public relations cost | | 12,596 | 10,954 |
| Repairs and maintenance expenses | | 2,491 | 2,309 |
| Others | | 66,301 | 59,638 |
| | | 1,236,692 | 1,029,339 |

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27 GENERAL AND ADMINISTRATION EXPENSES (CONTINUED)

27.1 Provisions includes impairment allowance charge for the year in relation to:

- Trade receivables and related party balances amounting to SR 58.3 million (2022: SR 56.7 million);
- Inventories amounting to SR 7.6 million (2022: SR 8.1 million); and
- Other assets amounting to SR 7.6 million (2022: SR 13.5 million)

28 OTHER OPERATING INCOME

| | <i>Note</i> | 2023 | 2022 |
|---|-------------|----------------|-------------|
| Group services | 28.1 | 236,974 | 157,257 |
| Finance income from shareholder loans | 23 | 210,045 | 140,761 |
| Performance liquidated damages and insurance recovery | 28.2 | 103,289 | 221,730 |
| | | 550,308 | 519,748 |

28.1 Group services amounting to SR 237.0 million (2022: SR 157.3 million) relates to management advisory, and ancillary support provided by the Group to its various equity accounted investees.

28.2 This includes performance liquidated damages recovered from EPC contractors and business interruption insurance recoveries amounting to SR 21.2 million (2022: SR 177.8 million) and SR 82.1 million (2022: SR 43.9 million) respectively in relation to certain of the Group's subsidiaries in Morocco.

29 OTHER INCOME

| | <i>Note</i> | 2023 | 2022 |
|---|-------------|---------------|-------------|
| Gain on change in fair value of the derivative | 24.4 | 54,412 | 104,571 |
| Income in relation to early settlement of long-term financing and funding facilities and termination of hedging instruments | 29.1 | 6,769 | 113,213 |
| Sale of inventory | | - | 32,930 |
| Others | | 30,950 | 25,547 |
| | | 92,131 | 276,261 |

29.1 This includes income in relation to early settlement of APMI One bonds amounting to nil (2022: SR 74.8 million, refer to note 16.2) and recycling of the hedge reserves, upon termination of certain hedging contracts (in relation to certain of the Group's subsidiaries and equity accounted investee), amounting to SR 6.8 million (2022: SR 38.4 million).

30 IMPAIRMENT LOSS AND OTHER EXPENSES, NET

| | <i>Note</i> | 2023 | 2022 |
|--|-------------|-----------------|-------------|
| Impairment loss | 30.1 | - | 121,595 |
| Arbitration / legal claim and supplier settlement (reversal) / expense | 30.2 | (10,200) | 111,532 |
| Corporate social responsibility | 30.3 | 10,413 | 18,383 |
| | | 213 | 251,510 |

30.1 Impairments loss

| | <i>Note</i> | 2023 | 2022 |
|--|-------------|-------------|-------------|
| Impairment loss on property, plant and equipment | 5 | - | 121,595 |

Impairment loss relates to the impairment in the carrying amount of property, plant and equipment of the Group's subsidiaries as follows:

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30 IMPAIRMENT LOSS AND OTHER EXPENSES, NET (CONTINUED)

30.1 Impairments loss (continued)

Barka:

ACWA Power Barka SAOG's existing WPA on its Reverse Osmosis Plants (RO Plants) and PWPA (Main Plant) expired on 31 December 2021 and 8 February 2022, respectively. On 2 February 2022, management secured an extension of its WPA (RO Plants) for next 23 months with an option to extend further by another nine months. However, there has been no material development on the renewal of PWPA (Main plant).

Due to non-renewal of PWPA (Main Plant) and existing unfavorable Oman's spot market, an impairment assessment was performed under IFRS to assess the recoverable amount. For these purposes, a third-party expert was engaged to re-confirm the tariff assumptions considered last year in the experts report for the assessment of the Plant's recoverable value.

The recoverable amount was assessed to be lower than the carrying amount of the asset and impairment of Nil was recorded in the current year (2022: SR 121.6 million). A pre-tax discount rate of 7.60% (2022: 9.21%) was used in assessing the present value of future cash flows. A change in discount rate by 1% will further cause the carrying amount to exceed its recoverable amount by Nil (2022: SR 19.9 million).

During the year 2022, on the basis of renewal of WPA extension which also expired in February 2022, Barka's management was successful in restructuring its senior debt.

30.2 This includes provisions / expenses pertaining to potential legal claims; arbitration settlements; and supplier's settlements on account of procurement cancellation.

30.3 During the year 2023, the Group contributed SR 10.4 million (2022: SR 18.4 million) in various countries including Saudi Arabia primarily to support education and related infrastructure.

In addition to this, the Group has a commitment to contribute SR 75.0 million towards corporate social responsibility initiatives in Uzbekistan.

31 EXCHANGE GAIN / (LOSS), NET

| | <u>2023</u> | <u>2022</u> |
|-----------------------------------|---------------------|-----------------|
| Realised exchange (loss) /gain | (12,736) | 19,914 |
| Unrealised exchange gain / (loss) | 15,510 | (56,848) |
| | <u>2,774</u> | <u>(36,934)</u> |

32 FINANCIAL CHARGES

| | <i>Note</i> | <u>2023</u> | <u>2022</u> |
|---|-------------|-------------------------|------------------|
| Financial charges on borrowings | | 1,342,124 | 1,021,149 |
| Financial charges on letters of guarantee | | 69,215 | 110,272 |
| Financial charges on loans from related parties | 32.1 | 44,354 | 50,295 |
| Other financial charges | | 19,210 | 47,106 |
| | 32.2 | <u>1,474,903</u> | <u>1,228,822</u> |

32.1 This includes discount unwinding, on long term related party balances amounting to SR 32.8 million (2022: SR 31.4 million).

32.2 Total financial charges includes SR 744.0 million (2022: SR 393.8 million) in relation to Islamic financing facilities.

33 EARNINGS PER SHARE

33.1 The weighted average number of shares outstanding during the period (in thousands) are as follows:

| | <u>31 Dec 2023</u> | <u>31 Dec 2022</u> |
|--|-----------------------|--------------------|
| Issued ordinary shares as at | 731,100 | 731,100 |
| Weighted average number of ordinary shares outstanding during the year ended | <u>731,100</u> | <u>731,100</u> |

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33 EARNINGS PER SHARE (CONTINUED)

33.2 The basic and diluted earnings per share are calculated as follows:

| | | |
|--|------------------|------------------|
| Net profit for the year attributable to equity holders of the Parent | <u>1,661,714</u> | <u>1,540,035</u> |
| Profit for the year from continuing operations attributable to equity holders of the Parent | <u>1,671,662</u> | <u>1,322,931</u> |
| Basic and diluted earnings per share to equity holders of the Parent (in SR) | <u>2.27</u> | <u>2.11</u> |
| Basic and diluted earnings per share for continuing operations to equity holders of the Parent (in SR) | <u>2.29</u> | <u>1.81</u> |

34 DISCONTINUED OPERATIONS

34.1 *Shuqaiq Water and Electricity Company*

The Group sold its 32% effective shareholding (its entire shareholding) in Shuqaiq Water and Electricity Company ("Shuqaiq"), along with its related holding companies, and 32% interest (partial shareholding) in the related O&M contract (the "O&M entity" or "Shuqaiq Services Company for Maintenance"), which was previously with the Group's wholly owned subsidiary, First National Operations and Maintenance Company ("NOMAC"), effective from 17 March 2022 ("the Closing Date"). On the Closing Date, the shares were transferred to the Buyer. The sale consideration of SR 391.4 million has been settled by the Buyer.

Consequently, the Group derecognised its entire investment in Shuqaiq and deconsolidated net assets related to the O&M entity. The Group's remaining 68% interest in the O&M entity is retained at fair value and accounted for using the equity method effective from the Closing Date. The Group recognised a net loss of SR 17.2 million on the transaction as follows:

| | <u>Note</u> | <u>As of 17 March 2022</u> |
|--|-------------|--------------------------------|
| Fair value of consideration received | | 391,440 |
| Fair value of retained investment in the O&M entity | | 159,859 |
| Derecognition of investment in Shuqaiq | | (378,925) |
| Carrying amount of net assets derecognised related to the O&M entity | | (44,322) |
| Goodwill allocated to Shuqaiq | | (12,600) |
| Accumulated other reserves recycled to profit or loss from OCI | 14.5 | (128,638) |
| Transaction cost | | (3,993) |
| Net loss on disposal | | <u>(17,179)</u> |

Statement of financial position of the O&M entity as of the Closing Date is as follows:

| | <u>Note</u> | <u>As of 17 March 2022</u> |
|--|-------------|--------------------------------|
| <u>Assets</u> | | |
| Cash and cash equivalents | | 469 |
| Inventories | | 39,305 |
| Accounts receivable, prepayments and other receivables | | 37,968 |
| Property, plant and equipment | 5 | 968 |
| | | <u>78,710</u> |
| <u>Liabilities</u> | | |
| Accounts payable and accruals | | 25,086 |
| Deferred revenue | | 4,106 |
| Employee end of service benefits' liabilities | | 5,196 |
| | | <u>34,388</u> |
| Net assets | | <u>44,322</u> |

Results of Shuqaiq and O&M entity are disclosed in note 34.9.

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34 DISCONTINUED OPERATIONS (CONTINUED)

34.2 ACWA Power Uzbekistan Project Holding Company

On 14th September 2022, ACWA Power entered into a Sale Purchase Agreement (“SPA”) for the sale of a 49% stake in its wholly owned subsidiary, ACWA Power Uzbekistan Project Holding Company (“the Investee Company” or “Sirdarya”). The Investee Company held 100% stake in ACWA Power Sirdarya (“the Project Company”) before disposal. Legal formalities in relation to disposal were completed on 27 December 2022.

As a result of the transaction, ACWA Power will now jointly control the decisions for the relevant activities that most significantly affect the returns of Investee together with the Project Company. Consequently, ACWA power lost control in the Sirdarya and recognised a gain of SR 235.7 million. At the date of the transaction completion, ACWA Power has started to account for Sirdarya using the equity method of accounting in accordance with the requirements of IFRS 11 – Joint Arrangements.

Summary of the gain recognised on loss of control is included below:

| | <i>Note</i> | 31 Dec 2022 |
|--|-------------|--------------------|
| Fair value of consideration received including Buyer’s share in shareholder loan | | 12,202 |
| Less: Fair value of net assets derecognised | 34.2.1 | (332,992) |
| | | (320,790) |
| Add: Fair value of retained investment | | 48 |
| Other reserves recycled to income statement | | 510,382 |
| Receivables from Sirdarya | | 46,060 |
| Net gain on loss of control | | 235,700 |

34.2.1 As of the date of loss of control net assets of the Sirdarya includes followings:

| | 31 Dec 2022 |
|--|--------------------|
| <u>Assets</u> | |
| Capital work in progress | 2,446,823 |
| Intangible assets | 107 |
| Fair value of derivatives | 510,382 |
| Accounts receivable, prepayments and other receivables | 57,042 |
| Cash and cash equivalents | 22,895 |
| <u>Liabilities</u> | |
| Loans and borrowings | (2,691,844) |
| Payable, accruals and other liabilities | (12,413) |
| Net assets | 332,992 |

Consolidated results of the investee Company are disclosed in note 34.9.

34.3 Shuaa Energy 3 P.S.C

In December 2022, ACWA Power Green Energy Holding Limited (a wholly owned subsidiary of ACWA Power or the “Seller”) entered into a Sale Purchase Agreement (“SPA”) with ACWA Power Renewable Energy Holding Limited (the “Buyer”) in relation to the transfer of its entire shareholding in Solar V Holding Company Limited (a Group subsidiary or Solar V) which effectively owns a 40% stake in Shuaa Energy 3 P.S.C. (an equity accounted investee or “Shuaa 3”). Legal formalities with respect to disposal are not completed as of 31 December 2023. For the purpose of these consolidated financial statements, the net assets of Solar V together with carrying value of ACWA Power’s Investment in Shuaa 3 amounting to SR 52.6 million (31 December 2022: SR 62.6 million) were classified as assets held for sale. Other reserves associated with Shuaa 3 amounts to SR 7.1 million (31 December 2022: SR 82.5 million). The Group will continue to retain an effective 30.6% shareholding in Solar V through ACWA Power Renewable Energy Holding Limited, after the completion of the transaction.

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34 DISCONTINUED OPERATIONS (CONTINUED)

34.4 *Vinh Hao 6 Power Joint Stock Company*

On 20 October 2022, ACWA Power entered into a Sale Purchase Agreement (“SPA”) for the sale of a 60% stake (complete stake) in its equity accounted investee, Vinh Hao 6 Power Joint Stock Company (“Vinh Hao”), subject to the satisfaction of conditions precedent in the SPA. Legal formalities in relation to disposal were completed on 27 April 2023.

Consequently, the Group derecognised its entire investment in Vinh Hao. The Group recognised a gain of SR 0.5 million on divestment as follows:

| | <u>27 April 2023</u> |
|---|-----------------------------|
| Fair value of consideration received including cash received against shareholder loan | 75,480 |
| Derecognition of investment in Vinh Hao | (73,487) |
| Transaction cost | (1,461) |
| Gain on disposal | <u>532</u> |

Further Goodwill amounting to SR 9.2 million was allocated to Vinh Hao and charged to the consolidated statement of profit or loss upon divestment.

Results of Vinh Hao are disclosed in note 34.9.

34.5 *Noor Al Shuaibah*

On 15 June 2023, ACWA Power entered into a share transfer arrangement whereby the Group transferred its 30.0% and 35.0% shares (partial shareholding) in Noor Al Shuaibah Holding Company (the “Investee”) to a third party and a related party buyer, respectively. Legal formalities in relation to share transfer were completed during the year ended 31 December 2023.

As a result of the transfer, ACWA Power now holds 35.0% shareholding in the Investee. Further, ACWA Power now jointly controls the decisions for the relevant activities that most significantly affect the returns of the Investee. Consequently, ACWA power lost control in the Investee and recognised a gain of SR 1.8 million. At the date of the transaction completion, ACWA Power has started to account for the Investee using the equity method of accounting in accordance with the requirements of IFRS 11 – Joint Arrangements.

As of the date of loss of control net assets of the Investee includes followings:

| | <u>Note</u> | <u>SR’000</u> |
|--|--------------------|-----------------------|
| <u>Assets</u> | | |
| Capital work in progress | 5 | 1,286,738 |
| Accounts receivable, prepayments and other receivables | | 130,135 |
| Cash and cash equivalents | | 712,735 |
| <u>Liabilities</u> | | |
| Loans and borrowings | | (1,675,722) |
| Due to related parties | | (449,810) |
| Payable, accruals and other liabilities | | (5,790) |
| Net liabilities | | <u>(1,714)</u> |

Consolidated results of the Investee are disclosed in note 34.9.

34.6 *Bash Wind and Dzhankeldy*

On 7 July 2023, ACWA Power (through its wholly owned subsidiary) entered into a Sale Purchase Agreement (“SPA”) for the sale of a 35% stake in its wholly owned subsidiaries, ACWA Power Bash Wind Project Holding Company and ACWA Power Uzbekistan Wind Project Holding Company Limited (“the Investee Companies”). The Investee Companies holds 100% stake in ACWA Power Bash Wind LLC and ACWA Power Dzhankeldy LLC (“the Project Companies”) respectively. The disposal is subject to the satisfaction of certain conditions precedent in the SPA, which are not completed as of 31 December 2023.

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34 DISCONTINUED OPERATIONS (CONTINUED)

34.6 *Bash Wind and Dzhangeldy (continued)*

For the purpose of these consolidated financial statements, assets and liabilities of the Investee Companies together with the Project Companies are presented as held for sale, as summarized below:

| | <u>Note</u> | <u>31 Dec 2023</u> |
|--|-------------|--------------------|
| <u>Assets</u> | | |
| Capital work in progress | 5 | 2,197,230 |
| Fair value of derivatives | | 391,136 |
| Accounts receivable, prepayments and other receivables | | 62,038 |
| Cash and cash equivalents | | 100,281 |
| Assets held for sale | | <u>2,750,685</u> |
| <u>Liabilities</u> | | |
| Loans and borrowings | | 2,543,523 |
| Payable, accruals and other liabilities | | 40,682 |
| Liabilities associated with assets held for sale | | <u>2,584,205</u> |
| Other reserves associated with assets held for sale | | <u>391,136</u> |

Consolidated results of the Investee Companies together with the Project Companies are disclosed in note 34.9.

34.7 *Others*

During the year ended 31 December 2023, the Group also divested its effective 33.28% and 39.90% shareholding in Oasis Holding Company ("OHC") and Layla and Ar Rass Holding Company LLC ("LRHC") (together termed as the Entities) respectively, then wholly owned subsidiaries of the Group. The Group lost control in the Entities because of the divestment. The Group's remaining effective stake in the Entities (i.e., 66.72% and 60.1% in OHC and LRHC respectively) is retained at fair value and accounted for using the equity method of accounting effective from the divestment date.

Details of gain on the divestment is included below:

| | <u>SR'000</u> |
|---|---------------|
| Fair value of consideration received | 472 |
| Fair value of retained investments | 731 |
| Inter-company receivables recognised upon deconsolidation | 1,155 |
| Carrying amount of net assets derecognised | <u>(775)</u> |
| Net gain on disposal | <u>1,583</u> |

34.8 In addition to above, during the year ended 31 December 2022, the Group partially disposed-off its equity stake in a subsidiary without losing control over the investee. Refer to note 15.2.

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35 CONTINGENCIES AND COMMITMENTS

As of 31 December 2023, the Group had outstanding contingent liabilities in the form of letters of guarantee, corporate guarantees issued in relation to bank facilities for project companies and performance guarantees amounting to SR 17.46 billion (31 December 2022: SR 13.25 billion). The amount also includes the Group's share of equity accounted investees' commitments.

Below is the breakdown of contingencies as of the reporting date:

| | As of 31 Dec 2023 | As of 31 Dec 2022 |
|---|------------------------------|----------------------|
| Performance / development securities and completion support Letters of Credit ("LCs") | 5,430,090 | 3,925,056 |
| Guarantees in relation to equity bridge loans and equity LCs * | 7,270,560 | 5,963,604 |
| Guarantees on behalf of joint ventures and subsidiaries | 3,241,736 | 2,083,559 |
| Debt service reserve account ("DSRA") standby LCs | 1,290,429 | 1,080,505 |
| Bid bonds for projects under development stage | 223,163 | 193,097 |
| | <u>17,455,978</u> | <u>13,245,821</u> |

* This primarily represents the Group's equity commitments towards its subsidiaries and joint ventures (the "Investees"). In addition to this the Group's other future equity commitments towards the Investees amounts to SR 4.20 billion (2022: SR 3.92 billion).

The Group also has a loan commitment amounting to SR 598.2 million in relation to mezzanine debt facilities ("the Facilities") taken by certain of the Group's equity accounted investees. This loan commitment arises due to symmetrical call and put options entered in by the Group with the lenders of the Facilities.

In addition to the above, the Group also has contingent assets and liabilities with respect to certain disputed matters, including claims by and against counterparties and arbitrations involving certain issues, including a claim received in relation to one of its divested equity accounted investees. These contingencies arise in the ordinary course of business. Based on the best estimates of management, the Company has adequately provided for all such claims, where appropriate.

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36 OPERATING SEGMENTS

The Group has determined that the Management Committee, chaired by the Chief Executive Officer, is the chief operating decision maker in accordance with the requirements of IFRS 8 'Operating Segments'.

Revenue is attributed to each operating segment based on the type of plant or equipment from which the revenue is derived. Segment assets and liabilities are not reported to the chief operating decision maker on a segmental basis and are therefore not disclosed.

The accounting policies of the operating segments are the same as the Group's accounting policies. All intercompany transactions within the reportable segments have been appropriately eliminated. There were no inter-segment sales in the period presented below. Details of the Group's operating and reportable segments are as follows:

- | | |
|------------------------------------|--|
| (i) Thermal and Water Desalination | The term Thermal refers to the power and water desalination plants which use fossil fuel (oil, coal, gas) as the main source of fuel for the generation of electricity and production of water whereas Water Desalination refers to the stand-alone reverse osmosis desalination plants. The segment includes all four parts of the business cycle of the business line (i.e., develop, invest, operate and optimize). These plants include IPPs (Independent Power Plants), IWPPs (Independent Water and Power Plants) and IWPs (Independent Water Plants). |
| (ii) Renewables | This includes the Group's business line which comprises of PV (Photovoltaic), CSP (Concentrated Solar Power), Wind plants and Hydrogen. The segment includes all four parts of the business cycle of the business line (i.e., develop, invest, operate and optimize). |
| (iii) Others | Comprises certain activities of corporate functions and other items that are not allocated to the reportable operating segments and the results of the ACWA Power reinsurance business. |

Key indicators by reportable segment

Revenue

| | 2023 | 2022 |
|------------------------------------|------------------|-----------|
| (i) Thermal and Water Desalination | 4,518,621 | 4,257,860 |
| (ii) Renewables | 1,571,312 | 1,017,846 |
| (iii) Others | 5,077 | 224 |
| Total revenue | 6,095,010 | 5,275,930 |

Operating income before impairment and other expenses

| | 2023 | 2022 |
|------------------------------------|------------------|-----------|
| (i) Thermal and Water Desalination | 2,685,427 | 2,502,450 |
| (ii) Renewables | 1,050,362 | 782,795 |
| (iii) Others | 3,989 | (328) |
| Total | 3,739,778 | 3,284,917 |

Unallocated corporate operating income / (expenses)

| | | |
|---|------------------|-----------|
| General and administration expenses | (868,051) | (744,403) |
| Depreciation and amortization | (35,267) | (31,975) |
| Provision for long term incentive plan | (36,100) | (30,814) |
| Provision reversal on due from related party | 5,839 | 5,100 |
| Other operating income | 177,586 | 131,936 |
| Total operating income before impairment and other expenses | 2,983,785 | 2,614,761 |

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36 OPERATING SEGMENTS (CONTINUED)

Key indicators by reportable segment (continued)

Segment profit

| | <u>Note</u> | <u>2023</u> | <u>2022</u> |
|---|-------------|------------------|-------------|
| (i) Thermal and Water Desalination | | 1,806,842 | 1,983,289 |
| (ii) Renewables | | 696,710 | 204,900 |
| (iii) Others | | 5,024 | (322) |
| Total | | 2,508,576 | 2,187,867 |
| Reconciliation to profit for the year from continuing operations | | | |
| General and administration expenses | | (868,051) | (744,403) |
| Arbitration claim reversals / (expenses) and others | 30.2 | 10,200 | (111,532) |
| Impairments in relation to subsidiaries | 30.1 | - | (121,595) |
| Provision for long term incentive plan | 24.3 | (36,100) | (30,814) |
| Corporate social responsibility contribution | 30.3 | (10,413) | (18,383) |
| Provision reversal on due from related party | 23 (e) | 5,839 | 5,100 |
| Gain on remeasurement of options | | - | 2,415 |
| Discounting impact on loan from shareholder subsidiary | 23 (g) | (32,794) | (31,398) |
| Depreciation and amortization | | (35,267) | (31,975) |
| Other operating income | | 177,586 | 131,936 |
| Other income | | 164,778 | 97,133 |
| Financial charges and exchange loss, net | | (19,425) | (11,829) |
| Zakat and tax charge | | (83,652) | (63,216) |
| Profit for the year from continuing operations | | 1,781,277 | 1,259,306 |

Geographical concentration

The Company is headquartered in the Kingdom of Saudi Arabia. The geographical concentration of the Group's revenue and non-current assets is shown below:

| | Revenue from continuing operations | | Non-current assets | |
|-------------------------|---|-------------|---------------------------|--------------------|
| | <u>2023</u> | <u>2022</u> | <u>31 Dec 2023</u> | <u>31 Dec 2022</u> |
| Kingdom of Saudi Arabia | 3,086,557 | 2,476,181 | 23,255,954 | 21,516,440 |
| Middle East and Asia | 2,358,099 | 2,496,592 | 8,440,835 | 7,631,337 |
| Africa | 650,354 | 303,157 | 9,039,047 | 8,555,393 |
| | 6,095,010 | 5,275,930 | 40,735,836 | 37,703,170 |

Information about major customers

During the period, two customers (2022: two) individually accounted for more than 10% of the Group's revenues. The related revenue figures for these major customers, the identity of which may vary by period, were as follows:

| | Revenue | |
|------------|------------------|-------------|
| | <u>2023</u> | <u>2022</u> |
| Customer A | 1,164,721 | 1,154,175 |
| Customer B | 447,463 | 560,137 |

The revenue from these customers is attributable to the Thermal and Water Desalination reportable operating segment.

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37 FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and other price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by senior management. The most important types of risk are summarised below.

37.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

The table below shows the Group's maximum exposure to credit risk for components of the consolidated statement of financial position.

| | <i>Note</i> | As of 31 Dec 2023 | As of 31 Dec 2022 |
|---------------------------------|-------------|------------------------------|------------------------------|
| Balances with banks | | 5,957,971 | 6,353,870 |
| Fair value of derivatives | 22 | 843,080 | 1,030,668 |
| Net investment in finance lease | 8 | 11,616,676 | 11,880,328 |
| Trade accounts receivable | 11 | 1,548,338 | 1,276,078 |
| Due from related parties | 23 | 1,356,247 | 985,120 |
| Insurance receivables | 11.2 | 325,206 | 110,597 |
| Other financial assets | | 40,946 | 27,430 |
| | | 21,688,464 | 21,664,091 |

Balances with banks

Credit risk on bank balances is considered to be limited as these are primarily held with banks with sound credit ratings which ranges from BBB- and above.

Net investment in finance lease

Finance lease receivable represent receivable of Group's subsidiaries in Morocco and Kingdom of Saudi Arabia from the off-taker in accordance with the Power or Water Purchase Agreements ("PPA" or "WPA"). Credit risk attached to the finance lease receivable is limited due to the strength of government letter of support, government guarantee or appropriate credit rating of off-taker.

Trade accounts receivables

- a. The Group's exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer. Below is the concentration of credit risk by different geographies.

| | As of 31 Dec 2023 | As of 31 Dec 2022 |
|---|------------------------------|------------------------------|
| United Arab Emirates ("UAE") and other countries | 685,009 | 675,852 |
| Kingdom of Saudi Arabia ("KSA") | 390,504 | 242,932 |
| Morocco (covered by government letter of support) | 306,652 | 154,544 |
| Hashemite Kingdom of Jordan (covered by government guarantee) | 156,636 | 197,718 |
| Sultanate of Oman (covered by government guarantee) | 9,537 | 5,032 |
| | 1,548,338 | 1,276,078 |

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

The customers in KSA, UAE and other countries are transacting with the Group for a few years and historically, the Group has suffered no material impairment on these receivables. Accordingly, the balances due from these customers are assessed to have a strong credit quality and limited credit risk.

b. As of reporting date, the ageing of trade accounts receivables that were not impaired was as follows:

| | As of 31 Dec 2023 | As of 31 Dec 2022 |
|-------------------------------|------------------------------|----------------------|
| Neither past due nor impaired | 317,841 | 654,583 |
| Past due 1-90 Days | 538,711 | 285,743 |
| More than 90 Days | 691,786 | 335,752 |
| | <u>1,548,338</u> | <u>1,276,078</u> |

Management believes that the unimpaired amounts that are past due by more than 90 days are still collectible in full, based on past history. Further, expected credit loss model involves extensive analysis of credit risk, including customers' credit ratings if they are available, hence the impairment allowance considers and reflects the probability of default and loss given default impact of these receivables.

c. The movement in allowance for impairment, in respect of trade receivables during the year was as follows:

| | 2023 | 2022 |
|--------------------------------|-----------------------|---------------|
| Opening balance at 1 January | 86,204 | 29,519 |
| Impairment charge | 58,309 | 56,685 |
| Closing balance at 31 December | <u>144,513</u> | <u>86,204</u> |

Derivatives

The derivatives are designated as hedging instruments and reflects positive change in fair value of foreign exchange forward ('Forward') and interest rate swap (IRS) contracts. These are entered into with banks or financial institutions with sound credit ratings hence credit risk is expected to be low.

Insurance receivables

These represents amounts recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

In common with other reinsurance companies, in order to minimise financial exposure arising from large reinsurance claims, ACWA Power Reinsurance Co. Limited ("ACWA-Re", a 100% owned subsidiary of the Group) in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. The reinsurance is effected under facultative arrangements. Between 31 July 2019 and 30 July 2020, ACWA Power retained an element of risk within its property reinsurance program with a maximum cap of USD 1.5 million per project for each and every event and in the aggregate for the relevant policy period for certain projects.

From 31 July 2021, ACWA Re retained risk on certain reinsurance programs (operational property program), with a total combined maximum exposure of up to SR 37.5 million during the policy period until 30 July 2022, with a sublimit of SR 9.4 million per incident or claim. Effective 31 July 2022, the total combined maximum exposure on the operational property program has increased to SR 61.9 million representing 27.5% of USD 60.0 million for the period of 18 month until 31 January 2024, with a sublimit of SR 10.3 million (27.5% of USD 10.0 million) per incident or claim.

To minimise its exposure to significant losses from reinsurer insolvencies, ACWA-Re evaluates the financial condition of its reinsurers. ACWA-Re only deals with reinsurers of a minimum rating of Standard and Poor's ("S&P") A- ("A minus") or equivalent from other rating agencies.

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

37.1 Credit risk (continued)

Due from related parties and other financial assets

Credit risk attached to related party balances is limited due to sound financial position of the related parties. Credit risk attached to other financial assets is not considered significant and the Group expects to recover them fully at their stated carrying amounts.

Credit concentration

Except as disclosed, no significant concentrations of credit risk were identified by the management as at the reporting date.

37.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group'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 Group's reputation. Accordingly, the Group ensures that sufficient bank facilities are always available.

As of 31 December 2023, the Group had SR 2,061.0 million (31 December 2022: SR 1,499.3 million) remaining undrawn from its Revolving Corporate Murabaha Facility and other corporate revolver facilities.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments:

| <u>As of 31 December 2023</u> | Carrying Amount | Total | No fixed maturity | <i>Contractual cash flows</i> | | |
|--|----------------------------|-------------------|------------------------------|--------------------------------------|----------------------|------------------------------|
| | | | | 0-12 months | 1-5 years | More than 5 years |
| <i>Non-derivative financial liabilities</i> | | | | | | |
| Short term facilities | 316,876 | 334,510 | - | 334,510 | - | - |
| Term financing and funding facilities | 25,163,010 | 37,162,243 | - | 2,730,475 | 17,200,102 | 17,231,666 |
| Due to related parties | 934,095 | 1,076,764 | 34,968 | 52,095 | 88,701 | 901,000 |
| Other financial liabilities | 2,858,837 | 2,858,837 | 2,858,837 | - | - | - |
| | <u>29,272,818</u> | <u>41,432,354</u> | <u>2,893,805</u> | <u>3,117,080</u> | <u>17,288,803</u> | <u>18,132,666</u> |
| <i>Derivative financial liabilities</i> | | | | | | |
| Interest rate swaps and currency forwards used for hedging | 62,908 | 95,475 | - | (55,276) | 904,453 | (753,702) |
| <u>As of 31 December 2022</u> | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | |
| Short term facilities | 275,052 | 288,805 | - | 288,805 | - | - |
| Term financing and funding facilities | 23,372,582 | 32,116,982 | - | 2,003,113 | 11,909,452 | 18,204,417 |
| Due to related parties | 951,490 | 1,119,883 | 76,679 | 8,110 | 134,094 | 901,000 |
| Other financial liabilities | 2,771,999 | 2,998,691 | 2,690,635 | 1,352 | 142,604 | 164,100 |
| | <u>27,371,123</u> | <u>36,524,361</u> | <u>2,767,314</u> | <u>2,301,380</u> | <u>12,186,150</u> | <u>19,269,517</u> |
| <i>Derivative financial liabilities</i> | | | | | | |
| Interest rate swaps and currency forwards used for hedging | 1,669 | 14,987 | - | 6,566 | 8,421 | - |

The cash flows relating to derivatives disclosed in the above table represent contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rate changes.

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

37.2 Liquidity risk (continued)

Changes in liabilities arising from financing activities

Change in liabilities arising from financing activities can be broken down as follows:

| | As of 1 Jan | Cashflows | Exchange loss / unwinding of interest | Deconsolidati on on loss of control | Held for sale | Other movements | As of 31 Dec |
|----------------------------------|-------------|-----------|---|---|---------------|--------------------|-----------------|
| 2023 | | | | | | | |
| Financing and funding facilities | 23,647,634 | 5,857,216 | 194,281 | (1,675,722) | (2,543,523) | - | 25,479,886 |
| Dividends payable | 1,087 | (705,992) | - | - | - | 705,617 | 712 |
| Due to related parties | 862,887 | - | 32,794 | - | - | (40,743) | 854,938 |
| Other financial liabilities | 310,899 | - | - | - | - | (68,489) | 242,410 |
| Fair value of derivatives | 1,669 | - | - | - | - | 61,239 | 62,908 |
| 2022 | | | | | | | |
| Financing and funding facilities | 24,001,610 | 2,738,852 | (400,984) | (2,691,844) | - | - | 23,647,634 |
| Dividends payable | 1,305 | (625,619) | - | - | - | 625,401 | 1,087 |
| Due to related parties | 1,594,852 | (757,933) | 31,398 | (312) | - | (5,118) | 862,887 |
| Other financial liabilities | 265,295 | - | - | - | - | 45,604 | 310,899 |
| Fair value of derivatives | 361,408 | - | - | - | - | (359,739) | 1,669 |

37.3 Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates, will affect the Group's income or cash flows. To some extent the project companies consolidated in the Group gets protection in relation to variability in exchange and interest rates within power and water purchase agreements (PWPA's) as the tariffs are usually denominated in functional currencies. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

The Group uses derivatives to manage market risks. All such transactions are carried out in accordance with Group's policies and practices. Generally, the Group seeks to apply hedge accounting to manage volatility in profit or loss.

Foreign currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of companies within the Group. For most of the transactions denominated in US Dollars (USD), the currency risk is limited as exchange rate of USD and respective functional currency is usually pegged. Currency risk arises primarily on certain revenues and borrowings in Euro (EUR), Moroccan Dirhams (MAD), US Dollars (USD) and Japanese Yen (JPY) where the functional currency is different to the currency of financial instrument and is also not pegged. The Group hedges certain foreign currency exposures through hedge strategies, including use of derivative financial instruments.

Some of the Group's subsidiaries and joint ventures in Egypt are facing risk of converting local currency (EGP) to USD due to local restrictions. However, the restrictions have no material impact on the Group's consolidated financial statements.

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

37.3 Market risk (continued)

Foreign currency risk (continued)

Quantitative data regarding the Group's exposure to significant currency risk are as follows:

| <i>Equivalent to thousands of Saudi Riyals</i> | <u>EUR</u> | <u>MAD</u> | <u>ZAR</u> | <u>JPY</u> |
|--|--------------------|--------------------|----------------|---------------|
| <u>As of 31 December 2023</u> | | | | |
| Borrowings and other financial liabilities | 3,010,958 | 1,838,810 | 429,126 | 38,367 |
| Net investment in finance lease | (3,111,537) | (2,420,046) | - | - |
| Net position | (100,579) | (581,236) | 429,126 | 38,367 |
| Net exposure | (100,579) | (581,236) | 429,126 | 38,367 |

As of 31 December 2022

| | | | | |
|--|-------------|-------------|---------|--------|
| Borrowings and other financial liabilities | 3,079,214 | 1,848,102 | 297,431 | 64,698 |
| Net investment in finance lease | (3,129,102) | (2,375,854) | - | - |
| Net position | (49,888) | (527,752) | 297,431 | 64,698 |
| Net exposure | (49,888) | (527,752) | 297,431 | 64,698 |

Sensitivity analysis

A reasonably possible strengthening (weakening) of respective currencies against Saudi Riyal unless otherwise specified at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss as shown below. The analysis assumes that all other variables, in particular interest rates and tax, remain constant and ignores any impact of forecast sales and purchases.

| | Impact - (Profit) or loss | | Impact - OCI | |
|---|----------------------------------|-------------------------|-----------------------------|-------------------------|
| | <u>Strengthening</u> | <u>Weakening</u> | <u>Strengthening</u> | <u>Weakening</u> |
| <u>For the year ended 31 December 2023</u> | | | | |
| EUR (5% movement) | (5,029) | 5,029 | - | - |
| MAD (5% movement) | (29,062) | 29,062 | - | - |
| JPY (5% movement) | 1,918 | (1,918) | - | - |
| ZAR (5% movement) | - | - | 21,456 | (21,456) |
| <u>For the year ended 31 December 2022</u> | | | | |
| EUR (5% movement) | (2,494) | 2,494 | - | - |
| MAD (5% movement) | (26,388) | 26,388 | - | - |
| JPY (5% movement) | 1,625 | (1,625) | - | - |
| ZAR (5% movement) | - | - | 14,872 | (14,872) |

Interest rate risk:

Interest rate risk is the risk that the fair value of financial instruments will fluctuate due to changes in the market interest rates. The Group is subject to interest rate risk on future cash flow of its interest-bearing assets and liabilities, including bank deposits, finance lease receivables, bank overdrafts, term loans and amounts due from / to related parties. The Group hedges long term interest rate sensitivities through hedge strategies, including use of derivative financial instruments and regularly monitors market interest rates.

The interest rate profile of the Group's interest-bearing long-term financing and funding facilities are as follows:

| | <u>As of</u> | <u>As of</u> |
|------------------------------|---------------------------|---------------------------|
| | <u>31 Dec 2023</u> | <u>31 Dec 2022</u> |
| Financial liabilities | | |
| Fixed rate | 10,891,125 | 11,017,533 |
| Floating rate | 14,271,885 | 12,355,049 |

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

37.3 Market risk (continued)

Interest rate risk (continued)

The Group does not account for any fixed rate financial assets or financial liabilities at fair value through profit or loss. Therefore, in case of fixed interest rate financial instruments, change in interest rates at the reporting date would not affect profit or loss.

In case of variable interest rate financial instruments, a reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts (pre-tax) shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

| | Profit or loss | | Equity | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>+ 100 bps</u> | <u>- 100 bps</u> | <u>+ 100 bps</u> | <u>- 100 bps</u> |
| <u>Impact on variable rate financial liabilities</u> | | | | |
| For the year ended 31 December 2023* | (142,719) | 142,719 | (142,719) | 142,719 |
| For the year ended 31 December 2022* | (123,550) | 123,550 | (123,550) | 123,550 |

**The above represents the gross impact on the consolidated profit or loss which is substantially reduced due to the corresponding gain or loss on the interest rate swap arrangements.*

IBOR Reforms

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as 'IBOR reform'). In 2021, the Group undertook amendments to most financial instruments with contractual terms indexed to IBORs such that they incorporate new benchmark rates, e.g., SOFR. As of 31 December 2023, the Group's remaining IBOR exposure is indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate ("SOFR"). Currently, the Group is in process of implementing appropriate fallback clauses for all US dollar LIBOR indexed exposures. These clauses will switch the instrument from USD LIBOR to SOFR as and when USD LIBOR or related synthetic settings ceases. As announced by the Financial Conduct Authority ("FCA") in early 2022, the panel bank submissions for the overnight and 12-month US dollar LIBOR ceased on June 2023. In addition, the FCA announced in early 2023 that the one-, three- and six-month synthetic US dollar LIBOR settings will cease on September 2024.

The transition is being managed by senior representatives from functions across the Group including the lenders facing teams, Legal, Finance etc (the "Committee"). The Committee evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The committee also monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Group is expecting to complete the reforms latest by 30 September 2024.

Hedges directly affected by interest rate benchmark reform

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by the IBOR reform.

The Group amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

When the interest rate benchmark reform on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the hedging reserve recognised in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

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38 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable input).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their level in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | Carrying amount | Fair value | | | |
|---|--------------------|------------------|-------------------|---------|-------------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| <u>As of 31 December 2023</u> | | | | | |
| <i><u>Financial liabilities / (asset)</u></i> | | | | | |
| Fair value of derivatives used for hedging | (780,172) | - | (780,172) | - | (780,172) |
| Long-term financing and funding facilities | 25,163,010 | 1,508,697 | 23,635,206 | - | 25,143,903 |
| <u>As of 31 December 2022</u> | | | | | |
| <i><u>Financial liabilities</u></i> | | | | | |
| Fair value of derivatives used for hedging | (1,028,999) | - | (1,028,999) | - | (1,028,999) |
| Long-term financing and funding facilities | 23,372,582 | 1,421,291 | 21,845,332 | - | 23,266,623 |
| Other financial liabilities – coal derivative | 81,364 | - | 81,364 | - | 81,364 |

Fair value of other financial instruments has been assessed as approximate to the carrying amounts due to frequent re-pricing or their short-term nature. Management believes that the fair value of net investment in finance lease is approximately equal to its carrying value because the lease relates to a specialised nature of asset whereby the carrying value of net investment in finance lease is the best proxy of its fair value.

Valuation technique and significant unobservable inputs

| Type | Valuation technique | Significant unobservable input | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|--|--------------------------------|---|
| Derivatives used for hedging* Bank borrowings ** | Discounted cash flows: the valuation model considers the present value of expected payments or receipts discounted using the risk adjusted discount rate or the market discount rate applicable for a recent comparable transaction. | Not applicable | Not applicable |

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38 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation technique and significant unobservable inputs (continued)

| Type | Valuation technique | Significant unobservable input | Inter-relationship between significant unobservable inputs and fair value measurement |
|------------------|---|---|--|
| Coal derivative* | Discounted cashflows: the valuation model considers the present value of expected payments or receipts using the risk adjusted discount rate. | Coal procurement quantity and coal prices | The fair value would increase or decrease if: <ul style="list-style-type: none"> the actual coal procurement quantities would be different than what is considered in the valuation model; or the future coal prices would be different than what is considered in the valuation model |

* The instruments were measured at fair value in consolidated statement of financial position.

** The fair value of these instruments were measured for disclosure purpose only.

39 SUBSEQUENT EVENTS

On 28 February 2024, the Board of Directors approved a dividend payment of SR 329.0 million (SR 0.45 per share) for the year 2023 (refer to note 14.3). Further, the Board of Directors have also recommended granting bonus shares to the Company's shareholders through capitalization of SR 14.6 million from the retained earnings by granting 1 share for every 500 shares owned (refer to note 14.4).

On 5 January 2024, an arbitration tribunal of International Centre for Settlement of Investment Disputes ("ICSID") issued an award letter (the "Award") in relation to ongoing arbitration between ACF Renewable Energy Limited (a 42.0% owned subsidiary of ACWA Power) and Republic of Bulgaria. Pursuant to the Award, ACF Renewable Energy Limited is entitled to a compensation of EUR 43.0 million (equivalent to SR 176.30 million) net of legal cost. The Group's share in the net compensation is EUR 18.06 million (equivalent to SR 74.05 million) and it will be recognized in the consolidated statement of profit or loss once the settlement formalities are completed.

Furthermore, subsequent to the year-end, the Group in accordance with the nature of its business has entered into or is negotiating various agreements. Management does not expect these to have any material impact on the Group's consolidated results and financial position as of the reporting date.

40 COMPARATIVE FIGURES

Certain figures for the prior year have been reclassified or adjusted to conform to the presentation in the current year. This includes reclassifications as required under IFRS 5 – Non-current assets held for sale and discontinued operations (refer to note 34). Summary of reclassifications/adjustments are as follows:

40.1 Consolidated statement of profit or loss and other comprehensive income:

| Particulars | As previously reported | Reclassifications due to discontinued operations (refer to note 34.9) | Reclassifications to conform to the presentation in the current period | As reported in these financial statements |
|-------------------------------------|------------------------|---|--|---|
| Continuing operations | | | | |
| General and administration expenses | (1,030,467) | 1,128 | - | (1,029,339) |
| Other income | 394,821 | (169) | (118,391) | 276,261 |
| Finance income | - | - | 118,391 | 118,391 |
| Exchange loss, net | (36,842) | (92) | - | (36,934) |
| Financial charges, net | (1,228,674) | (148) | - | (1,228,822) |
| Zakat and tax charge | (232,874) | 33 | - | (232,841) |
| Discontinued operations | | | | |
| Gain from discontinued operations | 217,856 | (752) | - | 217,104 |

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40 COMPARATIVE FIGURES (CONTINUED)

40.2 Consolidated statement of financial position:

| Particulars | As previously reported | Reclassifications (refer to note 40.2.1) | Adoption of IFRS 17 (refer to note 40.2.2) | Reclassifications to conform to the presentation in the current period | As reported in these financial statements |
|--|-------------------------------|---|---|---|--|
| <i>Current assets:</i> | | | | | |
| Accounts receivable, prepayments and other receivables | 3,227,164 | (306,871) | (148,585) | - | 2,771,708 |
| Short term investments | - | - | - | 199,998 | 199,998 |
| Cash and cash equivalents | - | - | - | 6,154,524 | 6,154,524 |
| Cash and balances with banks | 6,354,522 | - | - | (6,354,522) | - |
| <i>Current liabilities:</i> | | | | | |
| Accounts payable, accruals and other financial liabilities | 3,051,247 | (306,871) | (148,585) | - | 2,595,791 |

- 40.2.1 As of 31 December 2022, consolidated accounts payables include SR 306.9 million in relation to fuel cost of Central Electricity Generating Company (“CEGCO”) (a Group’s subsidiary) on account of fuel supplied by Jordan Petrol Refinery PLC (“the Supplier”). The fuel cost was pass through to National Electric Power Company (“NEPCO” or “the Off-taker”). Accordingly, CEGCO had a corresponding receivable balance of SR 306.9 million from NEPCO, as of 31 December 2022.

During the year, CEGCO received a confirmation from the Supplier that it has signed a settlement agreement (“Settlement Agreement”) with NEPCO in relation to outstanding fuel supplies related balances of CEGCO, as of 31 December 2022, amounting to SR 306.9 million. Accordingly, CEGCO is no longer required to settle this balance to the Supplier. As the Settlement Agreement was signed during the year 2022, the Group has reflected this settlement and reduced the fuel payable to the Supplier and related receivables from NEPCO for the aforementioned amount effective from 31 December 2022 consistent with presentation followed by CEGCO.

- 40.2.2 Commencing 1 January 2023, ACWA-Re, a wholly owned subsidiary of the Group, adopted IFRS 17 Insurance Contracts for its statutory financial statements. Despite the substantial offsetting of ACWA-Re's exposure to insurance contracts through its reinsurance arrangements, no material impact was identified on the consolidated profit or loss or retained earnings. However, for conformity with the current IFRS requirements, specific balances from the comparative period were reclassified. These reclassification adjustments resulted in a reduction of insurance/reinsurance assets and liabilities by SR 148.6 million each as of 31 December 2022.

41 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 18 Sha’ban 1445H, corresponding to 28 February 2024.