

ACWA POWER COMPANY
and its subsidiaries
(Saudi Listed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2022



Ernst & Young Professional Services (Professional LLC)
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ACWA POWER COMPANY (A SAUDI JOINT STOCK COMPANY)

Report on the Audit of the Consolidated Financial Statements

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 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") 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 is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ACWA POWER COMPANY (A SAUDI JOINT STOCK COMPANY)
(continued)

Key Audit Matters (continued)

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

Key audit matter	How our audit addressed the key audit matter
i) Impairment of non-financial assets and re-measurement of net investment in finance lease	
Non-financial assets include 'Goodwill', 'Property, plant and equipment' and 'Net investment in finance lease' either held directly or through subsidiaries or equity accounted investees. Goodwill is tested for impairment annually or when impairment indicators are identified, while other non-financial assets are tested for potential impairment if there are indicators of impairment, including, but not limited to, amendments to underlying power purchase agreements either in respect of long term contracted rates or to the term of the underlying offtake arrangements. Finance lease is subject to re-measurement mainly when the lease is modified, the lease term is revised or when there is a change in the non-cancellable period of the lease or there is a change in the estimated unguaranteed residual value or there are changes to the underlying index or rate on which the variable payments are based on.	
a. Impairment of goodwill	
<p>As of 31 December 2022, the carrying value of Goodwill in the Group's financial statements amounted to SAR 1,925 million. Based on its annual goodwill impairment assessment, the Board of Directors of the Company has concluded that Goodwill is not impaired. This conclusion was based on a value in use model that require significant judgement with respect to the discount rate and the underlying future cash flows.</p> <p>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.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> a) Assessed the valuation methodology, including appropriateness of the discount rates used; b) Challenged the reasonableness of key assumptions, including discount rates and cash flow forecasts; c) For a sample of cash flow forecasts, we agreed input data to supporting evidence such as approved budgets and considered the reasonableness of these budgets.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ACWA POWER COMPANY (A SAUDI JOINT STOCK COMPANY)
(continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
i) Impairment of non-financial assets and re-measurement of net investment in finance lease (continued)	
a. Impairment of goodwill (continued)	
<p>We considered this to be a key audit matter given the significant judgement and estimation required to determine recoverable amounts and uncertainty inherent in underlying forecasts and assumptions.</p> <p>Refer to note 3 to the consolidated financial statements for the significant accounting policy relating to impairment of non-financial assets and notes 4 and 6.1 for the significant accounting estimates, assumptions and judgements relating to impairment of non-financial assets.</p>	
b. Impairment of property, plant and equipment and re-measurement of net investment in finance lease	
<p>As at 31 December 2022, the Group's consolidated statement of financial position includes Property, plant and equipment amounting to SAR 10,106 million and net investment in finance lease amounting to SAR 11,880 million. For some of those assets where the Group has identified impairment indicators, an exercise was performed to calculate the recoverable amount of these assets.</p> <p>An impairment loss of SAR 121.6 million was recognized with respect to property, plant and equipment attributable to a subsidiary.</p> <p>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 Power Purchase Agreements/ Power and Water Purchase Agreements (where applicable) or the economic life of an asset.</p>	<p>We analysed the existence of indicators of impairment losses at the CGU level.</p> <p>For those assets where impairment indicators were identified and impairment test was performed by the Group; , we performed the following:</p> <p>a) We verified, for the CGUs tested, that the discounted future cash flow projections correspond to those generated by the assets included in these CGUs and that they were consistent with i) the budget data, medium-term plans, and, beyond, with the Group's long-term assumptions, ii) past performance, iii) market outlook, iv) the expected operating life of assets;</p> <p>We have assessed, by conducting interviews with management and review of management's expert report (where applicable), the underlying assumptions on which price and production volume are substantiated;</p>

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ACWA POWER COMPANY (A SAUDI JOINT STOCK COMPANY)
(continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
i) Impairment of non-financial assets and re-measurement of net investment in finance lease (continued)	
b. Impairment of property, plant and equipment and re-measurement of net investment in finance lease (continued)	
<p>For assets where carrying value is expected to be recovered through a sale of assets, the recoverable amount was determined based on fair value less cost to sell method. The fair value was determined based on bilateral contracts or binding terms, where appropriate.</p> <p>The finance lease re-measurement is based on the revised cash flows as per the lease agreements which mainly include fixed payments, variable lease payments that depend on index or rate, residual value guarantee provided to the lessor discounted at interest rate implicit in the lease.</p> <p>We considered this to be a key audit matter given the significant estimation involved in determining recoverable amount and uncertainty inherent in underlying forecasts and assumptions. The key inputs to the recoverable amounts included:</p> <ul style="list-style-type: none"> - cash flows over the periods the asset is expected to generate including production volumes and tariffs; - Pre-tax discount rates. <p>Refer to note 3 in the consolidated financial statements for the significant accounting policy relating to impairment of non-financial assets, note 4 for significant accounting estimates, assumptions and judgements relating to impairment of non-financial assets, note 5 for property, plant and equipment and note 8 for net investment in finance lease.</p>	<p>b) We performed the following procedures on the Group's impairment model, as deemed appropriate:</p> <ul style="list-style-type: none"> i) Tested mathematical accuracy and logical integrity of the model; ii) Evaluated reasonableness of pre-tax discount rate used by cross-checking the underlying assumptions against observable market data; <p>c) For those assets where recoverable amount was determined using fair value less cost to sell, we verified the fair value to underlying contracts and assessed reasonableness of cost to sell with reference to observable market data;</p> <p>d) Tested sensitivity analysis that considered impact of changes in assumptions on outcome of the impairment assessment;</p> <p>e) For finance leases; assessed whether any modification of the lease took place or whether there were changes to the fixed payments or to the underlying index or rate which the variable payments are based on;</p> <p>f) Assessed adequacy of Group's disclosures in the consolidated financial statements in respect of key assumptions, to which the outcome of the impairment test is most sensitive.</p>

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ACWA POWER COMPANY (A SAUDI JOINT STOCK COMPANY)
(continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>ii) Completeness of derivative financial liabilities (other than cash flow hedges) and valuation of Level 2 and 3 derivative financial instruments</p> <p>As described in note 21 to the consolidated financial statements, the Group (including its equity accounted investees) use derivative financial instruments to hedge interest rate risk and foreign currency exposure on certain loans contracted. Most derivative financial instruments qualify to be designated as cash flow hedges. As at 31 December 2022 the Group recognized SAR 1,029 million of net derivative financial assets related to cash flow hedges.</p> <p>Due to the significant number of subsidiaries and equity accounted investees as well as the number of contracts entered into by the Group, there is an inherent risk that certain derivative financial instruments, including embedded instruments, might not be properly identified and recorded by the Group.</p> <p>Derivative financial liabilities, other than cash flow hedges, amounting to SAR 84.2 million are categorized as Level 3 financial instruments and net derivative financial assets of SAR 1,029 million are categorized as Level 2 financial instruments. Unlike other financial instruments whose values or inputs are readily observable and therefore more easily independently corroborated, the valuation is inherently more subjective due to the use of either complex valuation models and/or unobservable inputs. Therefore, we consider this to be a key audit matter due to the subjectivity and complexity involved in assessing Level 3 fair values of derivative financial instruments.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> a) We inspected, on a sample basis, the Group's documentation and contracts related to derivative financial liabilities; b) We performed the following procedures on the Group's valuation models for instruments categorized as Level 2 and 3 financial instruments: <ul style="list-style-type: none"> i. Tested mathematical accuracy and logical integrity of the models; ii. Evaluated reasonableness of discount rates interest rate curves used by cross-checking underlying assumptions against observable market data; iii. Reconciled input data to supporting evidence such as budgets or purchase quantity forecasts and considered the reasonableness of such budgets and forecasts (for commodity derivative); iv. Reconciled input data to the underlying derivative contracts (for cash flow hedge instruments). c) We obtained confirmation of year end derivative financial instruments from counterparties (where applicable) or performed alternative procedures, as appropriate. d) We reviewed significant contracts and agreements concluded during the year to identify potential embedded derivatives.



INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ACWA POWER COMPANY (A SAUDI JOINT STOCK COMPANY)
(continued)

Other information included in The Group's 2022 Annual Report

Other information consists of the information included in the Group's 2022 annual report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information in its annual report. The Group's 2022 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.

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

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ACWA POWER COMPANY (A SAUDI JOINT STOCK COMPANY)
(continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those 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 Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such 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.



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 (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

For Ernst & Young Professional Services

Ahmed Ibrahim Reda
Certified Public Accountant
License No. (356)

Riyadh: 9 Sha'ban 1444H
(1 March 2023)

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in Saudi Riyals thousands unless otherwise stated)

	<i>Notes</i>	As of 31 Dec 2022	As of 31 Dec 2021
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Property, plant and equipment	5	10,105,713	11,815,728
Intangible assets	6	2,028,830	1,997,430
Equity accounted investees	7	12,624,518	9,433,199
Net investment in finance lease	8	11,501,842	12,372,474
Deferred tax asset	20.4	119,955	165,004
Fair value of derivatives	21	924,537	45,540
Other assets	9	397,775	211,009
TOTAL NON-CURRENT ASSETS		<u>37,703,170</u>	<u>36,040,384</u>
CURRENT ASSETS			
Inventories	10	406,820	425,299
Net investment in finance lease	8	378,486	375,821
Fair value of derivatives	21	106,131	-
Due from related parties	22	985,120	780,656
Accounts receivable, prepayments and other receivables	11	3,227,164	2,913,617
Cash and balances with banks	12	6,354,522	5,172,921
		<u>11,458,243</u>	<u>9,668,314</u>
Assets held for sale	33	139,963	-
TOTAL CURRENT ASSETS		<u>11,598,206</u>	<u>9,668,314</u>
TOTAL ASSETS		<u>49,301,376</u>	<u>45,708,698</u>

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	As of 31 Dec 2022	As of 31 Dec 2021
<u>EQUITY AND LIABILITIES</u>			
EQUITY			
Shareholders' equity			
Share capital	13.1	7,134,143	7,134,143
Share premium	13.1	5,335,893	5,335,893
Statutory reserve		872,766	718,763
Retained earnings		2,080,853	1,307,826
Proposed dividends	13.4	606,813	560,000
Equity attributable to owners of the Company before other reserves		16,030,468	15,056,625
Other reserves	13.2	2,629,419	(1,572,279)
Equity attributable to owners of the Company		18,659,887	13,484,346
Non-controlling interest	14	1,368,507	835,799
TOTAL EQUITY		20,028,394	14,320,145
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term financing and funding facilities	15	22,332,678	22,856,753
Due to related parties	22	862,887	1,594,852
Equity accounted investees	7	68,370	443,167
Fair value of derivatives	21	1,669	362,890
Deferred tax liability	20.4	214,277	120,404
Deferred revenue	17	90,651	54,331
Employee end of service benefits' liabilities	16	190,788	196,025
Other liabilities	23	820,070	674,248
TOTAL NON-CURRENT LIABILITIES		24,581,390	26,302,670
CURRENT LIABILITIES			
Accounts payable, accruals and other financial liabilities	18	3,051,247	3,597,981
Short-term financing facilities	19	275,052	186,381
Current portion of long-term financing and funding facilities	15	1,039,904	958,476
Due to related parties	22	88,603	83,485
Fair value of derivatives	21	-	44,058
Zakat and taxation	20.3	236,786	215,502
TOTAL CURRENT LIABILITIES		4,691,592	5,085,883
TOTAL LIABILITIES		29,272,982	31,388,553
TOTAL EQUITY AND LIABILITIES		49,301,376	45,708,698

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(All amounts in Saudi Riyals thousands unless otherwise stated)

	<i>Notes</i>	2022	2021
<u>CONTINUING OPERATIONS</u>			
Revenue	24	5,275,930	5,235,393
Operating costs	25	(2,410,582)	(2,383,677)
GROSS PROFIT		2,865,348	2,851,716
Development cost, provision and write offs, net of reversals	11.4	(35,438)	(133,249)
General and administration expenses	26	(1,030,467)	(924,872)
Share in net results of equity accounted investees, net of tax	7.1.4	294,442	321,693
Other operating income	27	519,748	187,430
OPERATING INCOME BEFORE IMPAIRMENT LOSS AND OTHER EXPENSES		2,613,633	2,302,718
Impairment loss and other expenses, net	29	(251,510)	(356,482)
OPERATING INCOME AFTER IMPAIRMENT LOSS AND OTHER EXPENSES		2,362,123	1,946,236
Other income, net	28	394,821	41,554
Exchange loss, net	30	(36,842)	(46,915)
Financial charges, net	31	(1,228,674)	(1,052,531)
PROFIT BEFORE ZAKAT AND INCOME TAX		1,491,428	888,344
Zakat and tax charge	20.1	(232,874)	(80,110)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		1,258,554	808,234
<u>DISCONTINUED OPERATIONS</u>			
Profit / (loss) from discontinued operations including loss recognised on assets held for sale	33.6	217,856	(64,326)
PROFIT FOR THE YEAR		1,476,410	743,908
Profit / (loss) attributable to:			
Equity holders of the parent		1,540,035	758,798
Non-controlling interests		(63,625)	(14,890)
		1,476,410	743,908
Basic and diluted earnings per share to equity holders of the parent (in SR)			
	32.2	2.11	1.04
Basic and diluted earnings per share from continuing operations to equity holders of the parent (in SR)			
	32.2	1.81	1.13

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	2022	2021
PROFIT FOR THE YEAR		1,476,410	743,908
<u>OTHER COMPREHENSIVE INCOME / (LOSS)</u>			
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		(337)	(399)
Change in fair value of cash flow hedge reserve		1,977,505	380,665
Settlement of cash flow hedges transferred to profit or loss		(41,924)	(40,087)
Cash flow hedge reserve recycled to profit or loss upon termination of hedge relationships	13.2, 28.1	(56,546)	-
Cash flow hedge reserve recycled to profit or loss on loss of control of a subsidiary	33	(510,382)	-
Equity accounted investees – share of OCI	13.2, 7.1	2,942,468	997,786
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	13.2	(555)	-
Items that will not be reclassified to profit or loss			
Re-measurement of defined benefit liability	16.1	5,796	(18,177)
TOTAL OTHER COMPREHENSIVE INCOME		4,444,663	1,319,788
TOTAL COMPREHENSIVE INCOME		5,921,073	2,063,696
Total comprehensive income attributable to:			
Equity holders of the parent		5,741,733	1,984,938
Non-controlling interests		179,340	78,758
		5,921,073	2,063,696

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in Saudi Riyals thousands unless otherwise stated)

	<i>Notes</i>	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and tax from continuing operations		1,491,428	888,344
Profit / (loss) before zakat and tax from discontinued operations		217,856	(61,313)
<i>Adjustments for:</i>			
Depreciation and amortisation	5.3, 6.2	465,817	620,926
Financial charges, net	31,33.6	1,228,674	1,059,769
Gain recognised on loss of control in a subsidiary	33	(235,700)	-
Unrealised exchange loss	30	56,756	15,007
Share in net results of equity accounted investees, net of zakat and tax	7.1	(291,373)	(225,606)
Charge for employees' end of service benefits	16.1	35,629	40,820
Fair value of cash flow hedges recycled to profit or loss		(5,933)	2,662
Provisions		112,442	52,736
Provision for long term incentive plan	23.3	30,814	60,995
Impairment loss in relation to property, plant and equipment and goodwill	29.1	121,595	60,024
(Gain) / loss on disposal of property, plant and equipment	28	(23,278)	7,747
Development cost, provision and write offs, net of reversals	11.4	35,438	133,249
Loss on disposal of an equity accounted investee		17,179	-
Finance income from shareholder loans and deposits		(259,152)	(72,338)
Gain on remeasurement of derivatives and options	28	(106,986)	(6,075)
		2,891,206	2,576,947
<i>Changes in operating assets and liabilities:</i>			
Accounts receivable, prepayments and other receivables	39.3	(477,405)	(98,570)
Inventories		(28,948)	(4,399)
Accounts payable and accruals	39.3	(218,053)	295,087
Due from related parties		(17,643)	16,355
Net investment in finance lease	39.3	410,719	373,959
Other assets		36,512	38,098
Other liabilities		210,943	38,536
Deferred revenue		36,320	(8,973)
Net cash from operations		2,843,651	3,227,040
Employee end of service benefits' paid	16.1	(29,874)	(41,936)
Zakat and tax paid	20.3	(101,080)	(192,946)
Dividends received from equity-accounted investees	7.1	198,670	209,021
<i>Net cash generated from operating activities</i>		2,911,367	3,201,179
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment, and intangible assets		(1,562,870)	(2,052,022)
Proceeds on partial disposal of equity accounted investees		391,440	-
Proceeds on partial disposal of subsidiary without loss of control		60,905	-
Proceeds on disposal of property, plant and equipment		26,982	21,924
Investments in equity accounted investees		(949,054)	(3,946,171)
Other assets	15.5	(236,250)	-
Finance income from deposits received		118,391	52,399
Short term deposits with original maturities of more than three months	12	(199,998)	-
Cash deconsolidated on loss of control		(11,162)	-
<i>Net cash used in investing activities</i>		(2,361,616)	(5,923,870)

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	<i>Notes</i>	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	13.1	-	4,778,864
Transaction costs on issue of shares	13.1, 39.3	-	(124,868)
Proceeds from financing and funding facilities, net of transaction cost		6,023,840	9,771,211
Repayment of financing and funding facilities	39.3	(3,284,988)	(5,391,528)
Due to related parties		(757,933)	27,774
Other financial liabilities		-	(142,060)
Financial charges paid		(1,281,418)	(1,073,831)
Dividends paid	13.4	(625,619)	(905,924)
Capital contributions from and other adjustments to non-controlling interest		351,672	121,566
<i>Net cash generated from financing activities</i>		425,554	7,061,204
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		975,305	4,338,513
Cash and cash equivalents at beginning of the year		5,172,921	832,668
Net foreign exchange difference	39.3	6,298	1,740
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	6,154,524	5,172,921

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in Saudi Riyals thousands unless otherwise stated)

	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Proposed dividends</i>	<i>Other Reserves (note 13.2)</i>	<i>Equity attributable to owners of the Company</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
Balance at 1 January 2021	6,429,344	1,410,398	642,883	1,184,908	-	(2,798,419)	6,869,114	531,041	7,400,155
Profit for the year	-	-	-	758,798	-	-	758,798	(14,890)	743,908
Other comprehensive income	-	-	-	-	-	1,226,140	1,226,140	93,648	1,319,788
Total comprehensive income	-	-	-	758,798	-	1,226,140	1,984,938	78,758	2,063,696
Issue of shares (note 13.1)	853,369	3,925,495	-	-	-	-	4,778,864	-	4,778,864
Transaction costs on issue of shares (note 13.1)	(148,570)	-	-	-	-	-	(148,570)	-	(148,570)
Changes to non-controlling interests (note 14.1)	-	-	-	-	-	-	-	331,043	331,043
Dividends (note 13.4)	-	-	-	-	-	-	-	(105,043)	(105,043)
Proposed dividends (note 13.4)	-	-	-	(560,000)	560,000	-	-	-	-
Transfer to statutory reserve	-	-	75,880	(75,880)	-	-	-	-	-
Balance at 31 December 2021	<u>7,134,143</u>	<u>5,335,893</u>	<u>718,763</u>	<u>1,307,826</u>	<u>560,000</u>	<u>(1,572,279)</u>	<u>13,484,346</u>	<u>835,799</u>	<u>14,320,145</u>
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 for the year	-	-	-	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 (note 14.1)	-	-	-	-	-	-	-	351,672	351,672
Divestment in subsidiary without loss of control (note 14.2)	-	-	-	(3,245)	-	-	(3,245)	64,150	60,905
Dividends (note 13.4)	-	-	-	(2,947)	(560,000)	-	(562,947)	(62,454)	(625,401)
Proposed dividends (note 13.4)	-	-	-	(606,813)	606,813	-	-	-	-
Transfer to statutory reserve	-	-	154,003	(154,003)	-	-	-	-	-
Balance at 31 December 2022	<u>7,134,143</u>	<u>5,335,893</u>	<u>872,766</u>	<u>2,080,853</u>	<u>606,813</u>	<u>2,629,419</u>	<u>18,659,887</u>	<u>1,368,507</u>	<u>20,028,394</u>

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

ACWA POWER Company and its Subsidiaries (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 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 formal name changed from International Company for Water and Power Projects to ACWA POWER Company after obtaining the approval of the Extraordinary General Assembly held on 5 January 2022 and fulfilling all relevant regulatory requirements.

On 11 October 2021, the Company completed its Initial Public Offering (“IPO”), and its ordinary shares were listed on the Saudi Stock Exchange (“Tadawul”).

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 and Public-Private-Partnership 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:

Entity name	Country of incorporation	Principal activities	Direct shareholding	
			2022	2021
ACWA Power Saudi Electricity and Water Development Company (“ APSE ”)	Kingdom of Saudi Arabia	Investment in industrial enterprises and management, investment in commercial enterprises and management; and managing office.	100.0%	100.0%
Kahromaa Company (“ KAHROMAA ”)	Kingdom of Saudi Arabia	Installation, maintenance and operation contracting of electricity generation and desalination plants.	100.0%	100.0%
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.	100.0%	100.0%
Multiple Shares Company (“ MSC ”)	Kingdom of Saudi Arabia	Installation, maintenance and operation, contracting of electricity generation and desalination plants.	95.0%	95.0%
ACWA Power Bahrain Holdings W.L.L. (“ APBH ”)	Kingdom of Bahrain	Installation, maintenance and operation contracting of electricity generation and desalination plants.	99.7%	99.7%
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.	100.0%	100.0%
ACWA Power Management and Investments One Ltd. (“ APMI One ”)	United Arab Emirates (DIFC)	Investment in industrial enterprises and management, investment in commercial enterprises and management; and managing office.	100.0%	100.0%
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.	51.0%	51.0%
First National Holding Company (“ NOMAC ”)	Kingdom of Saudi Arabia	NOMAC, incorporated in 2018, 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.	100.0%	100.0%
ACWA Industrialization Company	Kingdom of Saudi Arabia	Power generation, water desalination and distribution or other business related to or ancillary thereto.	100.0%	100.0%

ACWA POWER Company and its Subsidiaries
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(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:

Entity name	Country of incorporation	Principal activities	Effective shareholding	
			2022	2021
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 & 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%	100.00%
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	APO1 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 January 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 January 2018.	75.00%	75.00%
ACWA Power Barka SAOG ("ACWA Barka")	Sultanate of Oman	ACWA 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	Incorporated in March 2015 and is engaged in generation of power. Zarqa achieved commercial operations in 2018.	60.00%	60.00%

ACWA POWER Company and its Subsidiaries
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 ACTIVITIES (continued)

Entity name	Country of incorporation	Principal activities	Effective shareholding	
			2022	2021
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%	100%
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%	100%
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%	60%
NOMAC Maroc SARL	Kingdom of Morocco	Operation and maintenance of power projects in the Kingdom of Morocco.	100%	100%
NOMAC Gulf O&M LLC	United Arab Emirates	Operation and maintenance of power projects in the United Arab Emirates.	100%	100%
NOMAC Gulf Coal Energy LLC	United Arab Emirates	Operation and maintenance of the Hassyan Coal Project in the United Arab Emirates.	100%	100%

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

ACWA POWER Company and its Subsidiaries (Saudi Listed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(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.

2.1 BASIS OF PREPARATION

These consolidated financial statements are prepared under the historical cost convention except for the followings:

- i) Derivative financial instruments including options and hedging instruments which are measured at fair value; and
- ii) Employee end of service benefits’ liability is recognised at the present value of future obligations using the Projected Unit Credit method.

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; 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.

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.

When necessary, 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.

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

2 BASIS OF PREPARATION AND CONSOLIDATION (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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 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 SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The significant accounting policies adopted are as follows:

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when:

- It is expected to be realised or intended to be sold or consumed in a normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

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 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 and its Subsidiaries
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 SIGNIFICANT 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 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 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 and its Subsidiaries
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 SIGNIFICANT 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 profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to 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 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 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 other comprehensive income is retained separately in 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 other comprehensive income is transferred to 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 rates.

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

ACWA POWER Company and its Subsidiaries (Saudi Listed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase cost, and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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 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 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 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.

ACWA POWER Company and its Subsidiaries (Saudi Listed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 SIGNIFICANT 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. 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. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Subsequently, for the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's 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.

ACWA POWER Company and its Subsidiaries (Saudi Listed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination (continued)

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 profit or loss and OCI is re-presented as if the operation had been discontinued from start of the comparative year.

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.

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

Financial assets (continued)

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.

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.

ACWA POWER Company and its Subsidiaries (Saudi Listed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

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 bases its impairment calculation 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.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. In relation to insurance business, the provision is recognised when contracts are entered into and premiums are charged and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to passage of time is recognised as finance cost.

Employees' benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment obligation

The Group operates a post-employment benefit plans driven by the labour laws of the countries in which the Group entities operate.

The post-employment benefits plans are not funded. Valuations of the obligations under those plans are carried out based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

ACWA POWER Company and its Subsidiaries
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(All amounts in Saudi Riyals thousands unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' benefits (continued)

Post-employment obligation (continued)

Current and past service costs related to post-employment benefits are recognised immediately in profit or loss as employee cost while the unwinding of the liability at discount rates used is recorded in profit or loss as finance charges. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement and recorded in other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. Re-measurements are not reclassified to profit or loss in subsequent periods.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Share based payments

Employees of the Group may receive benefits in the form of share-based payments, whereby employees render services as consideration for equity instruments. The fair value of an equity instrument is determined at the grant date based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted. If market prices are not available for share awards, the fair value of the equity instruments is estimated using a valuation technique to derive an estimate of what the price of those equity instruments would have been at the relevant measurement date in an arm's length transaction between knowledgeable, willing parties.

Equity-settled share-based payments to employees are measured at the fair value of the instruments, using a binomial model together with Monte-Carlo simulations as at the grant date, and is expensed over the vesting period. The value of the expense is dependent upon certain key assumptions including the expected future volatility of the Group's share price at the date of grant. The fair value measurement reflects all market based vesting conditions. Service and non-market performance conditions are taken into account in determining the number of rights that are expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Cash-settled share-based payments to employees are measured at the fair value on grant date and recognised as expense in profit or loss with a recognition of corresponding liability.

Statutory reserve

In accordance with the Company's By-Laws and Saudi Arabian Regulations for Companies, 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.

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 lessee

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

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. 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, as follows:

Lease hold land and building	2-40 years
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If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

ACWA POWER Company and its Subsidiaries
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

The Group's leasing activities includes provision of desalinated water and power under long-term Power/Water purchase agreements. Revenue in relation to these activities is disclosed in note 24.

Where the Group determines a long-term water/power 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Profit on fixed deposits is recognised as the profit accrues. Interest income on deposits is accrued on an effective yield basis.

Dividend income is recognised when the Group’s right to receive the dividend is established.

Deferred and accrued revenue

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.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Front end fees, debt acquisition and arrangement fees, other than commitment fee in relation to undrawn facility, that relate to the origination of the long-term loans and funding facilities are amortised over the period of the loans using the effective interest rate ("EIR"). Loan commitment fee in relation to undrawn portion of loan is treated as service cost. The amortisation on the effective interest basis and the commitment fee on undrawn facility are capitalised as part of projects under construction up to the date of commencement of commercial production and subsequently it is charged to profit or loss.

Expenses

General and administration expenses include direct and indirect costs not specifically forming part of operating costs. Allocations between general and administration expenses and operating costs, when required, are made on a consistent basis.

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.

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.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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).

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37:

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group applied these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the current annual reporting period. These amendments had no impact on the consolidated financial statements of the Group.

Reference to the Conceptual Framework – Amendments to IFRS 3:

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

At the same time, the IASB decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Amendments to IAS 16: Property plant and equipment, proceeds before intended use.

In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Group early applied the requirements effective from 1 July 2021. As a result of early adoption, the Group recognised SR 43.7 million in the consolidated statement of profit or loss for the year ended 31 December 2021.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter:

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first time adopter.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, amendments and interpretations adopted by the Group (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities:

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

In accordance with the transitional provisions, the Group applies the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements:

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

The amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

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.

IFRS 17 Insurance Contracts:

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. 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 an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the 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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group is currently assessing the impact.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current:

In January 2020, 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:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Definition of Accounting Estimates - Amendments to IAS 8:

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

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

In February 2021, the IASB issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently assessing the impact of the amendments.

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.

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 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.

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4 USE OF ESTIMATES AND ASSUMPTIONS (continued)

(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.

During the year the Group re-assessed the useful life of certain plants, based on oil fired technology, in its portfolio and decided to align the plants existing useful life to its re-assessed economic life as per the term of Power and Water Purchase Agreements (“PWPA”) with effect from 1 January 2021. This change in accounting estimate has resulted in SR 134.4 million (2021: 198.4 million) being expensed, representing the Group’s share in incremental depreciation, in the consolidated statement of profit or loss, which is reflected through share in net results of equity accounted investees. Existing useful life of these plants was 40 years and revised useful life is 20 years.

The change in estimate will have annual impact of SR 117.6 million on profit or loss in future periods till expiry of underlying PWPAs.

(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.

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 associate. 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.

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4 USE OF ESTIMATES AND ASSUMPTIONS (continued)

(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.

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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%
Barges and onshore equipment	5% - 40%	Furniture, fixtures and office equipment	10% - 33.3%
Capital spares	3.3% - 12.5%	Motor vehicles	20% - 25%

	<i>Land and Buildings *</i>	<i>Plant, machinery and equipment**</i>	<i>Furniture, fixtures and office equipment</i>	<i>Capital spares</i>	<i>Motor vehicles</i>	<i>Capital work in progress (CWIP)</i>	<i>Total</i>
<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 33)	-	(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 29.1)	-	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 33)	-	(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 2022 amounts to SR 122.4 million (31 December 2021: SR 122.4 million).

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

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5 PROPERTY, PLANT AND EQUIPMENT (“PPE”) (continued)

	<i>Land and buildings *</i>	<i>Plant, machinery and equipment **</i>	<i>Furniture, fixtures and office equipment</i>	<i>Capital spares</i>	<i>Motor vehicles</i>	<i>Capital work in progress (CWIP)</i>	<i>Total</i>
<u>Cost:</u>							
At 1 January 2021	977,969	15,329,959	118,044	59,293	38,856	1,983,100	18,507,221
Additions	-	53,673	1,183	1,357	1,860	2,230,377	2,288,450
Disposals / write-offs	(32,866)	(19,782)	(5,337)	-	-	-	(57,985)
Finance lease recognition (note 5.1)	-	-	-	-	-	(2,582,422)	(2,582,422)
Foreign currency translation	-	-	(1,596)	-	-	-	(1,596)
At 31 December 2021	945,103	15,363,850	112,294	60,650	40,716	1,631,055	18,153,668
<u>Accumulated depreciation and impairment</u>							
At 1 January 2021	487,362	5,121,961	104,925	26,510	34,123	-	5,774,881
Depreciation charge for the year (note 5.3)	31,150	547,937	7,266	3,061	2,898	-	592,312
Relating to disposals / write-offs	(10,942)	(12,035)	(5,337)	-	-	-	(28,314)
Foreign currency translation	-	-	(939)	-	-	-	(939)
At 31 December 2021	507,570	5,657,863	105,915	29,571	37,021	-	6,337,940
Carrying amount as of 31 December 2021	437,533	9,705,987	6,379	31,079	3,695	1,631,055	11,815,728

5.1 CWIP as of 31 December 2022 is primarily related to certain of the Group’s under construction projects in Uzbekistan. CWIP in relation to Rabigh 3 amounting SR 2,582.4 million has been transferred to finance lease receivable upon the commencement of commercial operations effective from 31 December 2021.

5.2 Borrowing costs capitalised during the year amounted to SR 94.0 million (2021: SR 140.5 million) which represents the borrowing cost, in relation to specific borrowings, incurred during construction phase of qualifying assets.

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

	2022	2021
Depreciation charge for the year ended 31 December	439,810	592,312
Depreciation charge in relation to right of use asset	12,972	15,763
Depreciation charge for the year ended 31 December – (refer note 25 & 26)	452,782	608,075

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6 INTANGIBLE ASSETS

		As of 31 Dec 2022	As of 31 Dec 2021
	Notes		
Goodwill	6.1	1,924,687	1,937,287
Other intangible assets	6.2	104,143	60,143
		<u>2,028,830</u>	<u>1,997,430</u>

6.1 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 2022	As of 31 Dec 2021
Thermal and water desalination	762,315	774,915
Renewables	1,162,372	1,162,372
	<u>1,924,687</u>	<u>1,937,287</u>

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). 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 which approximate to value in use of the respective segment) 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 value in use calculations. 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 35 years, and discounted using a pre-tax discount rate of 8.30% (2021: 7.50%). 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 value in use calculation 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 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.

	2022	2021
<u>Cost:</u>		
At 1 January	118,799	107,172
Additions*	57,142	11,627
De-recognition on loss of control of a subsidiary (note 33)	(107)	-
At 31 December	<u>175,834</u>	<u>118,799</u>
<u>Accumulated amortisation</u>		
At 1 January	58,656	45,805
Amortisation charge for the year (refer to note 26)	13,035	12,851
At 31 December	<u>71,691</u>	<u>58,656</u>
Carrying amount as of 31 December	<u>104,143</u>	<u>60,143</u>

*Additions during the year 2022 amounting to SR 57.1 million includes SR 50.3 million on account of cost incurred in relation to work in progress representing new systems implementation and enhancements.

7 EQUITY ACCOUNTED INVESTEEES

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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7 EQUITY ACCOUNTED INVESTEEES (continued)

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.

	% 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								
SGA/NOVA SGA Marafiq Holdings ("SGA Marafiq")	33.33%	Bahrain / UAE	485,581	*(48,550)	45,242	-	106,118	588,391
Shuqaiq International Water and Electricity Company Limited ("SIWEC") (note 7.1.1 & 7.1.2)	53.34%	Saudi Arabia	386,399	(378,801)	(7,598)	-	-	-
Saudi Malaysian Water and Electricity Company Limited ("SAMAWEC") (note 7.1.6)	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 (note 7.1.2)	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
Vinh Hao 6 Power Joint Stock (note 33.4)	60.00%	Vietnam	74,879	(77,803)	2,924	-	-	-
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	40.00%	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	36.04%	South Africa	270,683	17,286	(3,169)	-	(374)	284,426
Jazan Integrated Gasification and Power Company	21.25%	Saudi Arabia	2,814,564	*(252,143)	303,830	-	82,851	2,949,102
Shuqaiq Services Company for Maintenance (note 7.1.1)	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 Sirdarya (note 33.2)	51.00%	Uzbekistan	-	48	-	-	-	48
Amwaj International Company Ltd	50.10%	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
Naqa'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
Shuaa Energy 3 P.S.C. (note 33.3)	24.00%	UAE	(21,474)	(62,609)	1,605	-	82,478	-
Sudair One Holding Company	35.00%	Saudi Arabia	(3,007)	-	(121)	-	171,323	168,195
								12,624,518
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 7.1.5)	70.00%	Turkey	-	-	-	-	-	-
								(68,370)
			8,990,032	531,500	291,373	(198,670)	2,941,913	12,556,148

* 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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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 2021								
SGA/NOVA SGA Marafiq Holdings ("SGA Marafiq")	33.33%	Bahrain / UAE	440,105	(54,607)	46,492	-	53,591	485,581
Shuqaiq International Water and Electricity Company Limited ("SIWEC") (note 7.1.1 & 7.1.2)		Saudi Arabia	461,866	-	(101,426)	(20,547)	46,506	386,399
Saudi Malaysian Water and Electricity Company Limited ("SAMAWECC") (note 7.1.3)	53.34%							
Suez Nomac O&M Holdings Company W.L.L.	50.00%	Saudi Arabia	1,123,991	-	145,956	(49,949)	35,761	1,255,759
Jubail Operations Holdings Company W.L.L.	40.00%	Bahrain	28,119	-	16,896	(16,721)	-	28,294
Qurayyah Investment Company ("QIC")	40.00%	Bahrain	28,123	-	16,898	(16,721)	-	28,300
Rabigh Electricity Company (note 7.1.2)	44.98%	Saudi Arabia	482,258	(5,264)	13,512	(7,231)	37,755	521,030
Al Mourjan for Electricity Production Company	40.00%	Saudi Arabia	637,284	-	(66,537)	(28,836)	68,552	610,463
Dhofar Generating Company	50.00%	Saudi Arabia	342,283	-	8,028	-	90,347	440,658
MAP Inland Holdings Ltd. (JAFZA)	27.00%	Oman	57,487	-	7,606	(5,259)	11,140	70,974
MAP Coastal Holding Company Limited (JAFZA)	47.26%	UAE	484,035	27,027	(18,122)	-	36,614	529,554
Vinh Hao 6 Power Joint Stock	47.26%	UAE	378,964	21,187	(7,253)	-	35,245	428,143
ACWA Power Renewable Energy Holding Ltd ("APREH")	60.00%	Vietnam	74,587	(4,818)	5,110	-	-	74,879
Dhofar O&M Company LLC	51.00%	UAE	513,381	(47,357)	(30,006)	(43,807)	36,486	428,697
Hassyan Energy Phase 1 P.S.C	35.00%	Oman	10,365	-	(3,303)	-	-	7,062
Dhofar Desalination Co. SAOC	26.95%	UAE	(305,616)	468,109	90,949	-	143,677	397,119
Taweelah RO Desalination Company LLC	50.10%	Oman	(21,869)	64,272	(4,122)	-	11,379	49,660
Water consortium Holding Company	40.00%	UAE	(61,595)	144,070	9,394	-	40,298	132,167
Renewable Energy for Morocco (O&M) Company	40.00%	Saudi Arabia	(13,122)	-	(133)	-	24,481	11,226
Veolia First National Water Service Company	49.00%	Morocco	-	60	367	-	-	427
ACWA Power Solarreserve Redstone Solar Thermal Power Plant (Pty) Ltd	35.00%	Oman	-	515	2,080	(2,332)	-	263
Jazan Integrated Gasification and Power Company	49.00%	South Africa	-	270,983	(300)	-	-	270,683
Amwaj International Company Ltd	21.25%	Saudi Arabia	-	2,756,737	57,939	-	(112)	2,814,564
	50.10%	Saudi Arabia	-	461,419	(122)	-	-	461,297
								<u>9,433,199</u>
Haya Power & Desalination Company	60.00%	Bahrain	(154,386)		46,762	-	72,854	(34,770)
Noor Energy 1 P.S.C.	24.90%	UAE	(473,868)	(18,049)	(332)	-	161,447	(330,802)
Naqa'a Desalination Plant LLC	40.00%	UAE	(70,016)	-	1,547	-	65,112	(3,357)
Shams Ad-Dhahira Generating Company SAOC	50.00%	Oman	(38,739)	(3,147)	(12,479)	-	4,608	(49,757)
Shuaa Energy 3 P.S.C.	24.00%	UAE	(43,748)	-	229	-	22,045	(21,474)
Sudair One Holding Company	35.00%	Saudi Arabia	-	(2,983)	(24)	-	-	(3,007)
ACWA Guc Elektrik Isletme Ve Yonetim Sanayi Ve Ticaret A.S. ("ACWA GUC") (note 7.1.5)	70.00%	Turkey	-	-	-	-	-	-
								<u>(443,167)</u>
			<u>3,879,889</u>	<u>4,078,154</u>	<u>225,606</u>	<u>(191,403)</u>	<u>997,786</u>	<u>8,990,032</u>

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7 EQUITY ACCOUNTED INVESTEEES (continued)

7.1 Contribution from equity accounted investees (continued)

7.1.1 On 7 September 2021, the Group entered into a sale and purchase agreement (the “SPA”) with a third-party buyer with respect to sale of the following assets (the “Assets”):

- The Group sold its 32% effective ownership (its entire shareholding) in Shuqaiq Water and Electricity Company (“Shuqaiq”), along with its related holding companies, and
- 32% interest in the operations and maintenance (“O&M”) contract associated with Shuqaiq i.e., partial shareholding in Shuqaiq Services Company for Maintenance.

Pursuant to the consideration agreed in the SPA, the management has estimated that the carrying value of the Assets exceed the recoverable amount by SR 93.0 million. Accordingly, an impairment loss of SR 93.0 million is recorded within share of net results from SIWEC for the year ended 31 December 2021. The transaction was completed on 17 March 2022 (refer to note 33.1). The carrying amount of investment in Shuqaiq amounted to SR 378.9 million as of the transaction completion date.

7.1.2 During the year 2021 the Group re-assessed the useful life of SIWEC and Rabigh Electricity Company with effect from 1 January 2021. This change in accounting estimate has resulted in the Group’s share for the year 2022 of SR 134.4 million (2021: 198.4 million) incremental depreciation, which is reflected through share in net results of equity accounted investees (note 4 (v)).

7.1.3 Share in net results of SAMAWEC for the year 2021 includes impairment reversal of the Group’s share amounting to SR 30.0 million due to a revision in assumptions including residual value of fixed assets.

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

	Notes	2022	2021
Group’s share in net results of equity accounted investees – Continued operations		294,442	321,693
Group’s share in net results of equity accounted investees – Discontinued operations	33.6	(3,069)	(96,087)
Group’s share in net results of equity accounted investees - Total		<u>291,373</u>	<u>225,606</u>

7.1.5 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 23.1 (a)) 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 account 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.

7.1.6 On 20 June 2022, the Group and the off taker of Shuaibah Water and Electricity Company (“Shuaibah 3 IWPP”) signed an agreement to amend and restructure the Power and Water Purchase Agreement (“PWPA”) of Shuaibah 3 IWPP, to replace it with a new reverse osmosis seawater desalination plant (“RO plant”) and corresponding independent water plant (“Shuaibah 3 IWP”).

The RO plant will be developed under a 25 year agreement, with commercial operations date (“COD”) for the plant scheduled for the second quarter of 2025. Shuaibah 3 IWPP shall continue to operate until the COD of the RO plant. Upon achieving COD of the RO plant, Shuaibah 3 IWPP shall be decommissioned. The project company, which is an equity accounted investee, Shuaibah 3 IWPP, will continue to receive the capacity payments until the expiry of the original PWPA term in 2030.

As of 31 December 2022, the project company has accounted for the above restructuring under IFRS 16 for lease modifications. The restructuring has no impact on the consolidated statement of profit or loss or the consolidated statement of financial position as of and for the year ended 31 December 2022.

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7 EQUITY ACCOUNTED INVESTEEES (continued)

7.2 Financial information regarding equity accounted investees

In previous years, the Group used to disclose summarised financial information of equity accounted investees in its consolidated financial statements. In current year, the Group has opted to disclose financial information of the Projects held by its equity accounted investees rather than financial information at the level of its equity accounted investees. The disclosure of comparative period financial information has been re-presented to conform the current year presentation.

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

	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
31 December 2022													
Shuaibah Water & Electricity Company ("SWEC") – a project under SAMAWEC	5,082,422	496,142	237,737	(512,529)	(397,583)	(2,198,091)	(6,378)	2,701,720	30.0%	810,516			
Shuaibah Expansion Project Company ("SEPCO") – a project under SAMAWEC	571,739	6,676	30,899	(49,224)	(39,678)	(199,026)	(81,514)	239,872	30.0%	71,962			
<i>Total for SAMAWEC</i>										882,478	-	402,997	1,285,475
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	7,244,910	125,770	418,807	(644,753)	(194,023)	(4,365,859)	(36,146)	2,548,706	20.0%	509,741	148,541	(69,891)	588,391
Rabigh Electricity Company	7,156,697	120,560	216,179	(352,548)	(240,350)	(4,356,041)	(571,287)	1,973,210	40.0%	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	27.0%	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-Dhahirah 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
									18.05%	-	51.0		
Projects under APREH (note 7.2.1)	3,713,214	148,336	203,732	(152,542)	(266,945)	(2,878,599)	(668,370)	98,826	%	46,949	-	433,829	480,778
ACWA Guc Elektrik Isletme Ve Yonetim Sanayi Ve Ticaret A.S. ("ACWA GUC") (note 7.1.5)	960,995	347,562	323,482	(1,050,123)	(385,243)	(1,767,525)	(56)	(1,570,908)	70.0%	(1,099,636)	-	1,099,636	-
Jazan Integrated Gasification and Power Company	27,303,461	657,675	1,059,859	-	(853,911)	(23,518,571)	(2,490,530)	2,157,983	21.25%	458,571	2,490,531	-	2,949,102
Dhofar Desalination Co. SAOC	491,427	6,182	22,230	-	(50,526)	(424,406)	(25,775)	19,132	50.1%	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	50.0%	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	60.0%	69,053	11,288	(80,341)	-
Taweelah RO Desalination Company LLC	3,042,601	90,596	121,345	(77,210)	(92,155)	(2,792,883)	(144,355)	147,939	40.0%	59,176	144,070	(1,715)	201,531
Naqa'a Desalination Plant LLC	3,414,277	207,265	181,896	(75,172)	(189,868)	(2,877,895)	(49,498)	611,005	40.0%	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	24.0%	65,432	-	(65,432)	-
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

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7 EQUITY-ACCOUNTED INVESTEEES (continued)

7.2 Financial information regarding equity accounted investees (continued)

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

	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
<u>31 December 2021</u>													
Shuaibah Expansion Project Company ("SEPCO") – a project under SAMAWEC	592,638	6,013	29,935	(45,917)	(30,079)	(247,788)	(106,775)	198,027	30.00%	59,408			
Shuaibah Water & Electricity Company ("SWEC") – a project under SAMAWEC	5,667,102	173,608	224,448	(543,765)	(170,864)	(2,228,232)	(574,496)	2,547,801	30.00%	764,340			
<i>Total for SAMAWEC</i>										823,748	-	432,011	1,255,759
Hajr for Electricity Production Company ("HEPCO") – a project under QIC	8,635,071	79,554	211,141	(286,338)	(381,903)	(5,194,463)	(647,117)	2,415,945	22.49%	543,346	-	(22,316)	521,030
Jubail Water and Power Company – a project under SGA Marafiq	7,682,463	130,548	320,741	(597,606)	(319,736)	(5,010,613)	(203,843)	2,001,954	20.00%	400,391	197,091	(111,901)	485,581
Shuqaiq Water and Electricity Company – a project under SIWEC	4,883,871	6,902	184,953	(266,659)	(181,280)	(2,564,923)	(593,369)	1,469,495	32.00%	470,238	338,261	(422,100)	386,399
Rabigh Electricity Company	7,343,902	183,130	119,490	(286,409)	(325,470)	(4,607,231)	(854,286)	1,573,126	40.00%	629,250	-	(18,787)	610,463
Al Mourjan for Electricity Production Company	5,226,858	61,174	60,553	(152,717)	(254,025)	(3,539,970)	(365,652)	1,036,221	50.00%	518,111	-	(77,453)	440,658
Dhofar Generating Company	1,876,900	43,683	244,292	(99,292)	(177,157)	(1,246,974)	(223,713)	417,739	27.00%	112,790	-	(41,816)	70,974
Hassyan Energy Phase 1 P.S.C	9,188,444	435,467	596,261	(84,998)	(755,127)	(8,354,143)	(1,517,666)	(491,762)	26.95%	(132,530)	310,877	218,772	397,119
Ad-Dhahirah Generating Company S.A.O.C	3,428,969	139,363	667,601	(112,303)	(931,128)	(2,004,781)	(1,320,208)	(132,487)	44.90%	(59,487)	573,953	15,088	529,554
Shinas Generating Company S.A.O.C.	3,459,830	14,514	940,921	(105,603)	(996,515)	(2,070,610)	(1,431,247)	(188,710)	44.90%	(84,731)	506,652	6,222	428,143
Haya Power & Desalination Company	3,614,853	1,354	48,340	-	(111,690)	(3,451,117)	(84,690)	17,050	60.00%	10,230	-	(45,000)	(34,770)
Noor Energy 1 P.S.C.	11,944,053	835,206	196,901	-	(282,026)	(12,198,250)	(1,849,918)	(1,354,034)	24.99%	(338,373)	62,252	(54,681)	(330,802)
									18.05%				
Projects/entities under APREH (note 7.2.1)	3,844,459	235,880	50,311	(436,097)	63,818	(4,893,010)	1,002,629	(132,010)	51.00%	(17,199)	-	445,896	428,697
ACWA Guc Elektrik Isletme Ve Yonetim Sanayi Ve Ticaret A.S. ("ACWA GUC") (note 7.1.5)	1,025,269	174,925	182,751	(310,059)	(139,419)	(1,736,184)	(27)	(802,744)	70.00%	(561,921)	-	561,921	-
Jazan Integrated Gasification and Power Company	26,697,392	160,162	767,005	-	(369,064)	(24,174,517)	(2,742,673)	338,305	21.25%	71,890	2,742,674	-	2,814,564
Dhofar Desalination Co. SAOC	612,429	753	20,403	(14,062)	(54,723)	(424,116)	(169,850)	(29,166)	50.10%	(14,612)	64,272	-	49,660
Shams Ad-Dhahira Generating Company SAOC	1,572,522	68,082	33,740	(45,752)	(141,670)	(1,363,457)	(195,479)	(72,014)	50.00%	(36,007)	-	(13,750)	(49,757)
Vinh Hao 6 Power Joint Stock	182,054	13,107	33,239	(17,992)	(527)	(104,645)	-	105,236	60.00%	63,142	11,737	-	74,879
Taweelah RO Desalination Company LLC	2,363,859	45,594	8,896	-	(16,080)	(2,234,895)	(167,132)	242	40.00%	97	144,070	(12,000)	132,167

* Other long-term interest in investees represents shareholder loans / advances (as an investment) provided to the investee by the Group.

** Other adjustments includes 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:

	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	77,432	96,436
Al Mourjan 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	650,444	186,325	(15)	(200,986)	-	39,502	1,475,658	1,515,160
Ad-Dhahirah 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”) (note 7.1.5)	2,409,420	93,572	47,448	(1,515,579)	44,145	(1,153,061)	-	(1,153,061)
Jazan 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
Taweelah 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
Naqa’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				1,025,804	9,031,345	10,057,149
Total (ACWA Power share)		2,069,405				291,373	2,647,540	2,941,913

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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 2021								
Jubail Water and Power Company – a project under SGA Marafiq	1,103,729	613,846	(34,523)	(229,171)	677	325,256	267,980	593,236
Shuqaiq Water and Electricity Company – a project under SIWEC	781,537	548,626	(173,168)	(202,479)	221	234,242	159,488	393,730
Shuaibah Expansion Project Company (“SEPCO”) – a project under SAMAWEC	154,366	88,985	(28,958)	(25,009)	5	32,435	22,355	54,790
Shuaibah Water & Electricity Company (“SWEC”) – a project under SAMAWEC	1,089,771	909,754	(304,156)	(177,776)	193	394,041	108,340	502,381
Hajr for Electricity Production Company (“HEPCO”) – a project under QIC	994,680	587,659	(270,067)	(259,432)	233	76,162	167,876	244,038
Rabigh Electricity Company	870,927	685,177	(219,150)	(340,016)	539	112,320	170,882	283,202
Dhofar Generating Company	412,641	136,484	(39,683)	(71,085)	2,137	27,888	42,112	70,000
Al Mourjan for Electricity Production Company	602,809	395,855	(181,031)	(223,255)	197	(8,939)	180,737	171,798
Hassyan Energy Phase 1 P.S.C	947,216	59,665	(16)	(181,981)	-	337,810	532,138	869,948
Ad-Dhahirah Generating Company S.A.O.C	825,221	141,162	(87,511)	(141,778)	86	(54,535)	81,545	27,010
Shinas Generating Company S.A.O.C.	947,964	151,176	(93,814)	(149,007)	-	(39,676)	78,497	38,821
Haya Power & Desalination Company	173,408	111,464	(13,532)	(20,000)	4	77,936	121,423	199,359
Noor Energy 1 P.S.C.	-	916	-	-	-	(240)	646,045	645,805
Projects/Entities under APREH (note 7.2.1)	552,656	396,373	(134,508)	(256,324)	3,325	(33,807)	140,123	106,316
ACWA Guc Elektrik Isletme Ve Yonetim Sanayi Ve Ticaret A.S. (“ACWA GUC”) (note 7.1.5)	1,158,003	132,738	(87,249)	(975,171)	15,522	(626,379)	-	(626,379)
Jazan Integrated Gasification and Power Company	618,644	480,343	(1,905)	(158,388)	-	272,705	-	272,705
Dhofar Desalination Co. SAOC	57,779	8,573	(12,006)	(25,401)	-	(8,227)	22,712	14,485
Shams Ad-Dhahira Generating Company SAOC	40,166	6,920	(21,432)	(22,195)	-	(24,958)	9,216	(15,742)
Vinh Hao 6 Power Joint Stock	23,826	20,226	(52)	(11,508)	284	8,516	-	8,516
Taweelah RO Desalination Company LLC	-	(1,635)	(1,676)	-	-	23,485	100,745	124,230
Other projects	333,345	19,011	(12,833)	(3,826)	53	85,081	315,836	400,917
Total		5,493,318				1,211,116	3,168,050	4,379,166
Total (ACWA Power share)		1,767,999				225,606	772,180	997,786

* 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 156.6 million (2021: SR 120.8 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 2022	As of 31 Dec 2021
<i>a) Net investment in finance leases consist of:</i>		
Gross investment in finance leases (see (b) below)	18,208,345	19,827,110
Less: Unearned finance income (see (c) below)	(6,328,017)	(7,078,815)
	<u>11,880,328</u>	<u>12,748,295</u>
<i>Analysed as:</i>		
Current portion of net investment in finance lease	378,486	375,821
Non-current portion of net investment in finance lease	<u>11,501,842</u>	<u>12,372,474</u>
<i>b) The undiscounted value of future minimum lease payments to be received consist of:</i>		
Within one year	893,822	922,577
After one year but not more than five years	4,186,578	4,365,576
Five years onwards	<u>13,127,945</u>	<u>14,538,957</u>
	<u>18,208,345</u>	<u>19,827,110</u>
<i>c) The maturity of unearned finance income are as follows:</i>		
Within one year	515,336	546,756
After one year but not more than five years	2,239,737	2,361,615
Five years onwards	<u>3,572,944</u>	<u>4,170,444</u>
	<u>6,328,017</u>	<u>7,078,815</u>

- 8.1 The periodic rate of return used by the Group ranges from 2.04% to 10.21% (2021: 2.04% to 10.21%) per annum. During the year the Group recognised a finance lease income of SR 243.4 million (2022: SR 313.1 million) (note 24).

The finance lease income is presented net of energy generation shortfalls amounting to SR 206.8 million for the year ended 31 December 2022 (31 December 2021: SR 171.4 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 2022 is SR 347.1 million (31 December 2021: SR 322.8 million).

9 OTHER ASSETS

	Notes	As of 31 Dec 2022	As of 31 Dec 2021
Advance fee to customer	15.5	203,866	-
Value Added Tax (“VAT”) receivable		81,473	98,466
Right of use assets		67,401	45,456
Strategic fuel inventories	9.1	27,356	54,086
Others		<u>17,679</u>	<u>13,001</u>
		<u>397,775</u>	<u>211,009</u>

- 9.1 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 2022, strategic fuel inventories amounting to SR 27.4 million (31 Dec 2021: SR 54.1 million) were maintained at the station and classified as non-current in the consolidated statement of financial position.

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10 INVENTORIES

	As of 31 Dec 2022	As of 31 Dec 2021
Spare parts and consumables	376,840	398,878
Chemicals	18,896	14,969
Diesel	10,540	11,021
Goods in transit	544	431
	<u>406,820</u>	<u>425,299</u>

11 ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES

	Notes	As of 31 Dec 2022	As of 31 Dec 2021
Trade accounts receivable		1,669,153	1,348,435
Less: Allowance for impaired receivables	11.1	<u>(86,204)</u>	<u>(29,519)</u>
Net trade accounts receivable	11.2	1,582,949	1,318,916
Prepayments and other receivables		579,293	335,611
Reinsurance assets and premiums receivable	11.3	259,182	388,454
Project development cost	11.4	248,671	167,472
Advances to suppliers		441,727	567,779
Value added tax and other receivables from authorities	11.5	86,057	99,436
Advances to employees		27,430	32,104
Others		1,855	3,845
		<u>3,227,164</u>	<u>2,913,617</u>

- 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 36.1 (c).
- 11.2** Net trade account receivable includes SR 376.5 million (31 Dec 2021: SR 390.1 million) receivable of CEGCO that includes SR 306.9 million (31 Dec 2021: SR 306.9 million) of fuel revenues receivable on account of electricity supplied to the off-taker, National Electric Power Company ("NEPCO"), which is domiciled in the Hashemite Kingdom of Jordan. The payments of NEPCO are back stopped by the Government of Jordan Guarantee. The Government of Jordan has shareholding in both CEGCO and NEPCO (note 18.1).
- 11.3** 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 18.2).
- 11.4** 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 2022, SR 35.4 million (2021: SR 133.2 million) were recorded in profit or loss from continued operations on account of provisions and write-offs.
- 11.5** VAT receivables have been paid on purchases of goods and services and will be utilised against VAT liabilities for future periods.

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12 CASH AT BANK

	As of 31 Dec 2022	As of 31 Dec 2021
Cash at bank and cash in hand	4,432,679	1,728,067
Short-term deposits	1,921,843	3,444,854
Cash and balances with banks	6,354,522	5,172,921
Less: short-term deposits with original maturities of more than three months	(199,998)	-
Cash and cash equivalents	6,154,524	5,172,921

The short-term deposits carry variable rate of return between 4.00% to 4.40% (2021: 0.75% - 2.5%) per annum.

13 SHARE CAPITAL AND RESERVES

13.1 Share capital and share premium

The Company's authorised and fully paid up share capital consists of 731,099,729 shares (31 Dec 2021: 731,099,729 shares) of SR 10 each.

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

	As of 31 Dec 2022	As of 31 Dec 2021
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

On 11 October 2021, the Company completed its Initial Public Offering ("IPO"), and its ordinary shares were listed on the Saudi Stock Exchange, the Tadawul. The Company issued 85,336,851 new ordinary shares at a value of SR 56 each, representing 11.67% of the Company's share capital after capital increase. Accordingly, the Company's issued share capital increased (at nominal value of SR 10 per share) by SR 853.4 million and share premium increased by SR 3,925.5 million. Total capital increase includes 4,137,552 shares granted to eligible employees of the Company as share based payments (note 29.4). Total proceeds received against the IPO before deducting transaction cost and share based payments amounted to SR 4,778.9 million.

13.2 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 23.5)	Total
Balance as of 1 January 2021	(591,116)	(6,171)	(2,163,341)	(10,611)	(27,180)	(2,798,419)
Change in fair value of cash flow hedge reserve net of settlements	247,149	(278)	997,786	(18,517)	-	1,226,140
Balance as of 31 December 2021	(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 33)	(510,382)	-	-	-	-	(510,382)
Recycled to profit or loss on sale of an equity accounted investee (note 33)	-	-	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

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13 SHARE CAPITAL AND RESERVES (continued)

13.2 Other reserves (continued)

Cash flow hedge reserve

The cash flow hedge reserve represents the effective portion of cash flow hedges. 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 profit or loss.

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 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.

13.3 Capital management

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. Management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

13.4 Dividends

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 are subject to approval of the shareholders at the ordinary general assembly meeting.

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 2022, certain subsidiaries of the Group distributed dividends of SR 62.5 million (31 Dec 2021: SR 105.0 million) to the non-controlling interest shareholders.

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14 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

	Central Electricity Generating Company (“CEGCO”)	ACWA Power Barka SAOG (“Barka”)	ACWA Power Ouarzazate S.A. (“APO I”)	ACWA Power Ouarzazate II S.A. (“APO II”)	ACWA Power Ouarzazate III S.A. (“APO III”)	Al Zarqa Plant for Energy Generation (“ZARQA”)	Rabigh Three Company (“Rabigh 3”)	Sakaka Solar Energy Company (“Sakaka”)	Rabigh operation and maintenance Company (“ROMCO”)	ACWA Power Harbin Holdings Limited (“Harbin”)	Others* including adjustments	Total
<u>As of 31 December 2022</u>												
NCI %	59.072%	58.10%	26.875%	25.00%	25.00%	40.00%	30.00%	30.00%	40.00%	45.00%		
Non-current assets	307,268	328,751	2,765,587	2,990,972	2,515,026	2,040,054	2,672,734	1,040,982	555	1,142,606		
Current assets	547,967	150,602	191,858	260,037	174,406	163,155	197,880	101,045	74,068	231,715		
Non-current liabilities	(92,519)	(248,395)	(2,047,494)	(2,464,313)	(2,300,083)	(1,451,831)	(2,476,504)	(985,717)	(3,132)	-		
Current liabilities	(373,651)	(211,003)	(257,416)	(684,858)	(637,917)	(188,801)	(140,354)	(52,753)	(35,672)	(42,890)		
Net assets / (liabilities)	389,065	19,955	652,535	101,838	(248,568)	562,577	253,756	103,557	35,819	1,331,431		
Net assets / (liabilities) attributable to NCI	<u>229,828</u>	<u>11,594</u>	<u>175,369</u>	<u>25,460</u>	<u>(62,142)</u>	<u>225,031</u>	<u>76,127</u>	<u>31,067</u>	<u>14,328</u>	<u>599,144</u>	<u>42,701</u>	<u>1,368,507</u>
<u>As of 31 December 2021</u>												
NCI %	59.072%	58.10%	26.875%	25.00%	25.00%	40.00%	30.00%	30.00%	40.00%	45.00%		
Non-current assets	408,916	476,538	2,968,825	3,335,334	2,756,906	2,041,468	2,529,298	1,053,756	1,474	313,397		
Current assets	494,171	230,306	171,115	163,524	175,511	162,241	97,796	71,925	62,161	47,835		
Non-current liabilities	(133,785)	(219,576)	(2,157,926)	(2,479,572)	(2,115,547)	(1,590,988)	(2,588,533)	(1,098,847)	(3,228)	-		
Current liabilities	(450,197)	(337,070)	(207,683)	(806,153)	(965,540)	(163,572)	(213,317)	(76,143)	(27,105)	(38,574)		
Net assets / (liabilities)	319,105	150,198	774,331	213,133	(148,670)	449,149	(174,756)	(49,309)	33,302	322,658		
Net assets / (liabilities) attributable to NCI	<u>188,502</u>	<u>87,265</u>	<u>208,101</u>	<u>53,283</u>	<u>(37,168)</u>	<u>179,660</u>	<u>(52,427)</u>	<u>(14,793)</u>	<u>13,321</u>	<u>145,196</u>	<u>64,859</u>	<u>835,799</u>

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14 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	Harbin	Others*	Total
31 December 2022												
NCI %	59.072%	58.10%	26.875%	25.00%	25.00%	40.00%	30.00%	30.00%	40.00%	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	(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	(8,577)		
Profit / (loss) – NCI share	77,742	(75,671)	(32,732)	(27,824)	(24,974)	12,021	1,523	(198)	11,110	(3,860)	(762)	(63,625)
OCI – NCI share	1,685	-	-	-	-	52,867	127,107	46,121	-	-	15,185	242,965
31 December 2021												
NCI %	59.072%	58.10%	26.875%	25.00%	25.00%	40.00%	30.00%	30.00%	40.00%	45.00%		
Revenue	410,104	388,572	185,331	204,446	27,271	250,374	16,953	53,843	106,072	25,968		
Profit / (loss)	49,784	9,594	19,597	(32,897)	(149,118)	30,669	232	1,023	31,766	(970)		
OCI	(911)	-	-	-	-	56,895	157,702	63,008	-	-		
Total comprehensive income / (loss)	48,873	9,594	19,597	(32,897)	(149,118)	87,564	157,934	64,031	31,766	(970)		
Profit / (loss) – NCI share	29,408	5,574	5,267	(8,224)	(37,280)	12,268	70	307	12,706	(437)	(34,549)	(14,890)
OCI – NCI share	(538)	-	-	-	-	22,758	47,311	18,902	-	-	5,215	93,648

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

14.1 During 2022, minority shareholders of ACWA Power Harbin holding and Redstone have provided additional capital contribution amounting to SR 378.1 million (2021: SR 139.9 million) and SR 0.7 million (2021: SR 5.5 million) respectively. Further, certain portion of shareholder loan amounting to SR 209.5 million from minority shareholders of APO II, APO III, APL and APB was converted into equity during 2021. In addition, SR 19.5 million (2021: SR 23.8 million) and SR 7.6 million (2021: nil) capital was repaid by Zarqa and RAWEC respectively to the minority shareholders. The additional capital contribution and repayment is recorded directly within the equity.

14.2 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 SAR 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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15 LONG -TERM FINANCING AND FUNDING FACILITIES

	<i>Notes</i>	As of 31 Dec 2022	As of 31 Dec 2021
<u>Recourse debt:</u>			
Financing facilities in relation to projects		2,941,340	2,479,306
Corporate facilities		1,130	1,130
Corporate bond	15.1	2,790,991	2,789,269
<u>Non-Recourse debt:</u>			
Financing facilities in relation to projects		15,513,361	14,926,843
ACWA Power Management and Investments One Ltd (“APMI One”)	15.2	1,527,250	3,004,460
ACWA Power Capital Management Ltd (“APCM”)	15.3	598,510	614,221
Total financing and funding facilities *		23,372,582	23,815,229
Less: Current portion of long-term financing and funding facilities		(1,039,904)	(958,476)
Non-current portion shown under non-current liabilities		22,332,678	22,856,753

* Total financing and funding facilities includes SR 8,177.5 million on account of Islamic facilities (2021: SR 6,400.8 million).

Financing and funding facilities as reported on the Group’s consolidated statement of financial position are classified as ‘non-recourse’ or ‘with-recourse’ facilities. Non-recourse 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 with-recourse 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 21).

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).

	<i>Notes</i>	<i>Interest rate</i>	<i>Maturity</i>	<i>Non-current portion</i>		<i>Current portion</i>	
				As of 31 Dec 2022	As of 31 Dec 2021	As of 31 Dec 2022	As of 31 Dec 2021
<u>Recourse Debt</u>							
<u>Financing facilities in relation to projects:</u>	15.4						
ACWA Power Ouarzazate III S.A. (“APO III”)		Fixed	2025	79,499	88,911	-	-
ACWA Power Taweelah Project Holding Co Ltd (“Taweelah”)		Variable	2023	-	141,605	-	-
ACWA Power Kom Ombo Project Holding Company (“Kom Ombo”)		Variable	2025	82,453	32,578	-	-
Rabigh Three Company (“Rabigh 3”)		Variable	2024	-	424,261	-	-
Qara Solar Energy / Sakaka Solar Energy Company (“Sakaka”)		Variable	2025	-	198,897	-	-
ACWA Power Sirdarya (“Sirdarya”) (note 33)		Variable	2025	-	975,000	-	-
ACWA Power Conventional Energy Limited (“APCE”)		Variable	2028	724,574	367,217	-	-
ACWA Power for Energy		Variable	2026	489,510	-	-	-
ACWA Power Dzhankeldy Wind LLC		Variable	2026	620,755	-	-	-
ACWA Power Bash Wind LLC		Variable	2026	650,724	-	-	-
ACWA Power Green Energy Africa Pty Ltd		Variable	2024	293,825	250,837	-	-
Total – Financing facilities in relation to projects				2,941,340	2,479,306	-	-

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15 LONG -TERM FINANCING AND FUNDING FACILITIES (continued)

	Notes	Interest rate	Maturity	Non-current portion		Current portion	
				As of 31 Dec 2022	As of 31 Dec 2021	As of 31 Dec 2022	As of 31 Dec 2021
<i>Corporate facilities:</i>							
Revolving Corporate Murabaha Facility		Variable	2025	1,130	1,130	-	-
Corporate bond	15.1	Variable	2028	2,790,991	2,789,269	-	-
Total – Recourse Debt				5,733,461	5,269,705	-	-
Non-Recourse Debt:							
<i>Financing facilities in relation to projects:</i>	15.4						
Barka Water and Power Projects SAOG (“Barka”)	15.6	Fixed	2024	142,895	116,816	45,665	117,885
Central Electricity Generating Company (“CEGCO”)		Fixed	2024 - 26	43,844	76,157	21,817	25,274
ACWA Power Ouarzazate S.A. (“APO I”)		Fixed	2038	1,515,998	1,681,986	88,587	82,613
ACWA Power Ouarzazate II S.A. (“APO II”)		Fixed	2040	2,208,464	2,390,661	103,530	104,260
ACWA Power Ouarzazate III S.A. (“APO III”)		Fixed	2039	1,728,129	2,054,733	115,188	110,755
ACWA Power Ouarzazate IV S.A. (“APO IV”)		Fixed	2035	167,689	183,310	12,925	12,458
Shuaibah Two Water Development Project (“Shuaibah II”)		Variable	2040	326,621	325,072	12,903	11,649
ACWA Power Laayoune		Fixed	2035	173,140	231,834	45,040	12,959
ACWA Power Boujdour		Fixed	2035	62,873	73,443	10,693	5,036
Al Zarqa Plant for Energy Generation (“ZARQA”)		Variable	2035	1,027,446	1,093,975	66,529	60,973
Sakaka Solar Energy Company (“Sakaka”)		Variable	2044	728,980	754,946	25,966	24,968
Rabigh Three Company (“Rabigh 3”)		Variable	2045	1,823,979	1,930,415	53,144	44,475
Rabigh Arabian Water and Electricity Company (“RAWEC”)	15.5	Both	2030 - 34	4,368,815	2,533,591	410,675	336,463
ACWA Power Sirdarya (“Sirdarya”) (note 33)		Variable	2039	-	530,136	-	-
Alia Water Company		Fixed	2024	181,826	-	-	-
Total – Financing facilities in relation to projects				14,500,699	13,977,075	1,012,662	949,768
<i>APMI One bond</i>	15.2	Fixed	2039	1,516,247	3,004,155	11,003	305
<i>APCM bond</i>	15.3	Fixed	2044	582,271	605,818	16,239	8,403
Total – Non-Recourse Debt				16,599,217	17,587,048	1,039,904	958,476
Total financing and funding facilities				22,332,678	22,856,753	1,039,904	958,476

The Group has hedged its variable interest rate exposure through interest rate swaps. Refer note 36.3 for interest rate sensitivity on variable rate financial liabilities.

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15 LONG-TERM FINANCING AND FUNDING FACILITIES (continued)

- 15.1** 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. The Sukuk issuance bears a return based on Saudi Arabia Interbank Offered Rate ("SIBOR") plus a pre-determined margin payable semi-annually in arrears. The Sukuk will be redeemed at par on its date of maturity on 14 June 2028.
- 15.2** 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, 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 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 28.1).
- 15.3** During the year 2021, the Group (through a subsidiary, APCM) issued Notes 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 subsidiaries, Shuaibah Two Water Development Project ("Shuaibah II").
- 15.4** Borrowings by project companies are primarily secured against underlying assets of the respective project companies, except borrowings that are with recourse to the Group amounting to SR 2,941.3 million as of 31 December 2022 (31 Dec 2021: SR 2,479.3 million).
- 15.5** During the year ended 31 December 2022, RAWEC concluded the phase 2 of debt refinancing. A new facility amounting to SR 2,231.2 million was drawn down. The new facility was obtained in 2 Tranches as follows:
- Commercial Loan Part 1 - USD 125.0 million equivalent to SR 468.7 million, repayable on a semi-annual basis from June 2022 with the final instalment to be paid in June 2034. The fixed rate on the loan is 4%; and
 - Commercial Loan Part 2 - USD 470 million equivalent to SR 1,762.5 million, repayable on a semi-annual basis from June 2022 with the final instalment to be paid in June 2034. The fixed rate on the loan is 4%.

Phase 1 of debt refinancing with a combined facility amount of SR 3,000.0 million was completed on 30 December 2021.

Upon successful completion of refinancing, RAWEC paid a one-off fee of SR 236.25 million to the off-taker/customer, who is also a minority shareholder, in accordance with the terms of the PWPA. The payment has been classified as other asset (note 9) and is amortised over remaining term of the PWPA.

- 15.6** During the year ended 31 December 2022, Barka concluded restructuring of its senior debt amounting to OMR 24.1 million equivalent to SR 236.2 million. As per the revised terms, the loan will be repaid in semi-annual instalments effective from 30 June 2022 with a final instalment due on 31 December 2024 along with a balloon payment of OMR 10.6 million equivalent to SR 103.9 million upon maturity. The loan carries an annual effective interest rate of 5.5%.

16 EMPLOYEE END OF SERVICE BENEFITS' LIABILITIES

- 16.1** The movement of employee benefits (end of service) liability (unfunded) is as follows:

	31 Dec 2022	31 Dec 2021
Balance at beginning of the year	196,025	178,964
Charge for the year recorded in profit or loss	35,629	40,820
Loss on re-measurement of defined benefit liability (OCI)	(5,796)	18,177
Derecognised on loss of control in subsidiary / Business combination	(5,196)	-
Paid during the year	(29,874)	(41,936)
Balance at end of the year	<u>190,788</u>	<u>196,025</u>

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

Interest cost	3,248	3,313
Current service cost	32,381	37,507
Total	<u>35,629</u>	<u>40,820</u>

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16 EMPLOYEE END OF SERVICE BENEFITS' LIABILITIES (continued)

16.3 The principal actuarial assumptions used are as follows:

	2022	2021
Discount rate	4.05%	2.50% - 5.5%
Increments	4.30% - 7.35%	1.45% - 10%
Withdrawal rate		
Up to the age of 20 years	4%-22.5%	4%-22.5%
From the age of 21 to 25 years	4% - 18.8%	4% - 18.8%
From the age of 26 to 30 years	4% - 15%	4% - 15%
From the age of 31 to 50 years	3% - 7.5%	3% - 7.5%
Above 51	1% - 3.8%	1% - 3.8%

16.4 Sensitivity analysis

	Change (bps)	Increase (decrease)	
		31 Dec 2022	31 Dec 2021
Discount rate	+100	(4,213)	(11,757)
	- 100	4,523	13,695
Increments	+100	5,100	14,279
	- 100	(4,842)	(12,479)

17 DEFERRED REVENUE

	Notes	2022	2021
Balance as of 1 January		208,521	289,153
Deferred during the year		256,990	245,322
Recognised during the year	17.1	(160,487)	(325,954)
Balance as of 31 December		305,024	208,521
Less: current portion	18	(214,373)	(154,190)
Non-current portion at end of the year		90,651	54,331

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.

17.1 This includes revenue recognised amounting to SR 154.2 million (2021: SR 225.8 million) from opening deferred revenue.

18 ACCOUNTS PAYABLES, ACCRUALS AND OTHER FINANCIAL LIABILITIES

	Notes	As of 31 Dec 2022	As of 31 Dec 2021
Accounts payable	18.1	1,465,497	1,570,704
Accrued expenses and other liabilities		710,872	992,731
Salaries and benefits payable		279,248	235,677
Reinsurance liabilities and premiums payable	18.2	261,387	371,905
Deferred revenues	17	214,373	154,190
Value added tax payable		77,853	102,853
Accrued financial charges on letters of guarantee and loans		31,371	32,669
Lease liabilities		7,160	6,766
Other financial liabilities	23.4	1,352	128,359
Dividend payable		1,087	1,305
Others		1,047	822
		3,051,247	3,597,981

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18 ACCOUNTS PAYABLES, ACCRUALS AND OTHER FINANCIAL LIABILITIES (continued)

18.1 Accounts payable includes SR 306.9 million (31 Dec 2021: SR 306.9 million) on account of fuel charges due to supplier. The fuel cost is a pass through to NEPCO, the off-taker.

The payments by NEPCO are back stopped by a Government of Jordan guarantee. The Government of Jordan has an ownership interest in both CEGCO and NEPCO (note 11.2).

18.2 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 11.3).

19 SHORT-TERM FINANCING FACILITIES

This represents working capital facilities obtained and drawn by subsidiaries and outstanding at the reporting date amounting to SR 275.1 million (2021: SR 186.4 million). The facilities carry variable rate of interest between 1.15% - 8.75% (2021: 1.5% - 6.5%) per annum.

20 ZAKAT AND TAXATION

20.1 Amounts recognised in profit or loss

	Notes	2022	2021
Zakat and tax	20.2 and 20.3	122,364	131,931
Deferred tax charge / (credit) *	20.4	110,510	(48,808)
Zakat and tax charge		232,874	83,123
Less: Tax charge from discontinued operation	33	-	(3,013)
Zakat and tax charge reflected in profit or loss		232,874	80,110

* *Deferred tax charge disclosed in note 20.4 does not include deferred tax charge or credit associated with assets held for sale.*

20.2 Significant zakat and tax assessments

The Company

Pursuant to the investment by International Finance Corporation (“IFC”) in the Company on 17 September 2014; the Company was assessed as a mixed entity in Saudi Arabia commencing from 2014. During 2020, IFC disposed of its shares to a Saudi shareholder which increased the shareholding of Saudi Shareholders in the Company to 100%. However, for the purpose of zakat and tax filing, the Company continued to comply with its obligation under Zakat law as a mixed entity for the year 2020. For the year 2021 and 2022, the Company is only subject to zakat.

The Company has filed zakat and tax returns for all the years up to 2021. 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 2021.

ACWA Power Projects (“APP”)

APP has filed its zakat and tax returns for all the years up to 2021. APP had finalised its position with the ZATCA up to the year 2014. During 2020, APP received an assessment from the ZATCA for the year 2018 with an additional zakat liability of SR 31 million. The company closed out the revised zakat liability at an amount of SR 1.3 million.

During April 2021, APP received an assessment from the ZATCA for the years 2015 to 2017 with an additional zakat liability of SR 39.7 million. APP filed an objection with the General Secretariat of Tax Committees (“GSTC”) Tax Violations and Dispute Resolution Committee (“TVDRC”). During 2022, TVDRC has issued its ruling partially in favour of APP reducing the liability to SR 11.3 million. Subsequently, the ZATCA appealed the TVDRC ruling to the Tax Violations and Dispute Appeal Committee (“TVDAC”). The case is yet to be reviewed by the TVDAC.

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20 ZAKAT AND TAXATION (continued)

20.2 Significant zakat and tax assessments (continued)

NOMAC Saudi Arabia ("NOMAC")

NOMAC has filed its zakat returns for all the years up to 2021. During the prior years, the Company received two zakat assessments from the ZATCA for the years 2008 to 2012 and 2013 to 2016. The years 2008 to 2012 have been closed with the TVDAC ruling in favour of the company. For the years 2013 to 2016, the TVDAC ruling has resulted in reduced zakat liability of SR 4.5 million. However, NOMAC is in the process of filing a reconsideration application against the TVDAC ruling.

Rabigh Arabian Water & Electricity Company ("RAWEC")

RAWEC has filed its zakat and tax returns for all the years up to 2021. The ZATCA raised an assessment related to years 2007 to 2013 claiming additional tax, zakat, withholding tax amounting to SR 10.7 million including delay penalties. RAWEC filed an objection with the General Secretariat of Tax Committees ("GSTC") Tax Violations and Dispute Resolution Committee ("TVDRC"). During 2021, TVDRC has issued its ruling partially in favour of the RAWEC reducing the liability to SR 1.85 million. The ZATCA appealed the TVDRC ruling to the Tax Violations and Dispute Appeal Committee ("TVDAC"). The case is yet to be reviewed by the TVDAC.

During 2018, the ZATCA issued tax and zakat assessment for the year 2017, claiming additional tax, zakat liabilities amounting to SR 47 million including delay penalties. Subsequently the ZATCA raised a revised assessment reducing the liability to SR 2.5 million including delay penalties. The case is now under review by the GSTC.

During 2021, the ZATCA issued an assessment for the year 2015, claiming additional tax, zakat and delay penalties amounting to SR 20 million. RAWEC filed an objection with the GSTC's TVDRC. During 2022, TVDRC issued its ruling partially in favour of RAWEC reducing the liability to SR 0.564 million, including delay fines. Subsequently, RAWEC appealed the TVDRC ruling to the TVDAC. The case is yet to be reviewed by the TVDAC.

During 2022, the ZATCA issued an assessment for the year 2016, claiming additional tax, zakat liabilities amounting to SR 23.6 million including delay penalties. RAWEC filed an objection with the GSTC's TVDRC. The case is now under review by the GSTC.

Barka Water and Power Projects SAOG ("Barka")

The assessments are completed up to the tax year 2009 with no pending matters with the Tax Authority or Commercial Courts.

Tax year FY 2010-12 - Consequent to the judgment of the Supreme Court for tax years 2006 to 2009, the TA, in the year 2019, issued the assessment orders under Article 148 of the Income Tax Law for the tax years 2010 to 2012 to give the consequential effect of the judgment and raised a tax demand of OMR 2,204,624 for the tax years 2011 and 2012. Barka settled this tax demand accordingly. In the year 2019, the Supreme Court issued its judgment in the case of another Power Company (exempt from income tax under the same RD 54/2000) and allowed indefinite carry-forward of tax losses incurred during the exemption period. Barka believes that the Supreme Court judgment issued in the case of that Power Company subject to the same Royal Decree reflects the correct and final interpretation of the Law and should be applied in its case as well. Barka has lodged an Appeal with the Income Tax Grievance Committee to claim: a) indefinite carry forward of tax losses incurred during the exemption period of five years from commercial operations date and b) reversal of additional tax levied for the tax years 2011 and 2012. The decision from the Committee is awaited.

Tax year 2013 - At the end of year 2019, Barka received an assessment order for the tax year 2013 assessing an additional tax payment of OMR 372,716. Barka filed an objection in February 2020 along with a request to keep the tax demand raised in the order in abeyance which was rejected by the TA. Consequently, Barka settled this demand prior to lodging an Appeal against the rejection of the objection. Barka filed the Appeal on the same grounds claiming tax losses incurred during the exempt period (refer above for tax years 2010-2012). During the year 2021, TA re-assessed tax return for year 2013 and made corrections previously highlighted by Barka in good faith. Consequently, TA demanded additional tax liability of OMR 1,286,696 which was settled by Barka. As the assessment was revised, objection submitted by Barka in the year 2020 was nullified and revised objection was filed on the same grounds. Barka has paid additional tax liability of OMR 415,849 for tax year 2013 on 15 March 2022 and has submitted Grievance letter to the Tax Grievance Committee on 22 March 2022.

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20 ZAKAT AND TAXATION (continued)

20.2 Significant zakat and tax assessments (continued)

Barka Water and Power Projects SAOG ("Barka") (continued)

Tax years 2014 – 2016 - In December 2020, TA issued assessment orders for the tax years 2014 to 2016 and raised a demand of OMR 2,608,618 which was settled by Barka during the year 2021. Barka already had provided for this liability in its financial statements. Barka upon advice of its tax consultant, filed an objection on the same grounds claiming tax losses incurred during the exempt period (refer above for tax years 2010-2012).

Tax years 2017 – 2020 - In December 2022, TA issued assessment orders for the tax years 2017 to 2020 and raised a demand of OMR 7,045,616 which is due to be settled by Barka before 25 January 2023. Barka had already provided for this liability in its financial statements. Barka has filed an objection on the same grounds claiming tax losses incurred during the exempt period (refer above for tax years 2010-2012). Subsequent to the year-end, the Company has paid OMR 7,045,616 against the provision made in earlier years.

Tax Year 2021 - Barka has already submitted assessment response for the tax year 2021 and the assessment is pending to be closed.

Others

With its multi-national operations, the Group is subject to taxation in multiple jurisdictions around the world with complex tax laws. The Group has ongoing matters in relation to tax assessments in the various jurisdictions in which it operates. Based on the best estimates of management, the Company has adequately provided for all tax assessments, where appropriate.

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate. A rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance). In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant in order for entities to determine their tax status and the taxable income. Therefore, pending such important decisions by the Cabinet as of 31 December 2022, the Group has considered that the Law is not substantively enacted from IAS 12 – Income Taxes perspective as of 31 December 2022. The Group shall continue to monitor the timing of the issuance of these critical cabinet decisions to determine their tax status and the application of IAS 12 – Income Taxes.

The Group is currently in the process of assessing the possible impact on the consolidated financial statements, both from current and deferred tax perspective, once these critical cabinet decisions are issued.

20.3 Zakat and tax provision for the year

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

	2022	2021
Balance as of 1 January	215,502	276,517
Charge - for the current year	122,364	118,532
for prior year assessments	-	13,399
Payments	(101,080)	(192,946)
Balance as of the end of the year	236,786	215,502

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20 ZAKAT AND TAXATION (continued)

20.4 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:

	Net balance at 1 Jan	Recognised in profit or loss**	Recognised in OCI including currency translation differences	As of 31 Dec		
				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>
2021						
Property, plant and equipment	(232,943)	(37,917)	-	(270,860)	-	(270,860)
Unused tax losses*	198,302	80,389	-	278,691	278,691	-
Fair value of derivatives	7,923	-	(11,049)	(3,126)	-	(3,126)
End-of-service employee benefit liability	5,988	(41)	-	5,947	5,947	-
Accruals, provisions and others	30,517	6,377	(2,946)	33,948	33,948	-
	<u>9,787</u>	<u>48,808</u>	<u>(13,995)</u>	<u>44,600</u>	<u>318,586</u>	<u>(273,986)</u>
Deferred tax assets and liabilities off-set					(153,582)	153,582
Net deferred tax asset / (liability)					<u>165,004</u>	<u>(120,404)</u>

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

**Deferred tax expense for the year ended 31 December 2022 includes impact from foreign exchange rate movements of SR 161.1 million (31 December 2021: reversal/expense of SR 3.7 million).

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21 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 foreign currency exposures to mitigate the 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 foreign exchange forward contracts to manage some of its transaction exposures.

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 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Hedged items	Hedging instruments						
Interest payments on floating rate loans	Interest rate swaps	8,767,752	6,579,783	1,030,668	45,540	(1,669)	(401,672)
Highly probable forecast transactions	Forward foreign exchange contracts	-	32,190	-	-	-	(5,276)
				1,030,668	45,540	(1,669)	(406,948)
Less: Current portion				106,131	-	-	(44,058)
Non-current portion				924,537	45,540	(1,669)	(362,890)

Derivatives often involve at their inception only a mutual exchange of promises with little or 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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22 RELATED PARTY TRANSACTIONS AND BALANCES

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>Notes</i>	<i>Relationships</i>	<i>For the year ended</i>	
			2022	2021
<i>Transactions:*</i>				
Revenue		Joint ventures / Affiliates	2,073,298	2,061,785
Other operating income		Joint ventures	157,257	132,676
Finance income		Joint ventures	140,761	54,754
Financial charges on loan from related parties	31	Joint venture / Affiliates	50,295	55,979
Key management personnel compensation including director's remuneration**		-	70,096	165,246

* 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 for the year ended 31 December 2021.

	<i>Notes</i>	<i>Relationships</i>	<i>As of</i>	
			31 Dec 2022	31 Dec 2021
<i>Due from related parties</i>				
<i>Current:</i>				
Hajr for Electricity Production Company	(a)	Joint venture	208,190	166,859
Al Mourjan for Electricity Production Company	(a)	Joint venture	155,797	109,282
ACWA Power Sirdarya	(d)	Joint venture	46,060	-
Hassyan Energy Phase 1 P.S.C	(a)	Joint venture	46,980	74,766
Dhofar O&M Company	(a)	Joint venture	49,910	61,695
Shuaibah Water & Electricity Company	(a)	Joint venture	24,922	45,026
ACWA Power Solarreserve Redstone Solar TPP	(e)	Joint venture	34,672	39,873
ACWA Guc Isletme Ve Yonetim Sanayi Ve Ticaret	(a), (g)	Joint venture	9,798	35,267
Naqa’a Desalination Plant LLC	(a)	Joint venture	15,970	32,688
Rabigh Electricity Company	(a)	Joint venture	35,642	28,709
Shuqaiq Water and Electricity Company (note 33)	(a)	Joint venture	-	27,001
Shuqaiq Services Company for Maintenance	(a)	Joint venture	25,088	-
UPC Renewables S.A	(a)	Joint venture	8,182	26,952
Jazan Integrated Gasification and Power Company	(f)	Joint venture	28,968	23,237
Noor Energy 1 P.S.C	(a)	Joint venture	150,106	15,054
Ad-Dhahirah Generating Company SAOC	(a)	Joint venture	17,112	14,048
Shuaibah Expansion Project Company	(a)	Joint venture	13,046	11,363
ACWA Power Solafrika Bokpoort CSP Power Plant Ltd	(a)	Joint venture	21,975	8,604
ACWA Power Oasis Three	(a)	Joint venture	8,264	8,022
Shinas Generating Company SAOC	(a)	Joint venture	14,636	4,870
Haya Power & Desalination Company	(a)	Joint venture	24,166	3,055
Neom Green Hydrogen Company	(d)	Joint venture	6,227	-
Shams Ad-Dhahira Generating Company SAOC	(d), (e)	Joint venture	1,657	3,200
Saudi Malaysia Water and Electricity Company	(d)	Joint venture	836	395
Risha for Solar Energy Projects	(a)	Joint venture	245	204
Other related parties		Joint venture	36,671	40,486
			985,120	780,656

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22 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	Notes	Relationships	As of	
			31 Dec 2022	31 Dec 2021
Due to related parties				
Non-current:				
ACWA Power Renewable Energy Holding Limited	(b)	Joint venture	-	760,873
Water and Electricity Holding Company CJSC	(i)	Shareholder's subsidiary	738,808	707,410
Loans from minority shareholders of subsidiaries	(c)	-	124,079	126,569
			862,887	1,594,852
Current:				
ACWA Power Africa Holdings (Pty) Ltd	(h)	Joint venture	16,199	17,953
ACWA Guc Isletme Ve Yonetim Sanayi Ve Ticaret	(j)	Joint venture	21,476	44,746
ACWA Power Renewable Energy Holding Limited		Joint venture	18,289	-
Others		Joint ventures	32,639	20,786
			88,603	83,485
Cash and balances with banks				
Saudi National Bank		Affiliate	11,068	1,682
Contingencies and commitments				
Saudi National Bank		Affiliate	666,602	818,664

- (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. In certain cases, the balance also includes advances provided to related parties that have no specific repayment date.
- (b) During 2018, ACWA Power Renewable Energy Holdings Limited ("APREH") entered into a convertible loan agreement whereby amounts drawn down under such agreement was advanced to the ACWA Power Global Services ("APGS"), a fully owned subsidiary of the Company, through an intra-group shareholder advance agreement ("the agreement"). An amount of SR 1,361.2 million was advanced to APGS. The loan carried an effective interest rate of 3.67% per annum. A portion of the loan amounting to SR 600.4 million was converted as sales consideration against the sale of 49% of the Group's shareholding in APREH. During the year ended 31 December 2022, APGS opted to early repay the full loan balance to APREH.
- (c) This includes:
- Loan payable to non-controlling shareholders of ACF Renewable Energy Limited amounting to SR 40.7 million (2021: SR 41.4 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 (2021: SR 85.2 million). The loans are due for repayment in 2024 and carry profit rate at Libor + 1.3% per annum.
- (d) The balance represents advance provided to related parties that has no specific repayment and bears no profit rate.
- (e) This represents receivable on account of development fee and reimbursement of cost incurred on behalf of the equity accounted investee.
- (f) The balance represents interest receivable from an equity accounted investee on account of shareholder loan. The shareholder loan is a long-term interests in the project, and classified within equity accounted investees.
- (g) This represents amounts payable to NOMAC for operation and maintenance services provided to the project company under operation and maintenance contracts. During the year 2022, the Group has reversed an impairment loss of SR 5.1 million which was recognised in year 2020 (2021: reversal of SR 4.9 million) upon partial recovery of balance. The balance as of 31 December 2022, represents the receivable related to O&M services provided during the year 2022.
- (h) This represents amounts payable to an equity accounted investee in respect of project development cost.

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22 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (i) 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 2022, SR 31.4 million (2021: SR 29.4 million) finance charge was amortised on the outstanding loan balance.
- (j) This represents advance received from equity accounted investee on account of operation and maintenance services to be rendered. This will be paid to an external supplier within next 12 months.

23 OTHER LIABILITIES

Other liabilities as reported in consolidated statement of financial position as of 31 December 2022 includes:

	<i>Notes</i>	As of 31 Dec 2022	As of 31 Dec 2021
Financial liabilities assumed on loss of control	23.1	228,127	217,076
Asset retirement obligations	23.2	227,066	194,320
Liabilities in relation to long term spares agreement		127,143	114,647
Long term incentive plan	23.3	91,809	60,995
Coal derivative liabilities	23.4	80,012	43,044
Lease liabilities		63,153	38,991
Put options	23.5	2,760	5,175
		820,070	674,248

23.1 This represents financial liabilities assumed on loss of control in a subsidiary during 2018 (note 7.1.5).

23.2 The movement of asset retirement obligations is as follows:

	2022	2021
Balance at beginning of the year	194,320	130,464
Recognised during the year	25,973	55,875
Unwinding of interest	6,773	7,981
Balance at end of the year	227,066	194,320

23.3 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 covers 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. Accordingly, a provision of SR 30.8 million (2021: SR 60.9 million) has been recognised within general and administration expenses.

23.4 The Group has entered into a coal supply agreement (the “Ancillary Agreement”) with a third-party supplier, in relation to an independent power plant (IPP) owned by an equity accounted 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. The coal prices are determined with reference to coal price indices which act as a market reference for coal trading in Europe and Asia. Thus, the Ancillary Agreement has an embedded commodity swap (the “Derivative”) that needs to be separated and carried at fair value.

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23 OTHER LIABILITIES (continued)

As of 31 December 2022, the Group carries a liability of SR 81.4 million (SR 80.0 million non-current liabilities and SR 1.4 million current liabilities) in the consolidated statement of financial position (31 December 2021: SR 171.4 million classified as SR 43.0 million non-current liabilities and SR 128.4 million current liabilities). During the year ended 31 December 2022, the Group recognised a gain on change in fair value of the Derivative amounting to SR 104.6 million (31 December 2021: nil) within other income

The impact on the fair value of the liability due to independent changes in key assumptions are as follows. The actual impact on the financial statements would be the cumulative effect of different variables.

2022

+/-10% change in coal consumption quantity	SR 11.2 million / (SR 11.2 million)
+/-10% change in coal price	SR 11.2 million / (SR 11.2 million)
+/- 50 bps change in discount rate	(SR 5.5 million) / SR 5.5 million

2021

+/-10% change in coal consumption quantity	SR 19.7 million / (SR 19.7 million)
+/-10% change in coal price	SR 19.7 million / (SR 19.7 million)
+/- 50 bps change in discount rate	(SR 2.4 million) / SR 2.4 million

23.5 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 13.2).

24 REVENUE

	<i>Notes</i>	2022	2021
Services rendered			
Operation and maintenance		1,922,409	1,714,145
Development and construction management services		803,865	653,478
Others	24.1	224	17,464
Sale of electricity			
Capacity charges		804,562	1,036,248
Energy output		263,046	393,165
Finance lease income	8.1	137,947	313,110
Sale of water			
Capacity charges	24.2	945,489	971,453
Water output	24.2	292,943	136,330
Finance lease income	8.1	105,445	-
		5,275,930	5,235,393

Refer note 35 for the geographical distribution of revenue.

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

24.2 Includes revenue from sale of steam of SR 399.7 million during the year (2021: SR 395.9 million).

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25 OPERATING COSTS

	<i>Notes</i>	2022	2021
Direct material cost and station operating cost		773,247	627,627
Depreciation	5.3	431,367	579,457
Operating and technical fee		350,164	313,930
Staff cost		542,626	535,578
Natural gas and fuel cost		89,660	136,247
Direct insurance cost		88,171	85,946
Liquidated damages expense		15,604	-
Other direct overheads		119,743	104,892
		<u>2,410,582</u>	<u>2,383,677</u>

26 GENERAL AND ADMINISTRATION EXPENSES

	<i>Notes</i>	2022	2021
Salaries and other employee benefits		578,760	520,874
Professional and legal fees		151,093	141,442
Provisions and write-offs	26.1	78,342	52,736
Travel expenses		39,947	14,501
Provision for long term incentive plan	23.3	30,814	60,995
Depreciation expense	5.3	21,415	28,618
Communication and subscription costs		16,653	14,601
Rent and utilities expenses		15,359	11,893
Amortisation of intangible assets	6.2	13,035	12,851
Directors' remuneration		11,020	11,353
Public relations cost		10,954	1,261
Repairs and maintenance expenses		2,309	4,931
Others		60,766	48,816
		<u>1,030,467</u>	<u>924,872</u>

26.1 Provisions and write-off includes impairment allowance charge for the year in relation to:

- Trade receivables and related party balances amounting to SR 56.7 million (2021: SR 14.4 million);
- Inventories amounting to SR 8.1 million (2021: SR 29.9 million); and
- Other assets amounting to SR 13.5 million (2021: SR 8.4 million)

27 OTHER OPERATING INCOME

	<i>Notes</i>	2022	2021
Group services	27.1	157,257	132,676
Finance income from shareholder loans		140,761	54,754
Performance liquidated damages and insurance recovery	27.2	221,730	-
		<u>519,748</u>	<u>187,430</u>

27.1 Group services amounting to SR 157.3 million (2021: SR 132.7 million) relates to management advisory, and ancillary support provided to equity accounted investees.

27.2 This includes performance liquidated damages recovered from EPC contractors and business interruption insurance recoveries amounting to SR 177.8 million and SR 43.9 million in relation to certain of the Group's subsidiaries in Morocco.

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28 OTHER INCOME, NET

	<i>Notes</i>	2022	2021
Income in relation to early settlement of long-term financing and funding facilities and termination of hedging instruments	28.1	113,213	-
Income earned on deposits		118,391	17,584
Gain on change in fair value of the derivative		104,571	-
Sale of inventory		32,930	-
Gain / (loss) on disposal of property, plant and equipment		23,278	(7,747)
Gain on remeasurement of options		2,415	6,075
Insurance recoveries		23	21,969
Others		-	3,673
		394,821	41,554

28.1 This includes income in relation to early settlement of APMI One bonds amounting to SR 74.8 million (refer note 15.2) 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 38.4 million.

29 IMPAIRMENT LOSS AND OTHER EXPENSES, NET

	<i>Notes</i>	2022	2021
Impairment loss	29.1	121,595	60,024
Arbitration/legal claim and supplier settlement	29.2	111,532	-
Corporate social responsibility	29.3	18,383	16,458
Share based payments expenses	29.4	-	280,000
		251,510	356,482

29.1 Impairments loss

	<i>Notes</i>	2022	2021
Impairment loss on property, plant and equipment	5	121,595	-
Impairment loss on goodwill	6.1	-	60,024
		121,595	60,024

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

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 SAR 121.6 million was recorded in the current year (2021: no impairment recorded). A pre-tax discount rate of 9.21% (2021: 7.57%) 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 SR 19.9 million.

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

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

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29 IMPAIRMENT LOSS AND OTHER EXPENSES, NET (continued)

- 29.3** During the year 2022, the Group contributed SR 18.4 million (2021: SR 16.5 million) in various countries including Saudi Arabia primarily to support education and related infrastructure.
- 29.4** On 30 March 2021, the Board of Directors approved an incentive plan comprising shares and cash benefits (the “Plan”) for eligible employees payable upon a successful listing of the Company subject to other performance conditions. On 13 June 2021, the shareholders of the Company approved the Plan. The Plan was granted and vested to eligible employees on 28 September 2021 (the “Grant Date”). Thus, in accordance with the requirements of International Financial Reporting Standards as endorsed in KSA, the Group recognised a share based payment expense amounting to SR 280.0 million which was equivalent to the fair value of the Plan at the Grant Date.

30 EXCHANGE LOSS, NET

	2022	2021
Realised exchange gain / (loss)	19,914	(31,908)
Unrealised exchange loss	(56,756)	(15,007)
	<u>(36,842)</u>	<u>(46,915)</u>

31 FINANCIAL CHARGES

	Notes	2022	2021
Financial charges on borrowings		1,021,149	857,720
Financial charges on letters of guarantee		110,272	90,223
Financial charges on loans from related parties	22.1	50,295	55,979
Other financial charges	31.1	46,958	48,609
	31.2	<u>1,228,674</u>	<u>1,052,531</u>

- 31.1** Other financial charges are net of discount unwinding on long term receivables amounting to SR 3.8 million (2021: 14.4 million).

- 31.2** Total financial charges includes SR 393.8 million (2021: SR 186.1 million) in relation to Islamic financing facilities.

32 EARNINGS PER SHARE

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

	31 Dec 2022	31 Dec 2021
Issued ordinary shares as at	<u>731,100</u>	<u>731,100</u>
Weighted average number of ordinary shares outstanding during the year ended	<u>731,100</u>	<u>664,701</u>

- 32.2** The basic and diluted earnings per share are calculated as follows:

Net profit for the year attributable to equity holders of the Parent	<u>1,540,035</u>	<u>758,798</u>
Profit for the year from continuing operations attributable to equity holders of the Parent	<u>1,322,179</u>	<u>823,124</u>
Basic and diluted earnings per share to equity holders of the Parent (in SR)	<u>2.11</u>	<u>1.04</u>
Basic and diluted earnings per share for continuing operations to equity holders of the Parent (in SR)	<u>1.81</u>	<u>1.13</u>

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33 DISCONTINUED OPERATIONS

33.1 *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:

	Notes	As of 17 March 2022
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	13.2	(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:

	Note	As of 17 March 2022
<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 33.6.

33.2 *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.

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33 DISCONTINUED OPERATIONS (continued)

33.2 ACWA Power Uzbekistan Project Holding Company (continued)

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

	Note	31 Dec 2022
Fair value of consideration received including Buyer's share in shareholder loan		12,202
Less: Fair value of net assets derecognised	33.2.1	(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

33.2.1 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)
Accounts payable, accruals and other liabilities	(12,413)
Net assets	332,992

Consolidated results of the investee Company are disclosed in note 33.6.

33.3 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's subsidiary or Solar V) which effectively owns 40% stake in Shuaa Energy 3 PSC (an equity accounted investee or "Shuaa 3"). Legal formalities with respect to disposal are not completed as of 31 December 2022. For the purpose of these consolidated financial statements, net assets of Solar V together with carrying value of ACWA Power's Investment in Shuaa 3 amounting to SAR 62.6 million were classified as assets held for sale. Other reserves associated with Shuaa 3 amounts to 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.

33.4 Vinh Hao 6 Power Joint Stock Company

On 20th October 2022, ACWA Power entered into a Sale Purchase Agreement ("SPA") for the sale of a 60% stake (complete stake) in its equity accounted investment, Vinh Hao 6 Power Joint Stock Company ("Vinh Hao"), subject to the satisfaction of conditions precedent in the SPA. For the purpose of these consolidated financial statements, carrying value of the Group's Investment in Vinh Hao amounting to SR 77.4 million were classified as assets held for sale.

33.5 In addition to above, the Group partially disposed-off its equity stake in a subsidiary without losing control over the investee. Refer note 14.2.

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33 DISCONTINUED OPERATIONS (continued)

33.6 Results of discontinued operations

For the year ended 31 December

	2022					2021				
	O&M entity including Shuqaiq	Sirdarya	Shuaa 3	Vinh Hao	Total	O&M entity including Shuqaiq	Sirdarya	Shuaa 3	Vinh Hao	Total
Revenue	22,360	-	-	-	22,360	125,547	-	-	-	125,547
Operating costs	(17,678)	-	-	-	(17,678)	(76,877)	-	-	-	(76,877)
General and administration expenses	(1,138)	(1,053)	-	-	(2,191)	(5,435)	(10,462)	-	-	(15,897)
Other operating income	-	1	-	-	1	8,827	-	-	-	8,827
Financial charges, net	-	-	-	-	-	(7,238)	-	-	-	(7,238)
Foreign exchange loss	-	(88)	-	-	(88)	(1)	413	-	-	412
Zakat and tax charge	-	-	-	-	-	(3,013)	-	-	-	(3,013)
Net income	3,544	(1,140)	-	-	2,404	41,810	(10,049)	-	-	31,761
Share in net results	(7,598)	-	1,605	2,924	(3,069)	(101,426)	-	229	5,110	(96,087)
	(4,054)	(1,140)	1,605	2,924	(665)	(59,616)	(10,049)	229	5,110	(64,326)
Gain / (loss) on divestment	(17,179)	235,700	-	-	218,521	-	-	-	-	-
(Loss) / profit from discontinued operations	(21,233)	234,560	1,605	2,924	217,856	(59,616)	(10,049)	229	5,110	(64,326)

33.7 Cash flows of discontinued operations

For the year ended 31 December

	2022					2021				
	O&M entity including Shuqaiq	Sirdarya	Shuaa 3	Vinh Hao	Total	O&M entity including Shuqaiq	Sirdarya	Shuaa 3	Vinh Hao	Total
Cash flows generated from / (used in)										
Operating activities	4,165	(264,022)	-	-	(259,857)	3,339	333,352	-	-	336,691
Investing activities	-	(1,042,282)	-	(449)	(1,042,731)	-	(1,597,405)	-	(4,818)	(1,602,223)
Financing activities	-	1,186,708	-	-	1,186,708	-	1,404,476	-	-	1,404,476

33.8 Contingencies and commitments

Contingencies and commitments in relation to discontinued operations are disclosed in note 34.

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34 CONTINGENCIES AND COMMITMENTS

As of 31 December 2022, 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 13.25 billion (31 Dec 2021: SR 13.67 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 2022	As of 31 Dec 2021
Performance/development securities and completion support Letters of Credit ("LCs")	3,925,056	5,440,657
Guarantees in relation to bridge loans and equity LCs	5,963,604	4,988,118
Guarantees on behalf of joint ventures and subsidiaries	2,083,559	1,915,977
Debt service reserve account ("DSRA") standby LCs	1,080,505	1,193,726
Bid bonds for projects under development stage	193,097	136,018
	<u>13,245,821</u>	<u>13,674,496</u>

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 commitments and contingencies disclosed above, as of 31 December 2021, the Group has also committed to contribute SR 131.0 million towards the equity of an equity accounted investee which was contributed during 2022.

In one of the Group's subsidiaries, "CEGCO", the fuel supplier ("Jordan Petrol Refinery PLC" or "the Supplier") has claimed an amount of SR 610.0 million (31 Dec 2021: SR 610.0 million) as interest on late payment of the monthly fuel invoices. The Fuel Supply Agreement ("FSA") with the Supplier stipulates that the Supplier shall be entitled to receive interest on late payment of the unpaid invoices after 45 days from invoice. However, the FSA in Article 13.3 further provides that CEGCO shall not be liable for non-performance under the FSA and shall not be in default to the extent such non-performance or default is caused by the off-taker ("NEPCO"). Given the delay in making the fuel payments to the Supplier are caused by the delay in receipt of the fuel revenues from NEPCO, contractually the Supplier has no basis to claim for any delay interest from CEGCO. Hence, the management and its independent legal counsel are of the view that as per the terms of the FSA signed between the Supplier and CEGCO, the Supplier has no contractual basis to claim these amounts. Accordingly, no provision has been made in these consolidated financial statements.

The Group has assessed the potential impact of the Russia-Ukraine war on its projects under construction. For one of the Group's equity accounted investee costs over runs in relation to transportation and logistics amounts to USD 25.0 million. The cost over runs are expected to be paid through project contingency budget (USD 11.0 million) and early generation revenues (USD 14.0 million). Any deficiency in early generation revenues are guaranteed by the Group.

The Group has a commitment to contribute SR 75.0 million towards corporate social responsibility initiatives in Uzbekistan.

The Group, in relation to one of its equity accounted investee, has commitment to reimburse EPC contractor for the price fluctuation (which is estimated at SR 30.0 million) of certain materials to be used in the construction of underlying plant.

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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35 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

	2022	2021
(i) Thermal and Water Desalination	4,257,860	4,190,444
(ii) Renewables	1,017,846	1,027,485
(iii) Others	224	17,464
Total revenue	<u>5,275,930</u>	<u>5,235,393</u>

Operating income before impairment and other expenses

	2022	2021
(i) Thermal and Water Desalination	2,502,450	2,264,395
(ii) Renewables	781,667	522,678
(iii) Others	(328)	16,511
Total*	<u>3,283,789</u>	2,803,584

Unallocated corporate operating income / (expenses)

General and administration expenses	(744,403)	(553,726)
Depreciation and amortization	(31,975)	(19,229)
Provision for long term incentive plan	(30,814)	(60,995)
Provision reversal on due from related party	5,100	4,873
Other operating income	131,936	128,211
Total operating income before impairment and other expenses	<u>2,613,633</u>	2,302,718

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35 OPERATING SEGMENTS (continued)

Key indicators by reportable segment (continued)

Segment profit

	Notes	2022	2021
(i) Thermal and Water Desalination		1,983,289	1,563,189
(ii) Renewables		204,148	133,690
(iii) Others		(322)	16,187
Total*		2,187,115	1,713,066
Reconciliation to profit for the year from continuing operations			
General and administration expenses		(744,403)	(553,726)
Arbitration claim expenses	29.2	(111,532)	-
Impairments in relation to subsidiaries	28.1	(121,595)	(60,024)
Impairment reversal in relation to equity accounted investees	7.1.3	-	30,000
Share based payments	29.4	-	(280,000)
Provision for long term incentive plan	23.3	(30,814)	(60,995)
Provision for zakat and tax on prior year assessments	20.3	-	(13,399)
Corporate social responsibility contribution	29.3	(18,383)	(16,458)
Provision reversal on due from related party	22 (g)	5,100	4,873
Gain on remeasurement of options	28	2,415	6,075
Discounting impact on loan from shareholder subsidiary	22 (i)	(31,398)	(29,444)
Depreciation and amortization		(31,975)	(19,229)
Other operating income		131,936	128,211
Other income		97,133	12,794
Financial charges and exchange loss, net		(11,829)	(22,510)
Zakat and tax charge		(63,216)	(31,000)
Profit for the year from continuing operations		1,258,554	808,234

*The segment total operating income does not necessarily tally with the statement of profit or loss, as these are based on information reported to the Management Committee.

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	
	2022	2021	31 Dec 2022	31 Dec 2021
Kingdom of Saudi Arabia	2,476,181	2,223,971	21,516,440	20,253,954
Middle East and Asia	2,496,592	2,477,011	7,631,337	6,382,012
Africa	303,157	534,411	8,555,393	9,404,418
	5,275,930	5,235,393	37,703,170	36,040,384

Information about major customers

During the period, two customers (2021: 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	
	2022	2021
Customer A	1,154,175	1,166,491
Customer B	560,137	636,975

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

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36 RISK MANAGEMENT

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.

36.1 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.

	Notes	As of 31 Dec 2022	As of 31 Dec 2021
Balances with banks		6,353,870	5,172,279
Net investment in finance lease	8	11,880,328	12,748,295
Trade accounts receivable	11	1,582,949	1,318,916
Due from related parties	22	985,120	780,656
Insurance receivables	11.3	259,182	388,454
Other financial assets		27,430	32,104
		21,088,879	20,440,704

Balances with banks

Credit risk on bank balances is considered to be limited as these are held with banks with sound credit ratings.

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 2022	As of 31 Dec 2021
Hashemite Kingdom of Jordan (covered by government guarantee)	504,589	519,546
Sultanate of Oman (covered by government guarantee)	5,032	72,684
Morocco (covered by government letter of support)	154,544	125,311
Kingdom of Saudi Arabia ("KSA")	242,932	328,109
United Arab Emirates ("UAE") and others	675,852	273,266
	1,582,949	1,318,916

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

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36 RISK MANAGEMENT (continued)

36.1 Credit risk (continued)

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

	As of 31 Dec 2022	As of 31 Dec 2021
Neither past due nor impaired	654,583	461,616
Past due 1-90 Days	285,743	290,659
More than 90 Days	642,623	566,641
	<u>1,582,949</u>	<u>1,318,916</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 and expected credit loss model which involves extensive analysis of credit risk, including customers' credit ratings if they are available.

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

	2022	2021
Opening balance at 1 January	29,519	28,795
Impairment loss / (reversal)	56,685	724
Closing balance at 31 December	<u>86,204</u>	<u>29,519</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 31st 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 million for the period of 18 month until 31st January 2024, with a sublimit of SR 10.3 million (27.5% of USD 10 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.

Due from related parties and other financial assets

Other financial assets includes dividend receivable, advances for investments, advances to employees and other receivables. Credit risk attached to related party balances is limited due to sound financial position of the related parties. There is no credit risk attached to advances for investments and advances to employees. Credit risk attached to other financial instruments 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.

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36 RISK MANAGEMENT (continued)

36.2 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 2022, the Group had SR 1,499.3 million (31 December 2021: SR 1,754.0 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 Dec 2022</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	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	<u>1,669</u>	<u>14,987</u>	<u>-</u>	<u>6,566</u>	<u>8,421</u>	<u>-</u>
<u>As of 31 Dec 2021</u>						
<i>Non-derivative financial liabilities</i>						
Short term facilities	186,381	191,972	-	191,972	-	-
Term financing and funding facilities	23,815,229	35,993,352	-	1,977,277	14,434,465	19,581,610
Due to related parties	1,678,337	2,027,206	83,485	61,247	920,400	962,074
Other financial liabilities	4,036,552	4,075,130	3,865,149	128,358	11,511	70,112
	<u>29,716,499</u>	<u>42,287,660</u>	<u>3,948,634</u>	<u>2,358,854</u>	<u>15,366,376</u>	<u>20,613,796</u>
<i>Derivative financial liabilities</i>						
Interest rate swaps and currency forwards used for hedging	406,948	646,657	-	106,926	118,593	421,138

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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36 RISK MANAGEMENT (continued)

36.2 Liquidity risk (continued)

Changes in liabilities arising from financing activities

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

	<i>As of 1 Jan</i>	<i>Cashflows</i>	<i>Exchange loss / unwinding of interest</i>	<i>Deconsolidation on loss of control</i>	<i>Other movements</i>	<i>As of 31 Dec</i>
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	1,678,337	(757,933)	31,398	(312)	-	951,490
Other financial liabilities	265,295	-	-	-	45,604	310,899
Fair value of derivatives	361,408	-	-	-	(359,739)	1,669
2021						
Financing and funding facilities	19,984,747	4,379,683	(362,820)	-	-	24,001,610
Dividends payable	800,881	(905,924)	-	-	106,348	1,305
Due to related parties	1,621,119	27,774	29,444	-	-	1,678,337
Other financial liabilities	302,240	(142,060)	-	-	105,115	265,295
Fair value of derivatives	710,373	-	-	-	(348,965)	361,408

36.3 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 (PWPAs) 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 impact on the Group's consolidated financial statements.

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

<i>Equivalent to thousands of Saudi Riyals</i>	EUR	MAD	ZAR	JPY
As of 31 Dec 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
Impact of currency forwards	-	-	-	-
Net exposure	(49,888)	(527,752)	297,431	64,698

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36 RISK MANAGEMENT (continued)

36.3 Market risk (continued)

Foreign currency risk (continued)

<i>Equivalent to thousands of Saudi Riyals As of 31 Dec 2021</i>	EUR	MAD	ZAR	JPY
Borrowings and other financial liabilities	3,409,068	2,168,389	250,837	99,721
Net investment in finance lease	(3,446,461)	(2,768,401)		-
Net position	(37,393)	(600,012)	250,837	99,721
Impact of currency forwards	-	-	-	(32,190)
Net exposure	(37,393)	(600,012)	250,837	67,531

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, remain constant and ignores any impact of forecast sales and purchases.

	Impact - (Profit) or loss	
	Strengthening	Weakening
<u>For the year ended 31 Dec 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)
<u>For the year ended 31 Dec 2021</u>		
EUR (5% movement)	(1,870)	1,870
MAD (5% movement)	(30,001)	30,001
JPY (5% movement)	3,377	(3,377)
ZAR (5% movement)	12,542	(12,542)

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:

	As of 31 Dec 2022	As of 31 Dec 2021
Financial liabilities		
Fixed rate including interest free	11,017,533	13,768,915
Floating rate	12,355,049	10,046,314

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 shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

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36 RISK MANAGEMENT (continued)

36.3 Market risk (continued)

Interest rate risk (continued)

	Profit or loss		Equity	
	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
For the year ended 31 Dec 2022				
Variable rate financial liabilities	(123,550)	123,550	(123,550)	123,550
Interest rate swaps	87,678	(87,678)	87,678	(87,678)
Net sensitivity	<u>(35,872)</u>	<u>35,872</u>	<u>(35,872)</u>	<u>35,872</u>
For the year ended 31 Dec 2021				
Variable rate financial liabilities	(100,463)	100,463	(100,463)	100,463
Interest rate swaps	65,798	(65,798)	65,798	(65,798)
Net sensitivity	<u>(34,665)</u>	<u>34,665</u>	<u>(34,665)</u>	<u>34,665</u>

The above table summarises the impact of interest rate fluctuations net of hedging for the Company and its subsidiaries only. This does not include information of floating rate liabilities and interest rate swaps of the Group's equity accounted investees.

IBOR Reforms

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the Group has established a project to manage the transition for any of its contracts that could be affected. The project is being led by senior representatives from functions across the Group including the lenders facing teams, Legal, Finance etc. The Group is confident that it has the capability to process the transitions to risk free rates ("RFR") for those interest rate benchmarks such as USD LIBOR that will cease to be available after 30 June 2023. IBOR reform exposes the Group to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with lenders due to the amendments required to existing contracts necessary to effect IBOR reform
- Financial risk to the Group that markets are disrupted due to IBOR reform giving rise to financial losses
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable
- Accounting risk if the Group's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFR

Information of floating rate financial liabilities and interest rate swaps associated with the Group's subsidiaries that may subject to reforms and are yet to transition to RFRs are disclosed in note 15 and note 21 respectively.

Uncertainties and potential accounting risks associated with the IBOR reforms on the Group's financial statements are explained below.

a. *Effective interest rate method and liability derecognition*

IBOR reform Phase 2 requires, as a practical expedient that changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform are treated as a change to a floating rate of interest provided that the transition from IBOR to an RFR takes place on a basis that is 'economically equivalent'. To qualify as 'economically equivalent', the terms of the financial instrument must be the same before and after transition except for the changes required by IBOR reform.

For changes that are not required by IBOR reform, the Group will apply judgement to determine whether they result in the financial instrument being derecognised. Therefore, as financial instruments transition from IBOR to RFRs, the Group will apply judgment to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Group will consider the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors.

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36 RISK MANAGEMENT (continued)

36.3 Market risk (continued)

IBOR Reforms (continued)

a. Effective interest rate method and liability derecognition (continued)

The Group will derecognise financial liabilities in case of substantial modification of their terms and conditions. In the context of IBOR reform, many financial instruments will be amended in the future as they transition from IBORs to RFRs. In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition. For financial instruments measured at amortised cost, the Group will first apply the practical expedient as described above, to reflect the change in the referenced interest rate from an IBOR to an RFR. Second, for any changes not covered by the practical expedient, the Group will apply judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Group will adjust the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised EIR.

b. Hedge Accounting

The IBOR reform Phase 2 amendments provide temporary reliefs to enable the Group's hedge accounting to continue upon the replacement of an IBOR with an RFR.

37 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).

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37 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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 Dec 2022</u>					
<u>Financial liabilities / (asset)</u>					
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	312,251	-	-	312,251	312,251
<u>As of 31 Dec 2021</u>					
<u>Financial liabilities</u>					
Fair value of derivatives used for hedging	361,408	-	361,408	-	361,408
Long-term financing and funding facilities	23,815,229	3,619,044	20,810,769	-	24,429,813
Other financial liabilities	393,654	-	-	393,654	393,654

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*	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
Bank borrowings **			
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
Other derivatives*	Other derivatives represent options that are valued using the valuation models wherein fair values are determined through valuation techniques based on discounted cash flows and include a discount for lack of marketability and project specific factors representing the amounts that the Group has determined that market participants would take into account when pricing these instruments.	Contracted capacities and risk adjusted discount rate	The estimated fair value would increase or decrease if: <ul style="list-style-type: none"> the actual availabilities are different to contracted capacities; or the risk adjusted discount rate were higher or lower.

* 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.

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38 SUBSEQUENT EVENTS

On 22 January 2023, Jazan Integrated Gasification and Power Company (a Joint Venture of the Group) completed acquisition of the second group of assets for the Jazan Integrated Gasification Combined Cycle project ("JIGCC" or the "Project"). The project involves the acquisition of the USD 12 billion IGCC assets from Saudi Arabian Oil Company. The acquisition of the first group of IGCC assets was completed on 27 October 2021. With transfer of the second group of assets, JIGCC has now taken over more than 95% of assets and the remaining is expected to be transferred by 30 September 2023. The acquisition has no impact on the Group's consolidated results and financial position as reported in these consolidated financial statements.

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 (refer note 13.4).

Further, on 2 February 2023, the Group completed the issuance of SR 1,800.0 million Sukuk under its SR 5,000.0 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 effective on or after 5 years from the issuance date. The Sukuk has no impact on the Group's consolidated results and financial position as reported in these consolidated financial statements.

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.

39 COMPARATIVE FIGURES

Certain figures for the prior periods 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 33.3). Summary of reclassifications/adjustments are as follows:

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

Particulars	As previously Reported	Reclassifications due to discontinued operations (refer to note 33.5)	Reclassification to conform to the presentation in the current period	As reported in these financial statements
<u>Continuing operations</u>				
Revenue	5,360,940	(125,547)	-	5,235,393
Operating costs	(2,460,554)	76,877	-	(2,383,677)
General and administration expenses	(940,769)	15,897	-	(924,872)
Share in net results of equity accounted investees, net of tax	225,606	96,087	-	321,693
Other operating income	141,503	(8,827)	54,754	187,430
Other income	96,308	-	(54,754)	41,554
Exchange loss, net	(46,503)	(412)	-	(46,915)
Financial charges, net	(1,059,769)	7,238	-	(1,052,531)
Zakat and tax charge	(83,123)	3,013	-	(80,110)
<u>Discontinued operations</u>				
Loss from discontinued operations	-	(64,326)	-	(64,326)

39.2 Consolidated statement of financial position:

Particulars	As previously reported	Reclassifications	As reported in these financial statements
<i>Non-current assets</i>			
Strategic fuel inventories	54,086	(54,086)	-
Other assets	156,923	54,086	211,009
<i>Non-current liabilities</i>			
Other financial liabilities	265,295	(265,295)	-
Other liabilities	408,953	265,295	674,248

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39 COMPARATIVE FIGURES (continued)

39.3 Consolidated statement of cashflows:

Particulars	As previously reported	Unrealised exchange gain / (loss) adjustment (note 39.3.1)	Reclassification to conform to the presentation in the current period	As reported in these financial statements
<i>Cash flows from operating activities</i>				
<i>Adjustments for:</i>				
Share based payments	280,000	-	(280,000)	-
<i>Changes in operating assets and liabilities:</i>				
Accounts receivable, prepayments and other receivables	(72,950)	(25,620)	-	(98,570)
Accounts payable and accruals	259,958	35,129	-	295,087
Net investment in finance lease	763,035	(389,076)	-	373,959
Strategic fuel inventories	16,674	-	(16,674)	-
Other assets	21,424	-	16,674	38,098
<i>Cash flows from financing activities</i>				
Transaction costs on issue of shares including share-based payments	(404,868)	-	280,000	(124,868)
Repayment of financing and funding facilities	(5,769,355)	377,827	-	(5,391,528)
<i>Net foreign exchange differences in relation to cash and cash equivalents</i>	-	1,740	-	1,740

39.3.1 This represents adjustment to eliminate the impact of unrealised forex gain or loss (non-cash movement) included in loan repayments and changes in net investment in finance lease; accounts payable and accruals; and accounts receivable, prepayments and other receivables.

40 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 9 Sha'ban 1444H, corresponding to 1 March 2023G.