Abu Dhabi Future Energy Company PJSC (Masdar)

REPORT OF THE BOARD OF DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

Abu Dhabi Future Energy Company PJSC (Masdar)

REPORT OF THE BOARD OF DIRECTORS

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REPORT OF THE BOARD OF DIRECTORS continued
For the year ended 31 December 2022

It is our pleasure to report the activities and results for the year ended 31 December 2022 of Abu Dhabi Future Energy Company PJSC ("Masdar" or the "Company").

The Company had consisted of two primary commercial business operations up until 30 November 2022, the Renewable Energy business (RE) and the Sustainable Real Estate business (SRE). Following the guidance of His Highness Sheikh Mohammed bin Zayed Al Nahyan, in late 2021 an announcement was that Mubadala Investment Company (Mubadala), Abu Dhabi National Energy Company PJSC (TAQA), and Abu Dhabi National Oil Company PJSC(ADNOC) would consolidate their combined efforts in renewable energy and green hydrogen through the Company (the Transaction). The Transaction involved (i) the transfer of the SRE business out of the Company to Mubadala; (ii) the transfer of ownership of the Ninety Sixth Investment Company LLC (an entity established to hold the equity interests in a portfolio of US renewable energy assets) from Mubadala to the Company; and (iii) the acquisition by TAQA and ADNOC of a majority equity interest in the Company from Mubadala. The transaction was completed with an effective date of 1 December 2022, from which date the revised ownership structure of the Company is TAQA – 43%, ADNOC – 24% and Mubadala – 33%.

The SRE business has been reflected as a disposal on that date, with the net asset value offset through the shareholder current account. SRE operations up until the disposal date have been shown as discontinued operations in the consolidated statement of comprehensive income. The key financial highlights refer to the continuing operation of the Company, which is the RE business, while the Business Unit Performance refers to all units of the Company.

<u>Business Review</u>

Key financial highlights:

- Revenues of AED 621.39 million, a decrease of 13.3% over 2021 primarily due to a decrease in IFRIC 12 concession revenue (2022 AED 73.14 million and 2021 AED 288.3m) recognized based on the construction status of the underlying projects, Nur Navoi Solar FE and Shamal Zarafshan Energy FE. Renewable power generation revenue of AED 482.6, an increase 16.2% over 2021 with increased revenue generated from the London Array offshore wind farm due to higher merchant power prices in the UK. The gross profit of AED 335.8 million (2021: AED 244.65 million) represents a margin of 54.0% (2021: 34.1%). The increase in gross profit margin is because of a higher proportion of overall revenue coming from London Array where revenue growth has not been matched by a corresponding increase in cost of sale resulting in significantly higher margins.

- Net income from continuing operations of AED 459.53 million, an increase of 154.30% over 2021 due to an increase in gross profit, other income and gain on derivatives in particular fair valuation of interest rate swaps.

- Cost of fixed assets under PPE, including assets under construction, increased by 2.5% to AED 2.2 billion (changes in the year included increases from additions of AED 314 million, offset by reductions from exchange differences of AED 233 million and a transfer of AED 16.11 million related to decommissioning liabilities.

- Equity of AED 6.52 billion, an increase of 30.81% over 2021 primarily due to the profit for the year of AED 540m, other OCI increases of AED 569 million (hedging reserves AED 612 million and foreign currency reserves AED (43) million) and net increase of AED 426.10 million related with transaction with shareholders.

Masdar has grown into an organization with a substantial portfolio of diversified assets under management, construction and development in a variety of renewable energy technologies and geographies, (including among others, the London Array and Dudgeon offshore wind farms in the UK, Shams One, the Concentrated Solar Power (CSP) plant in Abu Dhabi's western region, Tafila, the onshore wind farm in Jordan, DEWA Phase 3 an 800MW solar PV project in Dubai, the Baynouna 200MW solar PV project in Jordan, the Tesla 158 MW onshore wind project in Serbia, Hywind (the first utility scale floating offshore wind farm in the UK), a 300MW solar PV and a 400MW onshore wind farm in Saudi Arabia, the Nur Navoi 100 MW Solar PV in Uzbekistan and waste to energy projects in the UAE and Australia.

With the change in the ownership structure the Company is poised to become a global renewable energy powerhouse with a mandate to grow the business to c 100GW gross renewable energy capacity by 2030 and 1,000ktpa of green hydrogen production by 2030. Management, the Board, and the shareholders have reviewed (and will continue to

Business Unit Performance - continued

review) the Company's strategies, operating models, processes, and organizational structure to ensure a business that is designed to deliver both effectively and efficiently against its objectives whilst responding to market dynamics.

Masdar Renewable Energy

In 2022 Masdar Renewable Energy demonstrated strong resilience in the aftermath of a global pandemic (Covid-19), significant supply chain disruption and the impact from the Russian-Ukrainian conflict, and the business continues to make steady progress globally concluding with yet another successful year. The business was able to mitigate these challenges by reorganizing its supply chains and adopting an agile approach to project development and execution.

The Russian-Ukrainian conflict and the changing political landscape also presented significant challenges to our operations. With several countries revising their energy policies and regulations because of the changing and unstable global environment, the business had to invest more in understanding and adapting to these changes. We took these challenges as opportunities leveraging our strengths and further expanded our business in certain markets.

Masdar's global footprint has continued to grow during the year, with several new projects either secured or in the pipeline across the globe. The Company has secured several solar power projects in Europe, Africa, Central Asia, and the Middle East that has further consolidated Masdar's position as one of the leading renewable energy companies in the world. Despite the challenges in the sector, we continued to deliver our commitment towards sustainability and carbon neutrality.

2022 proved to be another successful year and the following are key advancement in our growth journey:

- Dumat Al Jandal 400MW Onshore Wind Farm and South Jeddah Solar PV 300MW in KSA – successfully reached Commercial Operation date (COD) and ready for Energization respectively.
- Azerbaijan Area 60 230MW Solar PV and Zarafshan 500MW Onshore Wind project in Uzbekistan - both projects reached Financial Close in 2022 and the construction is progressing as per plan.
- Sharjah Waste-to-Energy (30MW) – the first commercial WTE in the UAE and the Middle East, which is a joint venture (50:50) between Masdar and Bee'ah was successfully inaugurated by the Ruler of Sharjah in May 2022. As of January 2023, 50,452 tons of waste was processed, and 14,568 MWh generated.
- Al Dhafra Solar PV in Abu Dhabi–The record-breaking project will have a capacity of 2 GW and supply power to the plant's off-taker, Emirates Water and Electricity Company (EWEC). The project has achieved its first energization in October 2022 and is progressing towards COD in Q2 2023.
- Cirata Floating Solar – The 145 MW PV plant the first floating solar photovoltaic (PV) plant in Indonesia which will be built on a 225-hectare plot of the 6200-hectare Cirata Reservoir, in the West Java region is progressing towards COD.
- East Rockingham Waste-to-Energy – In 2020, Masdar made its first investment in Australia after acquiring a stake in the country's second utility-scale waste-to-energy (WTE) facility. The project has successfully advanced construction to 90% and is progressing towards COD this year overcoming challenges faced due to COVID-19 restrictions.
- Masdar acquired leading battery energy storage developer in the UK. This acquisition will enable the development, construction, operational management, and financing of renewable energy storage projects under Masdar-Arlington platform
- Infinity Power Holdings (IPH), a joint venture between Masdar and Infinity Energy, acquired Lekela Power in a landmark renewable energy deal for the African continent. Lekela Power currently operates 1GW of wind power projects in South Africa, Egypt, and Senegal, and has a 1.8GW project pipeline in different stages of development. The acquisition by IPH of Lekela Power successfully closed in Q1 2023.
- The consortium which Masdar participated in was nominated as preferred bidder for the Amaala project in KSA. The project scope include power generation 280MWp PV, BESS, water desalination RO and pipelines, wastewater treatment and biodiesel generators.
- Masdar was also awarded the Bukhara 300MW solar PV with BESS project in Uzbekistan.
- The Company continued to expand and forge new bilateral arrangements with governments to develop renewables energy projects, including executing several strategic MOUs, e.g., Azerbaijan 4GW and Egypt 10GW onshore wind.

Business Unit Performance - continued

- The Energy Services team under Masdar Renewable Energy continued delivering government mandated and funded special projects, with significant progress made in delivering the flagship UAE Wind program (105MW) and 15MW PV project. The team also successfully handed over 3MW PV plants in Socotra, 5MW plant in the Seychelles and the Be'eah 525kWp facility. In addition, the team has completed construction of the Antigua & Barbuda and Belize projects under the Caribbean program, whilst the Aden 120MW solar PV project in Aden-Yemen has been initiated, to be completed in 2023.
- Energy Services team through EMERGE, the leading ESCO joint venture with EDF in the region, has also achieved several successful milestones including (i) achieved commercial operations for Miral Warner Bros 8MW; and (ii) secured various new ESCO projects including, SeaWorld 10MW, Al Khazna 7MW, Coca Cola Al Ahlia 2MWp; Abu Dhabi Motor Sports Management ~1MWp, American Community School ~1MWp, ADNOC Distribution Dubai Service Stations ~2MWp, Yahsat 1.2MW PV
- Masdar has also expanded its O&M services through MSTS, (the wholly owned O&M services company), to include the provision of O&M services to the Baynouna 200MW solar PV project in Jordan, and of the Nur Navoi 100MW solar PV project in Uzbekistan. MSTS has also secured the rights to provide O&M services for the Zarafshan 500MW onshore wind project in Uzbekistan (currently under construction) and Tesla Wind, the 158MW onshore wind project in Serbia. This project is currently in operation and represents the first wind O&M project for MSTS. The team at MSTS have also secured and signed O&M services agreements for a number of roof top projects in the UAE (ADAC, Warner Brothers and SeaWorld)
- 2022 has also seen progress on a number of pilot activities in technologies and most significantly in the area of Green Hydrogen where (i) agreement has been reached with a number of local and international private and governmental entities for the construction of a demonstration plant in Masdar city: and (ii) a number of strategic MOUs have been executed to assess large scale green hydrogen development & production including the execution of an MOU with IPH & Hassan Alaam to explore the development of 4GW of green hydrogen in Egypt; and (iii) Masdar has continued to monetize carbon through our carbon trading team.

Sustainable Real Estate

The Sustainable Real Estate business was transferred to Mubadala effective 1 December 2022 and has up until the effective date of disposal been recognized as an asset held for disposal on the balance sheet, whilst income has been recognized as income from discounted operations. Up until the effective date of disposal the SRE business has continued to perform strongly with key 2022 highlights including:

- Maintaining a high level of occupancy (above 95%) in all owned real estate assets
- Awarding over AED 1.2B worth of construction contracts on The Link (30,000 m² GFA) and Masdar City Square (48,000 m² GFA), M13-B R&D Development (4,800 m² GFA) and Discovery Park North, an iconic community project.
- The Masdar Green REIT, the UAE's first Green sustainable real estate investment trust, secured a USD 200m dollar loan facility from First Abu Dhabi bank and used this facility to acquire additional assets represent 62,000 sqm of leasable space and an additional AED 701 million in asset values.
- Completion of construction and official opening of Central Park Phase 2, a multi award winning project, including Sustainable Project of the Year.

Brand & Strategic Initiatives - Communicating Change

Through 2022, Masdar continued its progression as one of the world's fastest-growing renewable energy companies, culminating in it becoming the UAE's Renewable Energy champion, with the two new shareholders in the form of TAQA and ADNOC coming on board for the first time in our history. The new partnership, first announced in 2021, brings together three of the nation's energy giants –TAQA, Mubadala and ADNOC – to consolidate their efforts under the refreshed Masdar brand.
The new shareholder announcement was covered extensively in the media, including in Reuters, S&P Global, Energy Intelligence, Asian Power, WAM and Al Khaleej. It also resulted in over 41,500 impressions on social media.

Throughout the year, the marketing and communications teams strove to position Masdar as a global leader in Renewable Energy, while also demonstrating how we operate in alignment with the UAE's strategic objectives and climate goals. Key highlights include:

Business Unit Performance - continued

- Masdar senior executives completed a total of 48 speaking engagements throughout the year.
- Secured CEO participation in several tier-1 sessions, including at CERAWeek, the world's leading energy event, the NYT Climate Forward at COP27, and at Economist Impact Sustainability Week, and successfully placed six CEO thought leadership pieces and op-eds in a range of written media.
- Completed 115 media opportunities, including CNN Abu Dhabi, National Geographic, Harvard Business Review, the Nikkei newspaper in Japan, South China Morning Post, CGTN-Arabic, Bloomberg, S&P Global, Deutsche Welle and Newsweek – Special Report, amongst many others.
- Generated over 12,500 press clippings for the year, with an estimated ad value of more than US$44 million. This coverage ensures that Masdar, its projects, strategic initiatives, brand, and spokespeople are directly visible to key decision makers, from industry leaders, and project developers, through to policy makers, financial institutions and more.

Another key measure of success for Masdar is our recognition in industry awards, and we enjoyed another strong year in 2022, with some key awards secured. These include the "Innovators of the Future" at the Arabian Business Awards, the Hydrogen Future Awards 2022, the WiRA Awards and the prestigious S&P Global Platts 2022, with our CEO being recognized as "Trailblazer of the Year."

Finally, in anticipation of the COP28 climate change conference being held in the UAE in 2023, Masdar had a significant presence at COP27 in Egypt – our biggest participation in any COP to date. We made a total of nine announcements around the event, with executives participating in 13 panel sessions. We also secured 11 interviews, or feature/op-ed opportunities. These activities resulted in 4,000-plus local and regional media clippings, and over 2,000 international media clippings, with an ad value of US$13 million.

Digital Communications
Masdar's digital channels allow us to engage a wider range of target audiences with the company's owned content on a global level. This allows us to further amplify key announcements and spokespeople, while educating audiences on our purpose, highlighting trending topics of strategic importance to our objectives, and creating high levels of engagement with local and global stakeholders during key events.

Last year saw the launch of the Masdar "Power to Change" digital films series, which achieved over 1.9 million impressions and 898,000 video views for the first two episodes. The campaign for the new Masdar logo reveals on social media achieved more than 500,000 views globally and more than 250,000 viewers engaged with it across all platforms.

For Abu Dhabi Sustainability Week (ADSW), we developed a mobile app with a rich experience for both public and registrant users, expanding the target audience, reach and usage. The app achieved +11K downloads.

Other key numbers for Digital include:

- Masdar's social media accounts achieved over 26% growth, with over 30 million impressions across 2,700 posts and promotions, generating over 4.7 million engagements.
- Website traffic increased over 130%, with new users rising over 135%. There was also an increase of 108% in the sessions on the website.
- Introduced WiSER social media accounts and managed to achieve over 7,000 pledges for I am WiSER campaign
- The Masdar newsletter increased subscriptions by 29%, while subscriptions for the ADSW newsletter climbed 32%.
- Significant increase for ADSW social media followers by 66%, 150.5 million impressions across 2,754 posts and promotions, generating 4.6 million engagements.

Abu Dhabi Sustainability Week
As the first global sustainability event of the year, Abu Dhabi Sustainability Week (ADSW) 2023 reinforced the UAE's unwavering commitment to addressing global challenges as a responsible energy leader and constructive global citizen, working in close partnership with the global community.

Business Unit Performance - continued

Under the theme “United on Climate Action Towards COP28,” ADSW 2023 marked success on multiple indicators, including 40,000 overall participations for all events across the week, 13 heads of state attending, 800 speakers, and VIPs from 175 countries, including decision makers across government and private sectors.

The ADSW Opening Ceremony and the Zayed Sustainability Prize Awards Ceremony were attended by global leaders including Ilham Aliyev, President of Azerbaijan, João Manuel Lourenco, President of Angola, Yoon Suk Yeol, President of the Republic of Korea, Wavel Ramkalawan, President of the Republic of Seychelles, and Hakainde Hichilema, President of the Republic of Zambia.

The 2023 edition also saw the addition of seven new initiatives including: Green Hydrogen Summit, Innovation Zone, ZSP Forum and Investor Connect, Youth Connect, FoodTech Challenge Finale, and Arctic Circle Abu Dhabi Forum. It was also the occasion to strengthen our thought-leadership footprint with the publication of four reports and whitepapers – on Future Proofing Family Businesses, the UAE Hydrogen Economy, the Power of the Blue Economy and Hard-to-Abate Industries – and the hosting of action-oriented thematic roundtables.

Other major events that took place throughout the week included the Abu Dhabi Sustainable Finance Forum, the ADSW Summit, the Atlantic Council Global Energy Forum, Innovate by Masdar City, the 13th IRENA Assembly, Women in Sustainability, Environment and Renewable Energy (WiSER) Forum, the World Future Energy Summit, and the Youth 4 Sustainability Hub.

- Major announcements made at ADSW 2023 included: A first wave of investment of US$20 billion announced as part of the US-UAE Partnership to Accelerate Renewable Energy (PACE), with Masdar and a consortium of US private investors targeting the funding and development of 15 GW of Renewable Energy projects in the US by 2035.
- Masdar demonstrating its commitment to helping African nations in their Renewable Energy transition by signing agreements with three countries – Angola, Uganda, and Zambia – to explore the development of renewable energy projects with a potential combined capacity of up to 5 GW
- Masdar signing an agreement with the Kazakh Ministry of Energy and state investment development fund to jointly explore the development of a wind farm of up to 1 GW, in the Republic of Kazakhstan
- Masdar signing joint development agreements with the State Oil Company of the Republic of Azerbaijan (SOCAR), to explore the development of onshore wind and solar projects, and integrated offshore wind and green hydrogen projects, with a total potential combined capacity of 4 GW.

Zayed Sustainability Prize
2022 was a memorable year for the Prize, with a 13 percent increase in number of submissions year-on-year. The team successfully increased awareness of the Prize by implementing a global campaign, including four activations, generating coverage with an average of over US$27 million, and increasing social media followers by 18 % and social media visitors by 97 %.

To encourage submissions, the team hosted panel discussions, webinars, and workshops in partnership with key opinion leaders in eight priority countries, including the UK, Finland, Kenya and South Korea, resulting in a collective increase of applications of 34 percent in those markets. These activities resulted in over 4,500 submissions being received from 151 countries.

The Prize’s thought-leadership platform, Voices of Sustainability, garnered over 2 million views in its second year, featuring important figures in the industry like Professor Laurence Tubiana, and covering a range of topics, from how to finance a more sustainable future to how to increase healthcare access for all.

The Prize continued to empower youth through its MENA-focused Ecothon, its global virtual and physical Youth Sustainability Academy and their participation in COP27. The Ecothon encouraged youth to solve the issue of energy storage and winners received a free trip to Expo 2020 Dubai.

During the Youth Academy, 150 students learned about the importance of sustainability and the career opportunities within the industry while also receiving hands-on training on how to generate and implement sustainable solutions.

The Prize’s Youth Ambassadors participated in various activities throughout COP27. Over two weeks, the Ambassadors participated in speaking opportunities, a Youth Dialogue session and one-on-one interview sessions with global leaders.

Business Unit Performance - continued

The Company continues to focus on enhancing the efficiency and effectiveness of its support functions and to benchmark against industry best practices. Throughout the year the Company has been focused on supporting the shareholders through the due diligence and transaction closure processes related to the entry of TAQA and ADNOC as shareholders in the Company post the transfer of the SRE business to Mubadala and the transfer of the US renewable energy portfolio under the Ninety Sixth Investment Company from Mubadala to the Company. This culminated in the successful closing of the transaction in late 2022. The business support function has also been actively engaging with the new shareholder group to align on governance framework, operating and financial systems, policies, processes, procedures, and reporting framework, amongst other areas.

Human Capital continued to recommend and implement projects and initiatives aimed at enabling Masdar to achieve its strategy and growth plans in line with leading practices, and focused on the continuous attraction, development, motivation, recognition, and engagement of talent including:

- Employee engagement & recognition:
  - Ran four programs including ‘emerging leaders’, mentorship, and the introduction of Coursera
  - Conducted approx.70 training sessions for over 400 participants (over 4,500 hours of training)
  - Continued focus on recognition initiatives such as Kafu, Shukran and the Annual awards

- Emiratization & retention:
  - Maintained a solid Emiratization rate - year end Emiratization rate of percentage which is in line with plan
- Future of Work*:*
  - Masdar was recognized as a pioneer in future of work initiatives, winning the parent-friendly label and getting shortlisted for the Future Workplace Awards
  - Continued focus on employee wellness with more than 30 sessions conducted for more than 1,000 participants

- Supporting Masdar’s Organizational Change in the UAE and beyond
  - Worked with multiple shareholders and stakeholders on Korn Ferry project focused on a comprehensive review of organizational structure, reward framework, grading structure and HR policies for the new Masdar post the change in shareholders.
  - Provided ongoing HC support for the SRE team, particularly about the impact of the business transfer to Mubadala
  - Continued to provide HC support and advice for the establishment and enhancement of HC practices, policies, and procedures across Masdar's international footprint

Going forward

The completion of the transaction which saw TAQA (43%) and ADNOC (24%) become shareholders in the Company alongside Mubadala (33%) represents a new dawn for the Company, acting as the vehicle through which the three shareholders are consolidating their efforts in renewable energy and green hydrogen, with very aggressive global growth targets (100GW gross renewable energy capacity and 1,000ktpa of green hydrogen production) by 2030.

The completion of the transaction has seen several changes in corporate governance including the establishment and appointment of a new Board of Directors and associated Board sub-committees, the implementation of a new delegation of authority and the development and approval by the shareholders of a revised strategy designed to ensure that the Company meets these new growth targets. With the completion of the Transaction the Company has an even stronger mandate to significantly advance renewable energy and clean technology through investments in the development of advanced new technologies and through renewable energy project development as well as green hydrogen production.

In late 2022 the Board of Directors has approved the Company’s operating plans and budgets for 2023 to 2032, designed to deliver against the strategic growth objectives and to deliver economic value to the shareholders. Management, with the support of the Board and the shareholders is committed to deliver against the approved operating plans and budgets, and in particular on:

REPORT OF THE BOARD OF DIRECTORS continued
For the year ended 31 December 2022

Business Unit Performance - continued

- Delivering against the growth strategy for the Company with a continuing focus on greenfield and brownfield development and investment opportunities and an increased focus on M&A activities
- Delivering value to shareholders through effective investment, project delivery and asset management systems and processes
- Effective identification and management of risk (given the continuing impact of global macro-economic and geo-political issues)
- Effective cost management (which must be balanced with the development of new investment opportunities and revenue growth)
- Development and implementation of a comprehensive financing strategy, leveraging off the strength of the Company's balance sheet whilst maintaining its existing investment grade credit ratings

Whilst the global economic and geo-political environment remains challenging, given the fundamentals of our markets and the support of our shareholder, management believes that there remains very good reason to be optimistic about the Company's growth prospects in the near and long term.

Director

Abu Dhabi Future Energy Company PJSC (Masdar)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

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Independent auditors' report

To the Shareholders of Abu Dhabi Future Energy Company PJSC (Masdar)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Abu Dhabi Future Energy Company PJSC (Masdar) ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable requirements of Financial Statements Auditing Standards for the Subject Entities issued vide ADAA Chairman's Resolution No. (88) of 2021 in the United Arab Emirates (ADAA Auditing Standards). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical and independence requirements of United Arab Emirates that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Business combination

See Notes 3.2 and 29 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
During the year the Group undertook a number of acquisitions, including the acquisition of Ninety Sixth Investment Company and Arlington Group Services Limited. The Group accounts for business combinations using the acquisition method in accordance with IFRS 3 – Business Combinations, including those with entities under common control ('common control transactions'). The acquisition of Ninety Sixth Investment company amounted to a common control transaction. In accordance with IFRS 3 – Business Combinations, the Group evaluates whether the acquisition meets the criteria of a business or an asset acquisition. This was particularly relevant for the acquisition of the interest in Arlington Group Services Limited as it is a business in the early stages of development. The Group has recognized most of the identifiable assets and liabilities acquired, including investments in joint ventures, and part of the consideration paid at provisional amounts. The Group also recognized the investments in joint ventures acquired as part of acquisition in Ninety Sixth Investment company at their provisional amounts. Due to the significant level of judgment involved in concluding whether the acquisition of interest amounted to business combinations, and the judgment involved in arriving at provisional amounts described above, we identified business combinations and acquisition of joint ventures to be a key audit matter.	We reviewed the assessment performed by the Group to conclude if the acquisition meets the criteria of a business or an asset acquisition, particularly in the case of the Group's purchase of its stake in Arlington Group Services Limited, by reviewing the agreements underpinning the transactions and enquiries of management to assess that the criteria for business combinations in accordance with IFRS 3 Business combinations had been satisfied. For business acquisitions and acquisition of joint ventures, we challenged the Group's judgment applied in relation to the identification and recognition of the assets and liabilities acquired and their estimated fair values or provisional amounts recognised to assess the reasonableness of provisional purchase price allocation as determined by the Group. We assessed the adequacy of the related disclosures in the consolidated financial statements in accordance with the requirements of IFRS.

Other Information

Management is responsible for the other information. The other information comprises the Report of the Board of Directors.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, and the applicable provisions of Law No. (1) of 2017 (as amended) concerning the Financial System of the Government of Abu Dhabi and instructions issued by the Department of Finance and applicable provisions of the laws and regulations and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ADAA Auditing Standards 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.

As part of an audit in accordance with ISAs and ADAA Auditing Standards, 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.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021;

Report on Other Legal and Regulatory Requirements (continued)

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account of the Group;

v) as disclosed in note 9 and 29.2 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2022;

vi) note 12 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2022.

Further, as required by the Abu Dhabi Accountability Authority's Chairman Resolution No.(88) of 2021 pertaining to Financial Statements Auditing Standards for the Subject Entities, we report that based on the procedures performed and information provided to us by management and those charged with governance, nothing has come to our attention that causes us to believe that the Group has not complied, in all material aspects, with any of the provisions of the following laws applicable to its activities, regulations and circulars as applicable, which would have a material impact on the consolidated financial statements as at 31 December 2022:

i) Law No. (1) of 2017 (as amended) concerning the Financial System of the Government of Abu Dhabi and instructions issued by the Department of Finance pertaining to the preparation and implementation of the annual budget of Subject Entities;

ii) its Memorandum/Articles of Association which would materially affect its activities or its financial position as at 31 December 2022; and

iii) relevant provisions of the applicable laws, resolutions and circulars that have an impact on the Company's consolidated financial statements.

KPMG Lower Gulf Limited

Avtar Singh Jalif
Registration No.: 5413
Abu Dhabi, United Arab Emirates

Date: 12 July 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December

	Notes	***2022 AED '000***	*2021 AED '000*
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**1,415,001**	1,346,934
Right-of-use assets	*20*	**279,131**	301,809
Intangible assets and goodwill	*8*	**212,568**	45,177
Investment in equity-accounted investees	*9*	**3,691,838**	1,134,759
Other non-current financial assets	*10*	**21,961**	243,272
Finance lease receivables	*11*	**47,957**	-
Loans to related parties	*12*	**236,808**	207,440
Derivative financial asset	*31 & 19*	**403,212**	46,036
Deferred tax assets	*28*	**107,993**	146,112
Contract assets	13	**297,061**	278,099
		6,713,530	3,749,638
Current assets			
Finance lease receivables	*11*	**4,244**	-
Loan to related parties	*12*	**293,268**	245,536
Due from related parties	*12*	**94,236**	173,102
Trade and other receivables	*13*	**1,069,794**	411,460
Contract assets	13	**27,211**	1,927
Inventories	*14*	**87**	87
Cash and cash equivalents	*15*	**3,150,649**	716,497
Assets held for sale	29	**-**	4,094,229
		4,639,489	5,642,838
Total assets		**11,353,019**	9,392,476
EQUITY AND LIABILITIES			
Equity			
Share capital	*16*	**8,000,000**	8,000,000
Contributed equity loan	*17*	**1,083,683**	-
Shareholder's account	*17*	-	(1,680,060)
Reserves	*17 & 18*	**452,436**	(170,405)
Accumulated losses		**(3,016,830)**	(1,165,842)
		6,519,289	4,983,693
Non-controlling interest		**(383)**	-
Total equity		**6,518,906**	4,983,693
Non-current liabilities			
Bank borrowings	*19*	**1,780,411**	1,980,392
Lease liabilities	*20*	**274,404**	302,500
Other non-current liabilities	*21*	**176,869**	112,885
Deferred tax liabilities	*28*	**256,075**	231,685
		2,487,759	2,627,462
Current liabilities			
Due to related parties	*12*	**41,103**	32,579
Bank borrowings	*19*	**688,205**	125,336
Lease liabilities	*20*	**25,487**	16,803
Trade and other payables	*22*	**1,591,559**	428,289
Liabilities directly associated with assets as held for sale	29	**-**	1,178,314
		2,346,354	1,781,321
Total liabilities		**4,834,113**	4,408,783
TOTAL EQUITY AND LIABILITIES		**11,353,019**	9,392,476

Director **Director**

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	2022 AED '000	2021 AED '000
Continuing operations			
Revenue	23	**621,393**	716,514
Cost of sales	23.1	**(285,593)**	(471,864)
GROSS PROFIT		**335,800**	244,650
Income from government grants	24	**57,568**	30,052
Other income	25	**450,392**	261,311
Research and development expenses		**(2,921)**	(3,414)
Project expenses	26.1	**(144,460)**	(76,017)
General and administrative expenses	26	**(393,544)**	(283,765)
Change in fair value of financial assets carried at fair value through profit or loss	10	**30,372**	24,871
Share of results of equity-accounted investees, net	9	**58,667**	58,736
Gain on derivatives, net		**155,984**	16,099
(Provision for) / reversal of expected credit losses on trade and finance lease receivables	13 & 11	**(883)**	1,262
Reversal of expected credit losses on loans to related parties, net	12	**38,524**	13,950
Finance income	27.1	**42,130**	48,127
Finance expense	27	**(120,478)**	(106,109)
Profit before income tax from continuing operations		**507,151**	229,753
Income tax	28	**(47,621)**	(49,041)
Profit after income tax from continuing operations		**459,530**	180,712
Profit after income tax from discontinued operations	29	**80,811**	269,793
Profit for the year		**540,341**	450,505
Attributable to:			
Equity holders of the parent		**540,724**	-
Non-controlling interest		**(383)**	-
Profit for the year		**540,341**	450,505
Other comprehensive Income			
Items that are or may be reclassified subsequently to profit or loss			
Share of movement in hedging reserves of equity-accounted investees	9	**460,773**	119,913
Other movement in hedging reserve, net		**151,532**	82,504
		612,305	202,417
Foreign currency translation differences for foreign operations		**(43,536)**	(23,389)
Other comprehensive income for the year, net of income tax		**568,769**	179,028
Total comprehensive income for the year		**1,109,110**	629,533

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
For the year ended 31 December

							Reserves				
	Share capital	*Contributed Equity Loan*	*Shareholder's account*	*Investment reserve*	*Statutory reserve*	*Other reserve*	*Total reserves*	*Accumulated Losses*	*Total*	*Non controlling Interest*	*Total Equity*
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*
Balance on 1 January 2021	8,000,000	-	(1,680,060)	246,321	143,203	(784,007)	(394,483)	(1,538,162)	4,387,295	-	4,387,295
Profit for the year	-	-	-	-	-	-	-	450,505	450,505	-	450,505
Other comprehensive income for the year	-	-	-	-	-	179,028	179,028	-	179,028	-	179,028
Total comprehensive income for the year	-	-	-	-		179,028	179,028	450,505	629,533	-	629,533
Transactions with shareholder (note 17)				-	-	-	-	(33,135)	(33,135)	-	(33,135)
Transfer to statutory reserve during the year	-	-	-	-	45,050	-	45,050	(45,050)	-	-	
Balance at 31 December 2021	8,000,000		(1,680,060)	246,321	188,253	(604,979)	(170,405)	(1,165,842)	4,983,693	-	4,983,693
Balance on 1 January 2022	**8,000,000**	**-**	**(1,680,060)**	**246,321**	**188,253**	**(604,979)**	**(170,405)**	**(1,165,842)**	**4,983,693**	**-**	**4,983,693**
Profit for the year								**540,724**	**540,724**	**(383)**	**540,341**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**568,769**	**568,769**	**-**	**568,769**	**-**	**568,769**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**568,769**	**568,769**	**-**	**1,109,493**	**(383)**	**1,109,110**
Transactions with shareholder (note 17)	**-**	**1,083,683**	**(657,580)**	**-**	**-**	**-**	**-**	**-**	**426,103**		**426,103**
Transfer of shareholder's account to retained earnings	**-**	**-**	**2,337,640**	**-**	**-**	**-**	**-**	**(2,337,640)**	**-**	**-**	**-**
Transfer to statutory reserve during the year	**-**	**-**	**-**	**-**	**54,072**	**-**	**54,072**	**(54,072)**	**-**		**-**
Balance at 31 December 2022	**8,000,000**	**1,083,683**	**- -**	**246,321**	**242,325**	**(36,210)**	**452,436**	**(3,016,830)**	**6,519,289**	**(383)**	**6,518,906**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December

	Notes	***2022*** ***AED '000***	*2021* *AED '000*
OPERATING ACTIVITIES			
Profit before income tax from continuing operations		**507,151**	229,753
Profit after income tax from discontinued operations		**80,811**	269,793
		587,962	499,546
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	*6 & 20*	**106,254**	137,234
Gain on disposal of a subsidiary	*25*	-	(28,119)
Change in fair value of investment properties	*7*	-	(106,947)
Change in fair value of financial assets carried at fair value through profit or loss	*10*	**(30,372)**	(24,871)
Amortisation of intangible assets	*8*	**4,304**	5,774
Share of results of equity-accounted investees, net	*9*	**(58,667)**	(58,736)
Finance lease income	*11.2*	**(3,754)**	(27,540)
Interest on lease liabilities	*20*	**13,327**	14,468
Gain on sale of plant property and equipment		-	(1,040)
Provision for expected credit losses on finance lease receivables, net	*11*	-	1,646
Provision for / (reversal of) expected credit losses on trade and other receivables, net	*11 & 13*	**883**	(1,262)
Reversal of expected credit losses on loans to related parties, net	*12*	**(38,524)**	(13,950)
Unwinding of decommissioning liability	*21.1*	**900**	(7,179)
Gain on derivatives, net		**(155,984)**	(16,099)
Employees' end of service benefit charge	*21.2*	**9,799**	6,611
Dividend Income	25	**(85,085)**	(125,239)
Finance income	*27*	**(42,130)**	(48,127)
Finance expense	*27*	**120,478**	62,086
Operating cash flows before changes in working capital		**429,391**	268,256
Working capital adjustments:			
Trade and other receivables		**(846,580)**	(322,053)
Due from related parties		**78,867**	(67,137)
Due to related parties		**8,524**	(254,655)
Finance lease receivable		-	(49,900)
Trade and other payables		**1,043,611**	62,317
		713,813	(363,172)
Income Tax paid		**(12,128)**	
Employees' end of service benefit paid	*21.2*	**(279)**	(4,305)
Net cash generated from / (used in) operating activities		**701,406**	(367,477)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December

	Notes	***2022*** ***AED '000***	*2021* *AED '000*
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	*6*	**(314,055)**	(21,484)
Net cash flow arising from disposal of a subsidiary		-	114,773
Investment in equity-accounted investees	*9*	**(310,662)**	(293,562)
Investment in financial assets carried at fair value through profit or loss	*10*	**(14,550)**	-
Addition in Investment Property	*7*	-	(58,916)
Addition in Intangibles	*8*	**(12,146)**	(1,880)
Acquisition of subsidiary net of cash acquired		**(44,147)**	**-**
Disposal of Plant Property and Equipment		-	9,983
Distributions from financial asset carried at fair value through profit or loss	*10*	**121,824**	37,484
Dividends from equity-accounted investees	*9 & 25*	**184,890**	214,485
Loans given to related parties		**(136,389)**	(33,846)
Proceeds from loan to related party		**103,001**	57,589
Finance income received		**13,924**	32,544
Net cash (used in) / generated from investing activities		**(408,310)**	57,170
FINANCING ACTIVITIES			
Proceeds from borrowings	*19*	**662,739**	232,957
Repayment of borrowings	*19*	**(115,466)**	(244,725)
Shareholder's Contribution	17	**1,083,683**	-
Other net receipts from shareholder		**688,954**	**-**
Finance expense paid		**(119,488)**	(62,086)
Repayment of lease liabilities	*20*	**(28,034)**	(32,015)
Net cash generated from / (used in) financing activities		**2,172,388**	(105,869)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,465,484**	(416,176)
Cash and cash equivalents on 1 January		**716,497**	1,229,254
Effect of movement in exchange rates on cash held		**(31,332)**	(8,738)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**3,150,649**	804,340
Discontinued operations cash and bank balance at 31 December	*29.1*	**-**	(87,843)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	*15*	**3,150,649**	716,497

Significant non-cash transactions not included in the consolidated statement of cash flows are as follows:

Transactions with shareholder (note 17)		1,346,533	-

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Abu Dhabi Future Energy Company PJSC (Masdar) (the "Company") is registered as a public joint stock company in the Emirate of Abu Dhabi. The Company was incorporated on 9 December 2007. The Company is owned by Abu Dhabi National Energy Company PJSC (TAQA), Mamoura Diversified Global Holding PJSC and Abu Dhabi National oil Company (ADNOC) PJSC. All shareholder companies are incorporated in the Emirate of Abu Dhabi. The ultimate owner of the Company is the Government of Abu Dhabi.

These consolidated financial statements include the financial performance and position of the Company and its subsidiaries (together, the "Group") and the Group's interest in its equity-accounted investees.

The Company was formed for the purpose of implementing the Masdar initiative, whose primary objective is to invest in or acquire participations in entities in Abu Dhabi or abroad, and to be active in the renewable energy, energy efficiency, carbon reduction, carbon capture and storage and other forms of sustainability related technologies. The Group's primary activities also include the provision of services for the reduction of carbon emissions.

The Masdar initiative has four primary objectives:

- to reduce the carbon footprint of Abu Dhabi.
- to enhance the Abu Dhabi brand in the new energy and sustainability markets.
- to foster the development of a knowledge-based economy in Abu Dhabi; and
- to be profitable.

During the year 2021 Masdar Sustainable Real Estate had been classified as held for sale in consolidated statement of financial position and discontinued operation in consolidated statement of comprehensive income. Effect of held for sale balances and discontinued operations have been presented in note 29.

The registered office of the Company is P.O. Box 54115, Abu Dhabi, United Arab Emirates.

The Company has not made any social contributions during the year ended 31 December 2022.

These consolidated financial statements were approved and authorised for issue on July 11th 2023.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and requirements of the applicable laws including UAE Federal Decree Law No. 32 of 2021 which came into effect on January 2, 2022 replacing the UAE Federal Law No. 2 of 2015 (as amended) and the applicable provisions of Law No. (1) of 2017 (as amended) issued by the Department of Finance. IFRSs comprise accounting standards issued by the IASB as well as Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (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.

As at 31 December 2022, the Law was not considered to be substantively enacted from the perspective of IAS 12 – Income Taxes since the threshold of income over which the 9% tax rate would apply and other clarifications were yet to prescribed by way of Cabinet Decisions.

The Cabinet of Ministers Decision No. 116/2022 effective from 2023, has confirmed the threshold of income over which the 9% tax rate would apply, and the Law is considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000.

The Group is currently in the process of assessing the impact on the consolidated financial statements, both from current and deferred tax perspective.

2 BASIS OF PREPARATION - *continued*

These consolidated financial statements are presented in United Arab Emirates Dirham ("AED") which is the currency of primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 31 December 2022. 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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements; and/or
- The Group's voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group 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 into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest, and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 New standards, interpretations and amendments

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.

The nature and the impact of each interpretation or amendment is described below.

New and Revised IFRSs

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

3 SIGNIFICANT ACCOUNT POLICIES - ***continued***

	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments. The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.	01 January 2022
IFRS 16 Leases. The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.	01 January 2022
Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.	01 January 2022
Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists because of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.	01 January 2022

3 SIGNIFICANT ACCOUNT POLICIES - *continued*

	Effective for annual periods beginning on or after
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets), clarifies that when assessing if a contract is onerous, the cost of fulfilling it includes all costs related directly to the contract. Such costs include both:	01 January 2022
the incremental costs of the contract (i.e., costs a company would avoid if it did not have the contract, like direct labour and materials); and an allocation of other costs that relate directly to fulfilling the contract (e.g., contract management and supervision, or depreciation of equipment used in fulfilling it).	

3.2 Summary of significant accounting policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is 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-related costs are expensed as incurred and included in general and administrative 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.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss."

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 more than the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all 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 reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of profit or loss.

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

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, 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 in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognized less (when appropriate) cumulative amortisation recognized in accordance with the requirements for revenue recognition.

3 SIGNIFICANT ACCOUNT POLICIES - *continued*

Investment in associates and joint ventures

The Group has investments in equity-accounted investees including associates and joint ventures.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an associate or a joint venture, the Group undertakes a notional purchase price allocation (PPA), identifying and valuing assets and liabilities of the associate or joint venture, as if it had acquired a business. These fair value adjustments are not recorded separately, because the investment itself is a single line item. However, the fair values identified form the basis for additional depreciation, amortisation and similar adjustments that are reflected in the investor's share of the results in subsequent years. Adjustments in the notional purchase price allocation include assets not recognised by the associate or joint venture (such as internally developed intangible assets and similar assets). Adjustments might also be made to recognise the fair value of assets carried by the investee at cost (such as property, plant and equipment) and to recognise liabilities at appropriate values.

Where the Group acquires an associate or joint venture, it might be necessary to use provisional figures to undertake a provisional PPA to report the acquisition at the reporting date. The Group will finalise the fair values and PPA, within one-year from the date of acquisition and will report in the following reporting period.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost including any transaction costs. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately. The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Appropriate adjustments to the Group's share of the results of associate or joint venture after acquisition are made in order to account, for example, for amortisation of the intangible assets acquired based on their fair values at the acquisition date. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests 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.

When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or 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 associate or joint venture and its carrying value, and then recognises the loss as 'Provision for impairment on equity accounted investees' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or

3 SIGNIFICANT ACCOUNT POLICIES - *continued*

joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in consolidated profit or loss.

Interests in joint operations
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly.
- its liabilities, including its share of any liabilities incurred jointly.
- its revenue from the sale of its share of the output arising from the joint operation.
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues, and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

During the year the Group acquired a subsidiary that has a number of investments in the United States. The subsidiary has several investments in jointly controlled wind and solar farms, through limited liability Companies, with other equity investors and tax equity partners.

Tax equity partnerships

The Group has equity investments in certain companies in the United States of America, which also comprise investors whose investment participation in those entities, typically via a different class of shares governed through tax equity partnerships arrangements, is principally in return for a certain level of tax benefits expected during the initial years of operations of these entities in the form of Production Tax Credits and Investment Tax Credits. Once those investors have achieved the targeted returns specified in the underlying investment agreements their interest in the cash or other entitlements associated with their investment stake flips to either a nominal amount or their interests are acquired by the other equity investors in those entities. In arriving at its equity accounted share of its interest in these entities, the Group considers the tax investors' entitlements under these arrangements to determine whether they amount to an equity or liability balance classification.

Current versus non-current classification of assets and liabilities

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 the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or 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 the normal operating cycle
- It is held primarily for the purpose of trading

3 SIGNIFICANT ACCOUNT POLICIES - *continued*

Current versus non-current classification of assets and liabilities - continued

- 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.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Revenue recognition

Revenue from contracts with customers
The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1 Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

a) The Group's performance does not create an asset with an alternate use to the Group and the Group has as an enforceable right to payment for performance completed to date.
b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue from sale of land
Revenue from sale of land is measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized over period of time under IFRS 15 upon progress completion for related works.

Special projects
Special projects include management consulting fees and supplier of solar panels, The Group acts as a project management consultant for some projects which are completed for other parties. Revenue from special projects is

3 SIGNIFICANT ACCOUNT POLICIES – *continued*

recognised over time based on the stage of completion of the projects, revenue from supply of solar panels under fully owned subsidiary Source Trading Company are realized based on point in time.

Development fee
Revenue from development fee is recognised at point in time, when the right to receive payment has been established.

Renewable power generation
Revenue is recognised, net of Value Added Tax, based on net electricity supplied during the period based on meter readings and market prices as specified under contract terms. Revenue is recognised at a single point in time when electricity is supplied, and the performance obligation met.

Revenue is recognised when the quantity and rates can reasonably be determined, and the control have been transferred to third party.

Finance lease income
The Group's policy for recognition of revenue from finance leases is described in leases accounting policy.

Service Concession Revenues
Revenue related with construction or upgrade services under a service concession arrangement is recognized over time. Operation or service revenue is recognized in the period in which the services are provided by the Group.

Concession under Power Purchase Agreement (PPA). Under the term of IFRIC12 "Service Concession Arrangements", a concession operator has a twofold activity.

- A construction activity in respect of its obligation to design, construct, finance and own the plant and, prior to the Commercial Operations Date ("COD"), the interconnection facilities; and
- An operating and maintenance activity in respect of concession asset after the COD.

Revenue is recognised in accordance with IFRS15. In return for its activities, the operator – the company receives remuneration from the grantor; the financial assets model applies.

The Company determines the stand-alone selling price of construction and operating services underlying each performance obligation to allocate the transaction price to each performance obligation. As the stand-alone selling price of construction service is not directly observable, the Company estimates the price by using expected costs plus margin method. The Company applies a margin to the project cost of 2% to determine construction revenue.

The Company generates revenue from operating and maintenance (O&M) services using the O&M contractors to generate electric power and dispatch it to the national grid. Operation services entail the Company to generate and to deliver electric power to the national grid, which simultaneously receives and consumes the entire electric power output. The Company transfers the benefit of the service to the national grid as it performs, and therefore satisfies its performance obligation over time. The Company estimates the price of operation services on a residual basis, which is the difference between (i) the total cash receipts receivable under the PPA concession arrangement and (ii) revenue from construction services. The Company's selling price of operation services is allocated over time of the project operations. During the operation services phase, the Company allocates the actual cash receipts between revenue for providing operation services in the reporting period and the remaining part to settle concession asset for the construction services.

In reference to operation services, the Company estimated the price of operation services on residual basis. The Company allocated the actual cash receipts received in the period between operation services revenue and the remaining part to settle concession asset for the construction services.

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash from or at the direction of the grantor for the construction or upgrade services provided, and the right to receive cash depends only on the passage of time. Such financial assets are measured at fair value on initial recognition and classified as financial assets measured at amortised cost.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is initially recognised at the fair value of the consideration

3 SIGNIFICANT ACCOUNT POLICIES - ***continued***

The right to receive cash from the grantor is conditional on the company's future performance and depends on the factual power generation during the contractual period. Thus, the group presents a contract asset in the statement of financial position.

Other income

Other income is recognised when the right to receive payment has been established.

Income from sales of Renewable Obligation Certificates (ROCs), Levy Exemption Certificates and Recycled Buyouts is recognised based on market rates unless specified otherwise under contract terms, net of Value Added Tax.

Group undertake interest rate swaps for upcoming projects based on fair value and record fair value through profit or loss.

Finance income

Finance income comprises interest income on financial assets, gains on hedging instruments and foreign exchange gains. Interest income on financial investments is recognised in consolidated profit or loss and when they accrue using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Project expenses

Project expenses comprise expenses incurred on screening, feasibility studies and pre-development phases of various projects undertaken by the Group. Such expenditure is charged to consolidated profit or loss as incurred, other than expenditure on project related property, plant and equipment, which is carried as an asset in the consolidated statement of financial position when there is reasonable certainty that the project will be developed, and future economic benefits will flow to the Group. In the absence of such certainty, these expenses are charged to consolidated profit or loss, cost related to feasibility studies is expensed out even if the development criteria are met.

Foreign currencies

The Group's consolidated financial statements are presented in AED, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is and

3 SIGNIFICANT ACCOUNT POLICIES – ***continued***

- qualifying cash flow hedges to the extent that the hedges are effective.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into AED at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into AED at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI. When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.
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Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. All other repair and maintenance costs are recognised in consolidated 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. Refer to significant accounting judgements, estimates and assumptions (note 4) and other liabilities (note 21) for further information about the recognised decommissioning provision.

Depreciation is calculated using the straight-line method and is recognized in profit and loss to allocate the assets' cost to their residual values over their estimated useful lives as follows:

	Years
Land and Buildings	10 – 25
Plant and machinery	10 – 25
Furniture and fixtures	3-6

Freehold land is not depreciated.

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 the consolidated statement of 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, if appropriate.

Capital work in progress

Properties or assets during construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property

3 SIGNIFICANT ACCOUNT POLICIES – *continued*

including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is accounted in accordance with the Group's policies, work in progress is not depreciated.

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:

	Years
Land	10-20
Building	3 - 20
Vessels	5
Plant and machinery	18
Office equipment	3-5

The right-of-use assets are also subject to impairment. Refer to the accounting policies for *Impairment of non-financial assets.*

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 a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date where 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

3 SIGNIFICANT ACCOUNT POLICIES – ***continued***

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
Leases where the Group transfers substantially all of the risks and benefits of ownership of the asset through its contractual arrangements to the customer are considered as a finance lease. The amounts due from lessees under finance leases are initially recognised as receivables at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding receivable from the lessee is included in the consolidated statement of financial position as a finance lease receivable, or as due from a related party, where applicable, and is carried at the amount of the net investment in the lease after making provision for impairment. Finance lease income is recognised over the term of the lease using the net investment method (before tax) to give a constant rate of return on the net investment in the leases.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms

and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in consolidated profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use at carrying amount.

Any gain arising on this remeasurement is recognized in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in OCI and presented in the revaluation reserve. Any loss is recognized in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognized in OCI and reduces the revaluation surplus within equity.

Investment properties under construction are measured at cost until either its fair value becomes reliably determinable or construction is completed.

Income taxes

Income tax expense/benefit comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

3 SIGNIFICANT ACCOUNT POLICIES – *continued*

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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
- 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 In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, 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.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax (VAT)

Expenses and assets are recognised net of the amount of VAT, except:

- When VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of VAT included

3 SIGNIFICANT ACCOUNT POLICIES - ***continued***

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

Computer software
Acquired computer software licences are capitalised based on the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives which is normally a period of three to five years.

Licenses
Acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

Internally generated intangible assets
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

3 SIGNIFICANT ACCOUNT POLICIES - *continued*

The estimated useful lives of intangible assets are as follows:

	Years
Software	3
Other License *	24
Goodwill	

*Other Intangible license represent the right to own and operate the London Array offshore windfarm which is being amortised from the date of commercial operation of the windfarm.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Decommissioning liabilities

The Group records a provision for decommissioning costs of a facility or an item of plant and to restore the site on which it is located. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Employee benefits

An accrual is made for the estimated liability for employees' entitlement to annual leave as a result of services rendered by eligible employees up to the end of the year.

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the provisions of IAS 19, management carries out an exercise to assess the present value of its obligations using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law, for their period of service up to the end of the year. The accrual relating to annual leave is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security. Such contributions are charged to the consolidated statement of profit or loss during the employees' period of service.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants where the government is deemed by the Group to be acting in the capacity of a government, as opposed to an ultimate shareholder, are recognised in consolidated statement of profit or loss on a systematic basis

3 SIGNIFICANT ACCOUNT POLICIES - ***continued***

Government grants - continued

over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate; such as grants for the Group to purchase, construct or otherwise acquire non-monetary assets are recognised as deferred government grant in the consolidated statement of financial position and transferred to consolidated statement of profit or loss on a systematic and rational basis over the useful lives of the related assets. Where the government is deemed by the Group to be acting in the capacity of an ultimate shareholder, Government grants are recognised as additional shareholder contribution in the consolidated statement of changes in equity.

Government grants that are receivable as compensation for expenses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in consolidated statement of profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Land granted by the Government of Abu Dhabi is recognised at nominal value where there is reasonable assurance that the land will be received, and the Group will comply with any applicable attached conditions.

Financial instruments

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

(i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Except for trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Financial assets at amortised cost (debt instruments)

3 SIGNIFICANT ACCOUNT POLICIES - ***continued***

- Financial assets at fair value through OCI with recycling of cumulative gains and losses upon derecognition (debt instruments)

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Financial assets at amortised cost (debt instruments)
The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in the interim statement of comprehensive income when the asset is derecognised, modified, or impaired.

Financial assets at fair value through profit or loss
Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL

This category includes debt investments and equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

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 assets.

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 it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its 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.

Impairment of financial assets
The Group records an allowance for ECLs for all financial instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost which comprise of finance lease receivables, loans to related parties, contract assets and trade receivables group does not recognize any loss allowance for ECL on due from related party balances.

3 SIGNIFICANT ACCOUNT POLICIES - *continued*
Impairment of financial assets - continued

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- the debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

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'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECL
ECLs are recognised in two stages:

a) Stage 1
For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

b) Stage 2 and Stage 3
For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured 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).

ECLs are discounted at the effective interest rate of the financial asset.

For due from related parties and trade receivables that do not contain a significant financing component, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

For finance lease receivables, loans to related parties and receivables under payment plan, the Group measures ECL on an individual basis. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

3 SIGNIFICANT ACCOUNT POLICIES – *continued*

Credit-impaired financial assets - continued

The key inputs into the measurement of ECLs are the term structures of the following variables:

- Probability of default (PD).
- Loss given default (LGD).
- Exposure at default (EAD).
- Definition of default.
- Significant increase in credit risk; and
- Expected life.

These parameters are derived from the Group's internally developed statistical models and other historical data and are explained in detail in note 4.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer.
- a breach of contract such as a default or being more than 90 days past due.
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise.
- it is probable that the borrower will enter bankruptcy or another financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Write-off
Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group has exhausted all legal and remedial efforts to recover from the customers. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The group has the following financial assets:
Finance lease receivables
Loans to related parties
Trade and other receivables
Due from related parties
Cash and cash equivalents

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified as measured at amortised cost or fair value through profit and loss.
Financial liability is initially measured at fair value plus or minus, for an item not at FVTPL transaction costs that are directly attributable to its acquisition or issue, all financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables (except deferred income), bank borrowings, due to related parties (except deferred government grants) and derivative financial liability.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
A Financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition

3 SIGNIFICANT ACCOUNT POLICIES - *continued*

Financial liabilities at amortized cost
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Interest rate benchmark reform
When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e., the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 at fair value. The difference in the respective carrying amounts is recognised in the interim consolidated statement of comprehensive income.

Derivative financial instruments

Initial recognition and subsequent measurement
The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in consolidated statement of profit or loss as they arise. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading derivatives.

For the purpose of hedge accounting, the Group designates certain derivatives into two types of hedge categories:

- fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and
- cash flow hedges which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction that will affect future reported net income.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

3 SIGNIFICANT ACCOUNT POLICIES – *continued*

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the consolidated statement of profit or loss as a finance cost. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the consolidated statement of profit or loss as a finance cost.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in consolidated statement of profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in consolidated statement of profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss.

The Group uses interest rate swaps as hedges of its exposure to interest rate risk on borrowings. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

Amounts recognised as OCI are transferred to consolidated statement of profit or loss when the hedged transaction affects consolidated statement of profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated, or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Impairment of 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 assets or CGU's fair value less costs of disposal and its value in use. The recoverable amount 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

3 SIGNIFICANT ACCOUNT POLICIES - ***continued***

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 of disposal, recent market transactions are taken into account. 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 companies 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. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount. A previously recognized 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 recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired, Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Cash and short-term deposits

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise petty cash fund, current accounts, and term deposits with banks with original maturities less than three months.

Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3 SIGNIFICANT ACCOUNT POLICIES - ***continued***

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in note 31.4.

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 amortized 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:

- Represents a separate major line of business or geographical area of operations.
- Is part of a single coordinated 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 resale

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.

3 SIGNIFICANT ACCOUNT POLICIES - ***continued***

Additional disclosures are provided in note 29. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

3.3 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 consolidated financial statements are disclosed below. The Group does not expect the following new standards, interpretations and amendments to have a material impact on its financial position, performance or disclosures when applied at a future date. The Group intends to adopt these standards when they become effective.

New and revised IFRSs	*Effective for annual periods beginning on or after*
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes relating to deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IAS 12 for international tax reform – Pillar Two Model Rules	1 January 2023
Lease Liability in a Sale-and-Leaseback (Amendments to IFRS 16, Leases)	1 January 2024
Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants (Amendments to IAS 1, Presentation of Financial Statements)	1 January 2024
Supplier Finance Arrangements (Amendment to IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments: Disclosures)	1 January 2024

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

4.1 Critical judgments in applying accounting policies

Significant judgments made by management that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Satisfaction of performance obligations
The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. The Group has assessed that based on the contracts entered with customers and the provisions of relevant laws and regulations, the Group recognises revenue over time in the following circumstances:

a) where contracts are entered into for sale and development (sale of land with obligation to deliver infrastructure), the Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date; and

b) where contracts are entered into to provide services (property management and facility management), the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

4.1 Critical judgments in applying accounting policies - *continued*

Government Grants

The Group receives land grants from the Government of Abu Dhabi and the Group applies various judgments with respect to the accounting for such grants. The Group recognizes the land grants in the consolidated financial statements initially at nominal value i.e., AED 1. The group exercises judgment and estimation for associating future economic benefits related to the recognised grants between the categories, future economic benefits established, future economic benefits uncertain or no future economic benefits which impacts subsequent costs allocated to each grant which was initially recognised at AED 1. Costs are only assigned to the category where future economic benefits have been established.

Significant judgment is also required to determine whether the Government of Abu Dhabi in granting land banks to the Group is acting in its capacity as a shareholder or in its capacity as a government. This determination involves significant judgement.

Classification of investees as joint ventures
The Group has determined that it has joint control over the following investees:

Name of investees	***Ownership interest as at 31 December 2022***	*Ownership interest as at 31 December 2021*
London Array Project	**20%**	20%
Tesla Wind D.O.O. Beograd	**60%**	60%
Shams Power Company PJSC	**51%**	51%
Dudgeon Offshore Wind Ltd	**35%**	35%
Jordan Wind Power Company PJSC	**50%**	50%
Hywind Scotland Ltd.	**25%**	25%
Emirates Solar Power Company LLC	**60%**	60%
Krnovo Green Energy D.o.o	**49%**	49%
Sharjah Waste to Energy Company LLC	**50%**	50%
The Catalyst Limited	-	50%
Baynouna Holdings B.V.	**70%**	70%
Baynouna Solar Energy PSC	**70%**	70%
Batwind Project	**50%**	50%
Dumat Wind Contracting Company LLC	**49%**	49%
Dumat Al Jandal Wind Energy Company LLC	**49%**	49%
East Rockingham RRF Holdco Trust 2	**36.67%**	36.67%
Masdar Taaleri Generation d.o.o. Beograd	**50%**	50%
Masdar Tribe Energy Holdings RSC Limited	**90%**	90%
Masdar Tribe Energy Western Australia RSC Limited	**16.75%**	16.75%
South Jeddah Noor PV Energy Company LLC	**35.7%**	35.7%
PV Energy Maintenance Company LLC	**35.7%**	35.7%
Noor Midelt Solar Hybrid 1 Company	**30%**	30%
Noor Midelt O&M1 Company	**37%**	37%
PT Pembangkitan Jawa Bali Masdar Solar Energi	**49%**	49%
Fonnes SP. Z.O.O	**50%**	50%
Infinity Power Holding BV	**49%**	49%
Dudgeon Extension Limited	**35%**	35%
Emerge Limited	**51%**	51%
Noor Midelt 1 Procurement Company DMCC	**54%**	54%
Noor Jeddah Energy Service Company LLC	**35.70%**	35.70%
Energize O&M Company LLC	**60%**	60%
Dhafrah Solar Energy Holding Company LLC	**33.34%**	33.34%
Dhafrah PV2 Energy Company LLC	**20%**	20%
Dimona Solar Park Ltd	**49%**	49%

4.1 Critical judgments in applying accounting policies - ***continued***

Dimona Sun Ltd	**49%**	49%
PT Masdar Mitra Solar Radiance	**47.50%**	47.50%
Infinity 50 for Renewable Energy SAE	-	48%
Masdar Armenia 1 CJSC	**85%**	85%
Sterling Wind Phase 1 Holding LLC - Class A shares	**100%**	
Masdar IPH Wind S.A.E	4%	4%
MW Energy Limited	**50%**	-
Blue Palm Class B Wind Holdco	**50%**	-
Blue Palm Class B Solar Holdco	**62.5%**	-
Val Verde Wind Holdco III LLC – Class A shares	**100%**	-

Joint control is assessed on the basis that decisions about relevant activities are taken jointly with other venturers. Where the Group has more or less than 50% ownership interest, but decisions require unanimous approval of all participants then the Group considers it does not have control and investments are considered joint ventures.

Most of the above investees are limited liability companies whose legal form confers separation between the parties to the joint arrangement and the companies themselves. Furthermore, there is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement.

Common control of the Shareholder
Acquisitions of entities/businesses which are under the common control of the Shareholder are recorded at fair value at the date of transfer. In case of disposal of entities/businesses, a gain or loss (including reclassification of amounts previously recognised in the other comprehensive income) to the extent of fair value is recognised in the profit or loss. Any transfer of business without consideration is debited to equity at carrying amounts of net assets.

Project expenses
Project expenses comprise expenses incurred on screening, feasibility studies and pre-development phases of various projects undertaken by the Group. As stated in note 3 to the consolidated financial statements, the portion of such expenditure relating to property, plant and equipment is capitalised when there is reasonable certainty that projects will be developed in the future and future economic benefits will flow to the Group. The process of estimating the degree of certainty involves significant judgments on the part of senior management. Some of these projects tend to have long gestation periods and in certain cases depend on some form of government support. Furthermore, in some instances, the project size and economics are reassessed in the light of the changing economic climate, resulting in an increase in the overall project development timelines, or a downsizing of the project or certain of its component. Management periodically assesses the likelihood of such projects proceeding and uses the results of such assessments to determine whether any provision for impairment losses are required. The estimates and underlying judgments are reviewed on an ongoing basis. Actual results may differ from these estimates and judgments.

Finance leases
The Group has entered into Musataha lease arrangements over certain land classified previously as investment properties as described in notes 7 to the consolidated financial statements. In accordance with the guidance set out in IFRS 16 *Leases*, the Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the exercise of the lease renewal option is reasonably certain and that the present value of the minimum lease payments constitute substantially all of the fair value of the leased asset. Therefore, the Group does not retain all significant risks and rewards of ownership of these properties and accordingly, the Group accounts for these lease arrangements as finance leases as described in note 11 to the consolidated financial statements.

Business combinations
The Group undertakes investments in renewable energy related projects, at various stages of development. Judgement is applied to determine whether the investments, particularly for investments in projects at an early stage, amount to business combinations in accordance with IFRS 3 Business combinations, as opposed to purchase of particular assets or other entitlements.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Impairment and non-collectability of financial assets

IFRS 9 requires management to make significant judgements for the calculation of expected credit losses (ECL). The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9.

Inputs, assumptions and techniques used for ECL calculation – IFRS 9 Methodology
Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Group while determining the impact assessment, are:

Probability of Default (PD)
The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the financial asset has not been previously derecognized.

Loss Given Default (LGD)
The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cashflows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Exposure at Default (EAD)
The Exposure at Default is an estimate of the exposure at a future date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

Significant increase in credit risk
The Group monitors all financial assets and issues loan commitments, if any, that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

Credit-impaired financial assets
A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer.
- a breach of contract such as a default or past due event.
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider.
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Definition of default
The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative

4.2 Key sources of estimation uncertainty - *continued*

and quantitative indicators. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

Expected life
When measuring ECL, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

As at 31 December 2022, provision for net expected credit losses of trade receivables is AED 0.88 million *(2021: AED 1.26 million)*, due from related parties is AED nil *(2021: AED Nil)*, net related party loans ECL reversal is AED 38.52 million *(2021: AED 13.95 million)* trade receivable provision is net off with finance lease receivables ECL reversal AED 0.07 million *(2021: AED Nil)*.

Any difference between the amounts collected in future periods and the amounts expected to be received will be recognised in the consolidated statement of profit or loss.

Impairment losses on investment in equity-accounted investees
After the application of the equity method of accounting, the Group determines whether it is necessary to recognise any additional impairment loss on the carrying value of the investment in equity-accounted investees by comparing its recoverable amount with the higher of value in use or fair value less costs to sell with its carrying amount.

In determining the value in use of the investment, the Group estimates:

- its share of the present value of the estimated future cash flows expected to be generated by the associates, including the cash flows from the operations of the associates and the proceeds on the ultimate disposal of the investment; or
- the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Impairments are reversed if conditions for impairment are no longer present. Evaluating whether an impairment should be reversed requires the selection of key assumptions about the future.

Accumulated impairment losses on investment in a joint operation recognised on the consolidated statement of financial position as at 31 December 2022 is AED Nil *(2021: AED Nil)*.

Impairment of property, plant and equipment and capital work in progress
Properties classified under property, plant and equipment and capital work in progress are assessed for impairment based on the assessment of cash flows on individual cash-generating units when there is an indication that those assets have suffered an impairment loss. Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements, and estimations over the useful lives of the assets and discounted using a range of discounting rates that reflects current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

Accumulated impairment losses as at 31 December 2022 on property, plant and equipment are AED Nil *(2021: AED Nil)* and accumulated impairment loss on intangible assets is AED 80.5 million *(2021: AED 80.5 million)*.

Useful lives of property, plant and equipment and intangible assets
Management reviews the residual values and estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period in accordance with IAS 16 and IAS 38. Management determined that current year expectations do not differ from previous estimates based on its review.

Decommissioning liability
The provision for decommissioning costs is based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Management bases these estimates on its best knowledge and reports from independent experts. Actual costs and cash outflows can differ from estimates because of changes in laws and

4.2 Key sources of estimation uncertainty - *continued*

regulations, public expectations, market conditions, discovery and analysis of site conditions and changes in technology.

Deferred taxes
The Group operates in a number of tax jurisdictions and is, therefore, required to estimate its income taxes in each of these tax jurisdictions in preparing its consolidated financial statements. In calculating income taxes, consideration is given to factors such as tax rates based on the tax legislation in force at the end of the reporting period in the different jurisdictions, non-deductible expenses, valuation allowances, changes in tax law and management's expectations of future operating results.

The Group estimates deferred income taxes based on temporary differences between the income and losses reported in its consolidated financial statements and its taxable income and losses as determined under the applicable tax laws. The tax effect of these temporary differences is recorded as deferred tax assets or liabilities in the consolidated financial statements. Deferred taxes are determined using tax rates approved or about to be approved at the end of the reporting period of each company and expected to apply when the corresponding deferred tax asset is realised, or the deferred tax liability is settled.

Leases – Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

5 SUBSIDIARIES, EQUITY-ACCOUNTED INVESTEES AND JOINT OPERATIONS

Details of the Group's subsidiaries, equity-accounted investees and joint operations at the end of the reporting period are as follows:

			Ownership interest	
Subsidiaries	***Domicile***	***Principal activities***	***2022***	*2021*
Masdar City Services L.L.C.	UAE	Services	**-**	100%
Masdar Energy Limited	UAE	Holding company	**100%**	100%
Noor One Solar Power Company L.L.C. (formerly Masdar Photovoltaic L.L.C.)	UAE	Holding company	**100%**	100%
Masdar Holding L.L.C.	UAE	Holding company	**100%**	100%
Masdar Energy Holding L.L.C.	UAE	Holding company	**100%**	100%
Masdar PV GmbH	Germany	Manufacturing	**100%**	100%
Masdar Solar &Wind Cooperatief U.A.	Netherlands	Investment in renewable energy	**100%**	100%
Masdar Energy BV	Netherlands	Investment in renewable energy	**100%**	100%
Masdar Energy UK Limited	UK	Renewable energy	**100%**	100%
Masdar Finance BV	Netherlands	Services	**100%**	100%
Masdar Offshore Wind UK Limited	UK	Investment in renewable energy	**100%**	100%
Masdar City Investment L.L.C	UAE	Holding company	**-**	100%
Masdar Egypt Investment 1 Limited	UAE	Holding company	**100%**	100%
Masdar Egypt Investment 2 Limited	UAE	Holding company	**100%**	100%
Masdar Egypt Investment 3 Limited	UAE	Holding company	**100%**	100%
Masdar Egypt Investment 4 Limited	UAE	Holding company	**100%**	100%
Ras Ghareb Investment Holding Limited	UAE	Holding company	**100%**	100%
Yas Energy Company SAE	Egypt	Renewable energy	**100%**	100%
Masdar Oman Holding Limited	Oman	Renewable energy	**100%**	100%
Masdar Offshore Wind Scotland Limited	UK	Renewable energy	**100%**	100%
Masdar Specialised Technial Services LLC	UAE	Services	**100%**	100%
Masdar UK charging infrastructure SPV Restricted Limited	UAE	Investment	**100%**	100%
Masdar Egypt BV	Netherlands	Renewable energy	**100%**	100%
Masdar B04 Limited	UAE	Real estate	**-**	100%
Masdar B04 – 0 Limited	UAE	Real estate	**-**	100%
Masdar B-10 Limited	UAE	Real estate	**-**	100%
Masdar M12 Limited	UAE	Real estate	**-**	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
31 December 2022

SUBSIDIARIES, EQUITY-ACCOUNTED INVESTEES AND JOINT OPERATIONS – continued

Subsidiaries	***Domicile***	***Principal activities***	***Ownership interest***	
			2022	2021
Masdar B02 Limited	UAE	Real estate	-	100%
Masdar G10 Limited	UAE	Real estate	-	100%
Masdar M13 Limited	UAE	Real estate	-	100%
Masdar B05 Limited	UAE	Real estate	-	100%
Masdar M13-T Limited	UAE	Real estate	-	100%
Masdar G13 Limited	UAE	Real estate	-	100%
Masdar B03 Limited	UAE	Real estate	-	100%
Masdar B11 Limited	UAE	Real estate	-	100%
Masdar Musataha 1 Limited	UAE	Real estate	-	100%
Masdar Musataha 2 Limited	UAE	Real estate	-	100%
Nur Navoi Solar Holding RSc Limited	UAE	Renewable energy	**100%**	100%
Masdar Moroc RSC Limited	UAE	Renewable energy	**100%**	100%
Source Trading Company Limited	UAE	Services	**100%**	100%
Madar Indonesia Solar Holdings RSC Limited	UAE	Renewable energy	**100%**	100%
Masdar Cirata Solar RSC Limited	UAE	Renewable energy	**100%**	100%
Masdar CIS Holdings RSC Limited	UAE	Renewable energy	**100%**	100%
Masdar Capital Management Limited	UAE	Services	-	100%
Masdar Green REIT (CEIC) Limited	UAE	Real estate	-	100%
Masdar Energy UK II Limited	UK	Renewable energy	**100%**	100%
Masdar Offshore Wind UK II Limited	UK	Renewable energy	**100%**	100%
Abu Dhabi Future Energy Holding Company LLC	KSA	Renewable energy	**100%**	100%
Shamol Zarafshan Enegy FE LLC	Uzbekistan	Renewable energy	**100%**	100%
Masdar Al-Dhafra Holding RSC Limited	UAE	Renewable energy	**100%**	100%
Masdar Power Services	Uzbekistan	Renewable energy	**100%**	100%
Masdar Israel Holding RSC Limited	UAE	Renewable energy	**100%**	100%
Shamol Zarafshan Energy Holding RSC Limited	UAE	Renewable energy	**100%**	100%
Jizzak Holding RSC Limited	UAE	Renewable energy	**100%**	100%
Nur Sherabad Holding RSC Limited	UAE	Renewable energy	**100%**	100%
Area 60 Holding RSC Limited	UAE	Renewable energy	**100%**	100%
Nur Samarkand Holding RSC Limited	UAE	Renewable energy	**100%**	100%
AYG-1 Holding RSC Limited	UAE	Renewable energy	**100%**	100%
Masdar Azerbaijan LLC	Azerbaijan	Renewable energy	**100%**	100%
Masdar Azerbaijan Energy LLC	Azerbaijan	Renewable energy	**100%**	100%
Nur Navoi Solar LLC	Uzbekistan	Renewable energy	**100%**	100%
Al Dhafra Wind Energy Company	UAE	Renewable energy	**100%**	100%
ADFEC Morocco SARLAU	Morocco	Renewable energy	**100%**	100%
Shamol Zarafshan LLC	Uzbekistan	Renewable energy	**100%**	100%
Nur Jizzak Solar PV Foreign Enterprise Limited Liabilty Company	Uzbekistan	Renewable energy	**100%**	100%
Nur Sherabad Solar PV Foreign Enterprise Limited liability Company	Uzbekistan	Renewable energy	**100%**	100%
Nur Samakand Solar PV Foreign Enterprise Limited liability Company	Uzbekistan	Renewable energy	**100%**	100%
ADV 003 Limited	UK	Renewable energy	**90%**	-
ADV 004 Limited	UK	Renewable energy	**90%**	-
ADV 005 Limited	UK	Renewable energy	**90%**	-
ADV 006 Limited	UK	Renewable energy	**90%**	-
ARL 016 Limited	UK	Renewable energy	**90%**	-
ARL Energy Development Limited	UK	Renewable energy	**90%**	-
AVE 002 Limited	UK	Renewable energy	**90%**	-
ESL 001 Limited	UK	Renewable energy	**90%**	-
ESL 002 Limited	UK	Renewable energy	**90%**	-
Masdar Americas LLC	USA	Renewable energy	**100%**	-
Ninety Sixth Investment Company LLC	UAE	Renewable energy	**100%**	-
Masdar APAC Pte Ltd	Singapre	Renewable energy	**100%**	-
Masdar Arlington Energy Storage UK Holdco Ltd	UK	Renewable energy	**100%**	-
Masdar Big Beau Holding LLC	USA	Renewable energy	**100%**	-
Masdar Blue Palm Holding LLC	USA	Renewable energy	**100%**	-
Masdar CES Europe B.V.	Netherlands	Renewable energy	**100%**	-
Masdar Energy Storage Development UK Ltd	UK	Renewable energy	**100%**	-
Masdar Global Offshore Wind Holding RSC Limited	UAE	Renewable energy	**100%**	-
Masdar Israel Holding RSC Limited	UAE	Renewable energy	**100%**	-
Masdar Miligan Holding LLC	USA	Renewable energy	**100%**	-
Masdar Rocksprings Holding Inc	USA	Renewable energy	**100%**	-
Masdar Rocksprings Wind Holdco Corp	USA	Renewable energy	**100%**	-
Masdar Sterling Holding Inc	USA	Renewable energy	**100%**	-
Masdar Sterling Wind Holdco Corp	USA	Renewable energy	**100%**	-
Masdar UK Development Company Limited	UK	Renewable energy	**100%**	-
Masdar USA One Holding RSC Ltd	UAE	Renewable energy	**100%**	-
Masdar USA Two Holding RSC Ltd	UAE	Renewable energy	**100%**	-
Masdar Uzbekistan LLC Foreign Enterprise	Uzbekistan	Renewable energy	**100%**	-

SUBSIDIARIES, EQUITY-ACCOUNTED INVESTEES AND JOINT OPERATIONS – continued

			Ownership interest	
Joint Ventures	***Domicile***	***Pricipal Activities***	***2022***	*2021*
Noor One Solar Power Company LLC	UAE	Renewable energy	**100%**	-
Rocksprings Wind Masdar Opco LLC	USA	Renewable energy	**100%**	-
Sterling Wind Masdar Opco LLC	USA	Renewable energy	**100%**	-
Associates				
London Array Limited	UK	Services	**20%**	20%
Hero Future Energies Global Limited	UK	Renewable energy	**-**	21%
Joint ventures				
Dudgeon Holding Limited (Dudgeon Offshore Wind Limited) ("Dudgeon")	UK	Renewable energy	**35%**	35%
Shams Power Company PJSC	UAE	Renewable energy	**51%**	51%
Jordan Wind Power Company PSC	Jordan	Renewable energy	**50%**	50%
Tesla Wind B.V.	Netherlands	Renewable energy	**50%**	50%
Masdar Taaleri Generation d.o.o	Serbia	Renewable energy	**50%**	50%
Hywind Scotland Limited ("Hywind")	UK	Renewable energy	**25%**	25%
Emirates Solar Power Company LLC *	UAE	Renewable energy	**60%**	60%
Sharjah Waste to Energy Company LLC ("Sharjah W2E")	UAE	Renewable energy	**50%**	50%
Emirates waste to energy company LLC	UAE	Renewable energy	**50%**	50%
Krnovo HoldCo D.o.o ("Krnovo")	Montenegro	Renewable energy	**49%**	49%
Baynounah Holdings B.V. ("Baynounah")*	Netherlands	Holding company	**70%**	70%
Baynouna Solar Energy PSC	Jordan	Renewable energy	**70%**	70%
Dumat Al Jandal Wnd Energy Company LLC	Saudi Arabia	Renewable energy	**49%**	49%
Dumat Wind Contracting Company LLC	Saudi Arabia	Renewable energy	**49%**	49%
Masdar Tribe Energy Holdings RSC Limited*	UAE	Holding Company	**90%**	90%
Masdar Tribe Energy Western Australia RSC Limited	UAE	Renewable energy	**17%**	17%
East Rockingham RRF Holdco Trust 2	Australia	Renewable energy	**37%**	37%
South Jeddah Noor PV Energy Company LLC	Saudi Arabia	Renewable energy	**36%**	36%
PV Energy Maintenance Company LLC	Saudi Arabia	Renewable energy	**36%**	36%
Noor Midelt Solar Hybrid 1 Company	Morocco	Renewable energy	**30%**	30%
Noor Midelt O&M1 Company	Morocco	Renewable energy	**37%**	37%
PT Pembangkitan Jawa Bali Masdar Solar Energi	Indonesia	Renewable energy	**49%**	49%
Fonnes SP. Z.O.O	Poland	Renewable energy	**50%**	50%
Masdar specialized technical service LLC Abu Dhabi Branch*	UAE	Renewable energy	**100%**	100%
Sharjah waste to energy plant maintenance LLC*	UAE	Renewable energy	**100%**	100%
Masdar Green Hydrogen*	UAE	Renewable energy	**100%**	-
Infinity 50 for Renewable Energy SA	Egypt	Renewable energy	**-**	48%
Infinity Power Holding BV	Netherlands	Renewable energy	**49%**	49%
Emerge Limited*	UAE	Renewable energy	**51%**	51%
Noor Midelt 1 Procurement Company DMCC*	UAE	Renewable energy	**54%**	54%
Noor Jeddah Energy Service Company LLC	Saudi Arabia	Renewable energy	**35.70%**	35.70%
Energize O&M Company LLC*	UAE	Renewable energy	**60%**	60%
Dhafrah Solar Energy Holding Company LLC	UAE	Renewable energy	**33.34%**	33.34%
Dhafrah PV2 Energy Company LLC	UAE	Renewable energy	**20%**	20%
Dimona Solar Park Ltd	Israel	Renewable energy	**49%**	49%
Dimona Sun Ltd	Israel	Renewable energy	**49%**	49%
PT Masdar Mitra Solar Radiance	Indonesia	Renewable energy	**47.50%**	47.50%
Masdar Tribe Australia Holdings Ltd	UAE	Renewable energy	**50%**	50%
Masdar Tribe Australia PTY Ltd	Australia	Renewable energy	**50%**	50%
Masdar Armenia 1 CJSC*	Armenia	Renewable energy	**85%**	85%
Shuaa Energy 2 PSC	UAE	Renewable energy	**24%**	24%
Dudgeon Extension Limited	UK	Renewable energy	**35%**	35%
Blue Palm Holdings*	USA	Renewable energy	**100% class B**	-
Sterling Wind Phase 1 Holdings LLC*	USA	Renewable energy	**100% class A**	-
Rocksprings Val Verde Wind LLC*	USA	Renewable energy	**100% Class B**	-
Joint operations				
London Array Project (unincorporated)	UK	Renewable energy	**20%**	20%
Batwind Project (unincorporated)	UK	Renewable energy	**50%**	50%

The Group does not have any material partly owned subsidiaries.

The Group's investments in associates and joint ventures are accounted for using the equity method of accounting.

The summarised financial information of material equity-accounted investees is disclosed in note 9 to the consolidated financial statements.

*The entities where company has equal to or more than 50% shareholding are classified as equity accounted investees due to absence of control and voting rights.

6 PROPERTY, PLANT AND EQUIPMENT

	Land and Building	***Plant and Machinery***	***Furniture and Fixture***	***Capital Work in Progress***	***Total***
	AED '000	***AED '000***	***AED '000***	***AED '000***	***AED 000***
					2022
Cost:					
1 January 2022	**6,824**	**2,107,711**	**42,718**	**23,835**	**2,181,088**
Additions	**-**	**34**	**15,598**	**298,423**	**314,055**
Change in estimate of decommissioning liability	**-**	**(16,108)**	**-**	**-**	**(16,108)**
Disposal	**-**	**-**	**(647)**	**-**	**(647)**
Effect of movement in exchange rates	**(731)**	**(231,730)**	**(17)**	**(143)**	**(232,621)**
31 December 2022	**6,093**	**1,859,907**	**57,653**	**322,115**	**2,245,767**
Accumulated depreciation and impairment:					
1 January 2022	**3,297**	**794,858**	**35,999**	**-**	**834,154**
Depreciation Charge for the year	**290**	**81,012**	**5,001**		**86,302**
Addition on acquisition of subsidiary	**-**	**-**	**186**	**-**	**186**
Disposal	**-**	**-**	**(647)**	**-**	**(647)**
Effect of movement in exchange rates	**(360)**	**(88,853)**	**(17)**	**-**	**(89,229)**
31 December 2022	**3,227**	**787,017**	**40,522**	**-**	**830,766**
Carrying amount:					
31 December 2022	**2,866**	**1,072,890**	**17,130**	**322,115**	**1,415,001**

	Land and Building	*Plant and Machinery*	*Furniture and Fixture*	*Capital Work in Progress*	*Total*
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED 000*
					2021
Cost:					
1 January 2021	16,739	2,510,722	50,119	71,931	2,649,511
Additions, net	-	(9,059)	4,950	25,593	21,484
Assets Held for Sale	(9,845)	(373,173)	(12,350)	(64,732)	(460,100)
Disposal	-	-	-	(8,943)	(8,943)
Effect of movement in exchange rates	(70)	(20,779)	(1)	(14)	(20,864)
31 December 2021	6,824	2,107,711	42,718	23,835	2,181,088
Accumulated depreciation and impairment:					
1 January 2021	8,779	923,314	39,618	27,500	999,211
Depreciation Charge for the year	550	105,608	8,731	-	114,889
Assets Held for Sale	(5,995)	(225,335)	(12,350)	(27,500)	(271,180)
Effect of movement in exchange rates	(37)	(8,729)	-	-	(8,766)
31 December 2021	3,297	794,858	35,999	-	834,154
Carrying amount:					
31 December 2021	3,527	1,312,853	6,719	23,835	1,346,934

Included in plant and machinery is a decommissioning liability relating to the London Array Project amounting to AED 53.97 million as at 31 December 2022 *(2021: AED 87.53 million)* (note 21).

CWIP is mainly related to general service office renovation works and ICT hardware and software amounting to AED 15.92 million, Al Dhafra Wind UAE wind program project AED 303.13 million, MEUK 1.19 million, and Energy Services AED 1.88 million.

6 PROPERTY, PLANT AND EQUIPMENT - *continued*

Al Dhafra Wind company is constructing 23 wind turbines and a solar plant in different locations in the UAE such as Sir Baniyas Island, Delma Island, Sila and mountains overlooking Al-Halah, project is funded by Crown Prince Court and it is owned by Al Dhafra Wind Energy Company a fully owned subsidiary.

Depreciation charge has been allocated to cost of sales and general and administrative expenses as follows:

	2022 ***AED '000***	*2021* *AED '000*
Cost of sales	**84,108**	89,051
General and administrative expenses (note 26)	**2,194**	25,838
	86,302	114,889

7 INVESTMENT PROPERTIES

	2022 ***AED '000***	*2021* *AED '000*
Investment properties		
At 01 January	-	2,526,937
Change in fair value of investment properties	-	106,947
Transfer to assets held for sale	-	(2,633,884)
Total	-	-
At 31 December	-	-

	2022 ***AED '000***	*2021* *AED '000*
Investment properties under development		
At 01 January	-	42,899
Additions	-	58,916
Transfers from inventory	-	10,516
Allocation from Capital Accruals	-	37,227
At 31 December	-	149,558
Total	-	2,783,442
Transfer to assets held for sale	-	(2,783,442)
Total	-	-

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	Level 3 ***AED '000***	***Fair value*** ***AED '000***
2021:		
IRENA Headquarters building and land	472,165	472,165
Siemens building and land	331,850	331,850
Incubator building and land	113,260	113,260
Etihad building and land	538,405	538,405
Accelerator building	63,070	63,070
MI Neighbourhood	966,400	966,400
Visitors centre	77,988	77,988
Accelerator 2	70,746	70,746
	2,633,884	2,633,884

Investment properties under development are measured at cost until either its fair value becomes reliably determinable, or construction is completed.

INVESTMENT PROPERTIES - continued

Breakup of cost is as follows:

	AED '000
2021:	
B-02	58,956
MC square	67,460
Innovation hub	23,142
	149,558

*During 2021, certain plots of land were transferred from inventories to investment properties for the purpose of new rental properties. Accordingly, the net cost of the land plots amounting to AED 10.5 million was transferred to investment properties.

Sensitivity to significant changes in unobservable inputs

For investment properties categorised into Level 3 of the fair value hierarchy, the following information is relevant as at 31 December 2021:

Investment property	**Valuation techniques**	**Significant unobservable input**	**Sensitivity**
IRENA Headquarters office building and land	Fair Market Value	Yield rate of 9.25% *	a) AED 60.9 million – AED 304.6 million.
		Market rent at an average of AED 1,635 per sq.m per annum **	b) AED 4.7 million – 23.6 million.
Siemens office building and land	Fair Market Value	Yield rate of 9.25% *	a) AED 42.8 million – AED 214.1 million.
		Market rent at an average of AED 1,588 per sq.m per annum **	b) AED 3.3 million – AED 16.6 million.
Incubator office building and land	Fair Market Value	Yield rate of 9.50% *	a) AED 14.2 million – AED 70.8 million.
		Market rent at an average of AED 1,836 per sq.m per annum **	b) AED 1.1 million – AED 5.7 million.
Etihad residential land and building	Fair Market Value	Yield rate of 8.75% *	a) AED 70.1 million – AED 350.5 million.
		Market rent at an average of AED 743 per sq.m per annum **	b) AED 5.4 million – AED 26.9 million.
Accelerator building	Fair Market Value	Yield rate of 9.50% *	a) AED 7.9 million – AED 39.4 million.
		Market rent at an average of AED 1,492 per sq.m per annum **	b) AED 0.6 million – AED 3.2 million.
MI Neighborhood	Fair Market Value	Yield rate of 8.92% *	a) AED 128.5 million to AED 642.6 million
		Market rent at an average of AED 1,160 per sq.m per annum **	b) AED 9.7 million – AED 48.3 million.

INVESTMENT PROPERTIES - continued

Investment property	Valuation techniques	Significant unobservable input	Sensitivity
Visitors Centre	Fair Market Value	Yield rate of 9.50% *	a) AED 9.7 million – AED 48.7 million.
		Market rent at an average of AED 1,356 per sq.m per annum **	b) AED 0.8 million – AED 3.9 million.
Accelerator 2	Fair Market Value	Yield rate of 9.50% *	a) AED 8.8 million – AED 44.2 million.
		Market rent at an average of AED 1,236 per sq.m per annum **	b) AED 0.7 million – AED 3.5 million.

*Taking into account the capitalization of rental income potential, prevailing market conditions, covenant strength of the tenant, and risks and investors' intentions.

**Taking into account the comparable investment and rental transactions, evidence of demand within the vicinity, size, location, terms, covenant, and other material factors.

a) An increase/decrease of 1% - 5% in the market yield would result in a decrease/increase in fair value of
b) An increase/decrease of 1% - 5% in the market rent used would result in an increase/decrease in fair value of

8 INTANGIBLE ASSETS AND GOODWILL

	Software AED 000	*License AED 000*	*Goodwill AED 000*	*Total AED 000*
2022				
Cost:				
1 January 2022	**21,149**	**149,792**	**-**	**170,941**
Addition	**1,190**	**10,956**	**164,132**	**176,278**
Disposal	**(328)**	**-**	**-**	**(328)**
Effect of movement in exchange rates	92	**(7,517)**	**-**	**(7,425)**
31 December 2022	**22,103**	**153,231**	**164,132**	**339,466**
Accumulated amortisation and impairment:				
1 January 2022	**19,380**	**106,384**	**-**	**125,764**
Amortization Charge for the year	**1,669**	**2,635**	**-**	**4,304**
Disposal	**(328)**	**-**	**-**	**(328)**
Effect of movement in exchange rates	**-**	**(2,842)**	**-**	**(2,842)**
31 December 2022	**20,721**	**106,177**	**-**	**126,898**
Carrying amount:				
31 December 2022	**1,382**	**47,054**	**164,132**	**212,568**

INTANGIBLE ASSETS AND GOODWILL - continued

2021	*Software* *AED 000*	*License* *AED 000*	*Goodwill* *AED 000*	*Total* *AED 000*
Cost:				
1 January 2021	21,969	150,499	-	172,468
Addition	1,880	-	-	1,880
Held for Sale	(2,700)	-	-	(2,700)
Effect of movement in exchange rates	-	(707)	-	(707)
31 December 2021	21,149	149,792	-	170,941
Accumulated amortisation and Impairment:				
1 January 2021	18,903	103,733	-	122,636
Amortization Charge for the year	2,838	2,936	-	5,774
Held for Sale Assets	(2,361)	-	-	(2,361)
Effect of movement in exchange rates	-	(285)	-	(285)
31 December 2021	19,380	106,384	-	125,764
Carrying amount:				
31 December 2021	1,769	43,408	-	45,177

Details of Goodwill on Acquisition of Arlington Group Services Ltd of AED 164.13 million is given in note 29.2.2.

Amortization is reported in statement of comprehensive income under general and administrative expenses 31 December 2022 AED 4.30 million (2021: AED 5.77 million) and management has reviewed and assessed that there are no Impairment indicators for intangible assets.

During the year, Group has recorded goodwill on acquisition of Arlington Group Services Limited (AGSL), as described in note 29.2. The Group has identified AGSL as a single cash generating unit. Given that the acquisition was at fair value and close to the year end, the Group has concluded that there was not any impairment in the goodwill arising on acquisition.

9 EQUITY – ACCOUNTED INVESTEES

Summarised financial information in respect of the Group's material equity-accounted investees, not adjusted for the percentage ownership held by the Group, is set out below.

The summarised financial information below represents amounts shown in the equity-accounted investees' financial statements prepared in accordance with IFRSs.

	Classification	*Current assets AED'000*	*Non-current assets AED'000*	*Current liabilities AED'000*	*Non-current Liabilities AED'000*	*Net assets AED'000*	*Cash & Cash equivalents AED'000*	**Current -** *Trade & other* **payables & provisions** *AED'000*	
2022									
Shams Power Company PJSC	Joint venture	178,536	1,682,926	134,725	1,381,971	344,766	97,401	19,385	11,643
Jordan Wind Power Company PJSC	Joint venture	99,232	656,992	73,082	524,003	159,139	76,307	19,461	-
Tesla Wind Doo	Joint venture	121,160	938,771	68,053	757,441	234,438	59,862	5,675	-
Hywind Scotland Limited	Joint venture	110,275	978,816	7,613	179,654	901,824	33,264	2,804	-
Emirates Solar Power Company LLC	Joint venture	35,625	67,965	38,308	-	65,282	1,993	140	-
Sharjah WTE	Joint venture	242,678	936,162	119,830	763,913	295,097	241,439	11,435	-
Baynouna Solar Energy PSC	Joint venture	221,603	747,328	79,904	694,593	194,434	208,421	21,578	63,600
East Rockingham	Joint venture	189,670	1,226,401	8,141	972,597	435,333	182,328	5,761	6,680
Infinity Power Holdings BV	Joint venture	204,231	984,556	185,610	801,412	201,766	174,237	27,715	-
Rocksprings Val Verde Wind LLC	Joint venture	54,750	719,335	11,447	383,647	378,991	38,957	8,691	15,777
Sterling Wind Phase 1 Holdings LLC	Joint venture	7,477	172,704	3,704	75,870	100,608	3,837	3,704	-
Blue Palm Holdings	Joint venture	-	5,347,364	191,165	1,789,076	3,367,123	-	-	-

9 EQUITY – ACCOUNTED INVESTEES - ***continued***

2021

	Classification	***Current assets AED'000***	***Non-current assets AED'000***	***Current liabilities AED'000***	***Non-current Liabilities AED'000***	***Net assets AED'000***	***Cash & Cash equivalents AED'000***	**Current - *Trade & other* payables & provisions *AED'000***	**Non-current Trade & other payables & provisions *AED'000***
Shams Power Company PJSC	Joint venture	158,106	1,812,765	128,689	1,697,926	144,256	74,935	14,370	8,187
Jordan Wind Power Company PJSC	Joint venture	119,912	701,117	107,236	600,671	113,122	94,696	18,522	-
Tesla Wind Doo	Joint venture	121,446	1,019,659	91,358	860,517	189,231	66,293	5,318	-
Hywind Scotland Limited	Joint venture	89,920	1,120,004	1,688	130,183	1,078,053			
Emirates Solar Power Company LLC	Joint venture	28,739	-	31,317	-	(2,579)	2,682	80	-
Sharjah WTE	Joint venture	42,776	704,285	127,056	670,674	(50,669)	38,767	70,214	-
Baynouna Solar Energy PSC	Joint venture	178,154	791,586	77,644	843,398	48,699	164,444	40,700	63,549
East Rockingham	Joint venture	158,559	1,077,195	113,736	998,513	123,506	56,257	105,045	6,840
Infinity Power Holdings BV	Joint venture	106,273	743,631	46,888	384,785	418,231	95,146	11,077	-

9 EQUITY – ACCOUNTED INVESTEES – ***continued***

	Revenue	*Depreciation & amortization*	*Interest expense*	*Income tax expense*	*Profit (loss) for the year*	*Other Comprehensive income for the year*	*Total comprehensive income/(loss) for the year*	*Group's share of total comprehensive income/(loss) for the year*	*Dividends received by the Group*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
2022									
Shams Power Company PJSC	362,476	106,701	104,932	-	83,519	202,195	285,714	143,707	43,090
Jordan Wind Power Company PJSC	150,171	48,998	46,099	1,167	30,488	49,134	79,622	36,727	16,803
Tesla Wind Doo	144,204	37,359	60,952	-	37,354	17,791	55,144	33,086	-
Hywind Scotland Limited	211,862	62,329	1,806	28,869	93,582	-	93,582	22,013	39,912
Emirates Solar Power Company LLC	-	-	-	-	(23,439)	106,871	83,433	50,060	-
Sharjah WTE	221,479	1,705	44,357	-	274,320	75,767	350,087	175,044	-
Baynouna Solar Energy PSC	134,804	40,949	44,726	-	34,873	89,991	124,865	87,405	-
East Rockingham	-	7	-	-	(5,308)	112,366	107,058	39,195	-
Infinity Power Holdings BV	150,628	45,248	411,243	(7,142)	(296,158)	-	(296,158)	(145,117)	-
Rocksprings Val Verde Wind LLC	-	-	-	-	-	-	-	-	-
Sterling Wind Phase 1 Holdings LLC	785	-	-	-	785	-	785	785	-
Blue Palm Holdings	-	-	-	-	-	-	-	-	-

9 EQUITY – ACCOUNTED INVESTEES - ***continued***

	Revenue	*Depreciation & amortization*	*Interest expense*	*Income tax expense*	*Profit (loss) for the year*	*Other Comprehensive income for the year*	*Total comprehensive income/(loss) for the year*	*Group's share of total comprehensive income/(loss) for the year*	*Dividends received by the Group*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
2021									
Shams Power Company PJSC	374,356	106,017	110,077	-	85,965	106,830	192,795	97,095	60,687
Jordan Wind Power Company PJSC	154,177	49,079	47,022	1,220	32,424	26,640	59,064	25,831	-
Tesla Wind Doo	171,114	39,376	47,593	-	67,375	20,241	87,616	52,570	
Hywind Scotland Limited	178,880	70,735	1,299	21,613	59,877	-	59,877	13,725	28,559
Emirates Solar Power Company LLC	-	-	-	-	(80)	-	(80)	(48)	-
Sharjah WTE	278,260	1,758	35,959	-	22,101	33,224	55,325	27,663	-
Baynouna Solar Energy PSC	124,164	41,191	39,243	-	31,545	39,382	70,927	49,649	-
East Rockingham	-	5	-	-	(915)	5,109	4,194	1,538	-
Infinity Power Holdings BV	62,549	19,142	36,235	4,795	(47,780)	-	(47,780)	(962)	-

9 EQUITY – ACCOUNTED INVESTEES - ***continued***

Reconciliation of the summarised financial information to the carrying amount of the Group's interest in material equity-accounted investee recognised in the consolidated financial statements:

	Ownership interest	*Net assets*	*Group's share of net assets*	*Intangible assets*	*Carrying amount*
		AED'000	*AED'000*	*AED'000*	*AED'000*
2022					
Shams Power Company PJSC	51%	344,766	175,831	22,698	198,529
Jordan Wind Power Company PJSC	50%	159,139	79,569	47,807	127,377
Tesla Wind Doo	60%	234,438	140,663	-	140,663
Hywind Scotland Limited	25%	901,824	225,456	27,236	252,692
Emirates Solar Power Company LLC	60%	65,282	39,169	-	195,110
Sharjah WTE	50%	295,097	147,548	-	147,548
Baynouna Solar Energy PSC	70%	194,434	136,104	-	136,104
East Rockingham	37%	435,333	159,334	-	159,334
Infinity Power Holdings BV	49%	201,766	98,865	-	98,865
Rocksprings Val Verde Wind LLC	50%	378,991	123,797	-	123,797
Sterling Wind Phase 1 Holdings LLC	50%	100,608	98,268	-	98,268
Blue Palm Holdings	50%	3,367,123	1,683,562	88,948	1,772,510
Other investments *					241,041
Total					**3,691,838**

9 EQUITY – ACCOUNTED INVESTEES - continued

	Ownership interest	*Net assets AED'000*	*Group's share of net assets AED'000*	*Intangible assets AED'000*	*Carrying amount AED'000*
2021					
Shams Power Company PJSC	51%	144,256	73,571	24,341	97,912
Jordan Wind Power Company PJSC	50%	113,122	56,561	50,891	107,452
Tesla Wind Doo	60%	189,231	113,538	-	113,538
Hywind Scotland Limited	25%	1,078,053	270,176	32,551	302,727
Emirates Solar Power Company LLC	60%	(2,579)	-	-	-
Sharjah WTE	50%	(50,669)	-	-	-
Baynouna Solar Energy PSC **	70%	69,569	48,698		48,698
East Rockingham	37%	123,506	45,290	-	45,290
Infinity Power Holdings BV	49%	418,231	204,933	-	204,933
Other investments *					214,209
Total					**1,134,759**

*** Immaterial associates and equity accounted investees.**

**** Baynouna Holding B.V is holding company of Baynouna Solar Energy PSC.**

9 EQUITY – ACCOUNTED INVESTEES - ***continued***

2022	***AED '000'***
Carrying amount of interest in other investments	**241,041**
Group's share of:	
- Loss from continuing operations	(37,898)
- Other comprehensive income	126,528
Total comprehensive income	**88,630**

2021	*AED '000'*
Carrying amount of interest in other investments	214,209
Group's share of:	
- Loss from continuing operations	(23,462)
- Other comprehensive income	-
Total comprehensive income	(23,462)

The movement in investment in equity-accounted investees is set out below:

	Associates' AED '000	***Joint ventures AED '000***	***Total AED '000***
At 1 January 2022	**178,528**	**956,231**	**1,134,759**
Investments during the year (i)		**2,305,238**	**2,305,238**
Share of results of equity-accounted investees	**(30,732)**	**89,399**	**58,667**
Disposal of associates/ joint venture(ii)	**(144,001)**	-	**(144,001)**
Dividends received (iii)	-	**(99,805)**	**(99,805)**
Share of movement in hedge and other reserves	-	**460,773**	**460,773**
Share of movement in foreign exchange reserves	**(407)**	**(21,328)**	**(21,735)**
Reclassification (iv)	-	**(2,059)**	**(2,059)**
At 31 December 2022	**3,389**	**3,688,449**	**3,691,838**
At 1 January 2021	238,435	638,714	877,149
Investments during the year	-	293,562	293,562
Share of results of equity-accounted investees	(59,868)	118,604	58,736
Disposal of a joint venture	-	(55,259)	(55,259)
Dividends received	-	(89,246)	(89,246)
Share of movement in hedge and other reserves	-	119,913	119,913
Share of movement in foreign exchange reserves	(39)	(18,046)	(18,085)
Reclassified to held for sale		(2,932)	(2,932)
Reclassification	-	(49,079)	(49,079)
At 31 December 2021	178,528	956,231	1,134,759

(i) During the year, the Group has made the following significant investments:

- Additional contribution in Infinity Power Holdings BV, a joint venture, for a consideration of USD 9.8 million (AED 36.1 million)
- Additional contribution in Dudgeon Extension Limited, a joint venture, for a consideration of GBP 7.4 million (AED 32.4 million).
- 33.67% ownership interest in East Rockingham, a joint venture, for a consideration of AUD 15.1 million (AED 86.4 million).

9 EQUITY – ACCOUNTED INVESTEES - *continued*

- Additional contribution in Emirates Solar Power Company, a joint venture, for a consideration of AED 155.5 million.
- 50% ownership interest in Rocksprings Val Verde Wind LLC, a joint venture, with an estimated fair value of USD 33.7 million (AED 123.8 million).
- 50% ownership interest in Sterling Wind Phase 1 Holdings LLC, a joint venture, with an estimated fair value of USD 26.5 million (AED 97.5 million).
- 50% ownership interest in Blue Palm Holdings, a joint venture, with an estimated fair value of USD 482.5 million (AED 1,772.5 million).

(ii) Rocksprings Val Verde Wind LLC, Sterling Wind Phase I Holdings LLC and blue Palm Holdings include investments made through tax equity partnerships. The Group has assessed their terms and determined that they amount to liability measured at amortised cost balance classification to arrive at its equity accounted balance. A change in the tax equity partner's entitlements to tax benefits is recognised in this liability balance, with the corresponding amount recognised as a financial expense.

(iii) During the year, the Group disposed of its entire investment in Hero Future Energies Global Limited for a consideration of AED 266 million (USD 72.5 million), disclosure is given in note 10.

(iv) During the year, the Group received dividends from following investments:

a. AED 43.1 million from a joint venture, Shams Power Co.,
b. AED 39.9 million (GBP 8.8 million) from a joint venture, Hywind Scotland Limited and
c. AED 16.5m (USD 4.5 million) from Jordan Wind Power Company.

(v) Reclassification comprises of reclassification of balances from loans to related parties to investments in Krnovo (AED 10.34 million) Sharjah W2E (AED 22.83 million), Masdar CES Europe BV AED 28.80 and Emerge limited AED 2.31 million.

10 OTHER NON-CURRENT FINANCIAL ASSETS

	2022	*2021*
	AED '000	*AED '000*
Financial assets at fair value through profit or loss		
Unquoted convertible investments		
Hero Future Energies Private Limited	**-**	208,369
Unquoted equity investments		
Zouk Charging Infrastructure Investment Fund LP	**21,961**	34,903
	21,961	243,272

During the year fair value loss of AED 68.09 million (2021: fair value gain of AED 19.05 million) was booked against Hero Future Energies Private Limited ("HFEP") and has been recognized in the consolidated statement of profit or loss. The investment was sold in the year.

During the year, the Group contributed AED 14.55 million to the Zouk Charging Infrastructure Investment Fund LP ("Zouk"). The Group also received AED 121.82 million from Zouk as distributions from the fund. *(2021: Group received net distribution AED 37.48 million)* which has been recognized in the consolidated statement of profit or loss for the year ended 31 December 2022.

The fund is unquoted and a fair value loss of AED 23.36 million *(2021: gain AED 5.82 million)* has been recognized in the consolidated statement of profit or loss for the year ended 31 December 2022.

Company decided to dispose of its investment in Hero Future Energies Global Limited, an equity accounted investee, and Hero Future Energies Private Limited, a financial investment carried at fair value through Profit loss and transferred the investment carrying values after adjusting fair value movement as at the year end 31 December 2022 to other receivable:

OTHER NON-CURRENT FINANCIAL ASSETS - continued

	HFE Equity accounted investee *AED 000*	HFE Investment FVTPL *AED 000*	Total *AED 000*
Opening balance 01 January 2022	**174,733**	**208,369**	**383,102**
Share of result of equity accounted investee	**(30,732)**	**-**	**(30,732)**
Change in fair value	**-**	**(68,093)**	**(68,093)**
Foreign exchange loss	**-**	**(17,948)**	**(17,948)**
Disposal value receivable *	**144,001**	**122,328**	**266,329**

*At 31 December 2022 AED 266 million was receivable and included in other receivable receivables, and payment was subsequently received.

Change in fair value of financial assets carried at fair value through profit or loss reported in consolidated statement of comprehensive income was AED 30.37 million, which consist of Sky Fall Zouk Fund fair value loss of AED 23.36 million (2021: gain AED 5.82 million), HFE FVPTL Investment fair value loss of AED 68.09 million (2021: fair value gain of AED 19.05 million), offset by AED 121.82 million share of profit from Sky Fall Zouk fund.

11 FINANCE LEASE RECEIVABLES

	2022 ***AED ‘000***	*2021* *AED ‘000*
Finance lease receivables:		
Gross receivables - Reclass	**53,889**	408,760
Less: provision for expected credit losses	**(1,688)**	(15,924)
	52,201	392,836
Non-current	**47,957**	308,887
Current	**4,244**	83,949
Assets held for sale	-	(392,836)
	52,201	-

The movement in the provision for expected credit losses is as follows:

	2022 ***AED ‘000***	*2021* *AED ‘000*
As at 01 January	-	14,278
Reclassification	**1,759**	-
Provision for expected credit losses	**-**	1,646
Asset held for sale		(15,924)
Reversal of expected credit losses	(71)	-
As at 31 December	**1,688**	-

Past due finance lease receivables as at 31 December 2022 amounted to AED 2.06 million (2021: AED 1.96 million), Trade receivable provision of impairment for credit losses are provided AED 0.95million (2021: AED 1.26 million) and finance lease receivable have recorded reversal of AED 0.07 million (2021: AED Nil) net cost shown in statement of comprehensive income is AED 0.88 million.

11.1 Leasing agreements

The Group has entered Musataha lease agreements for a plot of land in Jebel Al Dannah. The underlying lease has a lease term of 50 years, as per the lease term and other terms and conditions of the agreement, this have been accounted as finance lease.

11.2 Amounts receivable under finance leases

	Minimum lease payments	
	2022	*2021*
	AED '000	*AED '000*
Less than one year	**3,928**	70,904
One to two years	**3,928**	24,995
Two to three years	**3,928**	25,614
Three to four years	**3,928**	26,249
Four to five years	**3,928**	26,899
Later than five years	**153,206**	2,394,047
Total	**172,846**	2,568,708
Less: unearned finance income	**(120,645)**	(2,159,948)
Present value of minimum lease payments	**52,201**	408,760

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate 7.11% (2021: 7.11%) per annum.

Finance income amounting to AED 3.75 million (2021: AED 3.76 million) have been recognized in statement of total comprehensive income and is included under Revenue (note 23).

12 RELATED PARTIES

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

Group's major shareholders are Government-owned entities, and the Group enters into transactions with them and other related parties in the ordinary course of business at mutually agreed terms. The Group also maintains significant balances with the shareholders and other related parties which arise from commercial transactions. Apart from the transactions as mentioned in note 12.2, 12.3 and 12.5 to these financial statements none of the other transactions are individually or collectively significant.

12.1 Loans to related parties

Loans to related parties are classified as follows:

	2022	*2021*
	AED '000	*AED '000*
Gross receivables	**603,718**	573,231
Less: provision for expected credit losses	**(73,642)**	(120,255)
	530,076	452,976
Non-current	**236,808**	207,440
Current	**293,268**	245,536
	530,076	452,976

12.1 Loans to related parties - *continued*

	2022	*2021*
	AED '000	*AED '000*
Equity Accounted Investees		
Shams Power Company PJSC ("Shams")	**40,808**	42,884
Dumat Al Jundal	**14,346**	**-**
Jordan Wind Project Company PJSC ("JPWC")	**6,277**	9,430
Sharjah Waste to Energy LLC ("SW2E")	**123,361**	92,461
Baynouna Holdings B.V ("Baynouna")	**79,412**	69,637
Krnovo Energy d.o.o. ("Krnovo")	**113,884**	97,921
PT Pembangkitan Jawa Bali Masdar Solar Energi ("Cirata")	**2,086**	7,746
Infinity Power Holdings BV	**47,164**	-
Contino Omikron Sp. Z.O.O ("Contino")	**10,660**	11,327
Pileus Energy SP. Z.O.O ("Pileus")	**23,271**	24,712
Fonnes Sp. Z.o.o	**1,021**	30,597
Cibuk 2	**3,106**	-
Emerge Ltd	**58,842**	**-**
Masdar Tribe Australia Holding Ltd	**2,887**	898
Tesla Vetroelektrane Balkana d.o.o. ("Tesla")	**2,951**	65,363
	530,076	452,976

The movement in the provision for expected credit losses is as follows:

	2022	*2021*
	AED '000	*AED '000*
On 1 January	**120,255**	144,060
Provision for expected credit losses	**9,329**	2,525
Reversal of provision for expected credit losses **	**(47,853)**	(16,475)
Other movement	-	(5,097)
Effect of movement in exchange rates	**(8,089)**	(4,758)
At 31 December	**73,642**	120,255

** The reversal of provision for expected credit losses relates to improvement in credit profiles and scheduled repayments received. Net profit or loss impact is credit AED 38.52 million (2021: AED 13.95 million).

Summarised below are the key terms of the loan to related parties as at 31 December:

Parties	*Currency*	*Nominal interest rate*	*Year of maturity*	***2022 AED '000***	*2021 AED '000*
Shams	AED	-	2038	**40,808**	42,884
Dumat Al Jundal	USD	-	On demand	**14,346**	
JWPC	USD	9%	On demand	**6,277**	9,430
SW2E	AED	6.13%	2023	**123,361**	92,461
Baynouna	USD	-	On demand	**79,412**	69,637
Krnovo	EUR	8.45%	2038	**113,884**	97,921
Cirata	USD	2.50%	2023	**2,086**	7,746
Infinity	USD	10%	2035	**47,164**	-
Contino	EUR	4%	2030	**10,660**	11,327
Fonnes Sp Z.o.o	EUR	3%	2031	**1,021**	30,597
Emerge Limited	AED	7.14%	On demand	**58,842**	-
Pileus	EUR	4%	2030	**23,271**	24,712
Masdar Tribe Australia Holding	AUD	-	On demand	**2,887**	898
Cibuk 2	EUR	-	On demand	**3,106**	**-**
Tesla	EUR	4.25%	On demand	**2,951**	65,363
Total				**530,076**	452,976

Loan to related parties are unsecured. The loan to related parties have been provided at mutually agreed interest rates.

12.2 Due from related parties

Due from related parties are classified as follows:

Current:	***2022***	*2021*
Entities under common control		
Ministry of Foreign Affairs	**-**	700
Crown Price Court	**20,450**	44
Department of Finance	**2,475**	1,655
Ninety sixth investment Company	**-**	8,005
Mubadala Treasury Holding Company	**-**	92,760
Sub-total	**22,925**	103,164
Equity Accounted Investees		
Emerge Limited	**14,341**	9,983
Dumat Al Jundal	**4,179**	579
Infinity 50 for Renewal Energy S.A.E	**35**	35
Shams Power Company PJSC	**948**	731
Tesla Vetroelektrane Balkanan D.O.O	**437**	436
Baynouna Holdings B.V.	**9,417**	9,771
Dudgeon Offshore Wind UK Limited	**31,064**	40,866
Noor Midelt	**3,795**	3,795
Emirates Solar Power Company LLC	**1,832**	1,995
Sharjah Waste to Energy	**531**	444
Shuaa Energy 2 PSC	**4,732**	1,303
Sub-total	**71,311**	69,938
Total	**94,236**	173,102

Terms and condition of transactions with related parties

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2022, the Group has not recorded any impairment of receivables relating to amounts owed by a related party (2021: nil). This assessment is undertaken each financial year through examining the financial position of the related parties and the market which the related parties operate.

12.3 Due to related parties

	2022	*2021*
	AED '000	*AED '000*
Shareholders		
Mubadala Development Company	**1,191**	398
The Government of Abu Dhabi*	**37,124**	29,542
Entities under common control		
Abu Dhabi National Oil Company	-	14
MDC General Services Holding Company L.L.C.	**1,008**	1,254
MDC Business Management Services L.L.C.	**1,155**	472
Emirates Telecommunications Corporation – Etisalat	**250**	750
Abu Dhabi National Hotel Company	**375**	149
	41,103	32,579

*The balance due to the Government pertains to unutilised government grants (note 24).

12.4 Other related party balances

	2022	*2021*
	AED '000	*AED '000*
Cash and bank balances	**2,138,215**	604,091
Deferred income	**11,894**	11,788
Project advances (note 22)*	**1,218,942**	248,427

Cash and bank balances and restricted cash comprise call, current, and deposit accounts and term deposits with entity under common control.

*Funds received from entities under common control of the Government of Abu Dhabi for future Energy Services project developments, to be undertaken for the substantive benefit and title of these common control entities, in exchange for a fee.

12.5 Transactions with related parties

Significant transactions with related parties during the year were as follows:

	2022 *AED '000*	*2021* *AED '000*
Shareholders		
Funds received from Shareholders – Mamoura Diversified Global Holding PJSC (MDGH)	**357,615**	-
Funds received from Shareholders – Abu Dhabi National Energy Company PJSC	**465,983**	-
Funds received from Shareholders – Abu Dhabi National Oil Company (ADNOC) PJSC	**260,084**	-
Funds remitted to Mubadala Treasury Holding Company	**387,123**	351,647
Shuaa 2 loan received from Shareholders – MDGH	**216,139**	**-**
Arlington equity accounted investee funding received from MDGH	**72,676**	**-**
Ninety sixth investment company transferred in from MDGH	**2,663,164**	**-**
Masdar City all legal entities transferred to MDGH	**3,129,526**	**-**
Equity Accounted Investees		
Recharge of costs to Shams Power Company PJSC	**1,019**	885
Interest charged to related parties	**36,344**	39,411
Entities under common control		
Recharge of costs from MDC General Services Holding Company	**12,276**	9,069
Recharge of costs from MDC Business Management Services L.L.C.	**7,695**	9,803
Other income *	**4,317**	35,053

*Other Income is mainly related with Shuaa Energy, Dumat Wind Contracting and Abu Dhabi Sustainability Week.

Key management personnel compensation is as follows:

	2022 *AED '000*	*2021* *AED '000*
Salaries	**19,553**	17,246
Other benefits – direct allowances	**14,780**	13,517
Other long-term benefits – Pension	**3,076**	3,827
Post-employment end of service benefits	**1,622**	965
	39,031	35,555

13 TRADE AND OTHER RECEIVABLES

	2022 *AED '000*	*2021* *AED '000*
Current portion:		
Other trade receivables (note 13.1)	**28,173**	30,711
Accrued income	**137,106**	117,972
Restricted cash	**17,786**	163,868
Short term advances	**173,946**	5,820
Staff receivables	**15,983**	16,084
Tax receivables	**16,696**	17,971
Other receivables *	**669,261**	46,639
Prepayments	**10,843**	12,395
	1,069,794	411,460

13.1 Trade receivables

Trade receivables mainly represent amounts due from renewable power generation and Energy Services. The average credit period on sale of goods or services is 60 days. No interest is charged on trade receivables.

The Group has adopted a policy of dealing with only creditworthy counterparties. Adequate assessment is made before accepting an order from a counterparty. Of the trade receivables balance at the end of the year, AED 4.65 million (2021: AED 5.65 million) representing 9% (2021: 18%) of total trade receivables is due from three major customers (2021: two). Management considers each of these customers to be reputable and creditworthy and is confident that this concentration of credit risk will not result in any significant loss to the Group.

Included in the Group's trade receivables balance are unimpaired debts with a carrying amount of AED 14.62 million as at 31 December 2022 (2021: AED 16.11 million) which are past due at the reporting date but there has not been a significant change in the credit quality of the customers and the amounts are still considered recoverable.

*Other receivables include AED 266 million HFE sale proceed, AED 194 million advance payment to contract under Shamal Zarafshan, AED 38 million advance payment under ninety sixth Investment Company and AED 170 million recoverable project expenses.

Fixed deposit for ninety days from deposit opening date as on reporting date is presented as restricted cash and deposit not meeting this criterion are shown as fixed deposit.

	2022	*2021*
	AED '000	*AED '000*
Ageing of trade receivables:		
Not past due	**14,624**	16,108
Past due but not impaired:		
Due for 61 to 120 days	**12,367**	7,489
Due for 121 to 360 days	**1,182**	6,058
Due for more than 360 days	**-**	1,056
	13,548	14,603
	28,173	30,711

The Group recognises expected credit loss (ECL) for trade receivables based on simplified approach. Management considers factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

The movement in the provision for expected credit losses on trade receivables is as follows:

	2022	*2021*
	AED '000	*AED '000*
As at 1 January	**228**	12,631
Provision for expected credit losses	**954**	(1,262)
	1,182	11,369
Assets Held for Sale transfer	**-**	(11,141)
As at 31 December	**1,182**	228

13.1 Trade receivables - *continued*

	AED '000	AED '000
Provision of expected credit losses on trade receivables:		
Not past due	-	-
Past due but not impaired:		
Due for 61 to 120 days	-	-
Due for 121 to 360 days	**1,182**	-
Due for more than 360 days	-	228
	1,182	228

Trade receivable provision for credit losses are provided AED 0.95 million (2021: AED 1.26 million) and finance lease receivable have recorded reversal of AED 0.07 million (2021: AED Nil) net cost shown in profit or loss is AED 0.88 million

13.2 Receivable from WinWindOY, net

	2022 AED '000	*2021* AED '000
Receivable from WinWindOY	**356,285**	356,285
Less: provision for impairment loss	**(356,285)**	(356,285)
	-	-

WinWindOY is in default under the terms of the settlement agreement. In December 2014, the Group filed arbitration proceedings with the London Court of International Arbitration. In October 2015, the Group received an arbitration award of approximately AED 380.5 million (EUR 95 million) in damages for the principal amount of the receivable and interest, recovery of arbitration and legal costs and 5% interest from the date of the arbitration award. Management has applied for the recognition of the arbitration award in the courts of India, where Siva, the obligor of WinWindOY is domiciled. However, during 2017, the Group recognised an additional impairment loss against the carrying value of the loan amounting to AED 42.6 million due to the significant decline in the creditworthiness of Siva and limited visibility over Siva's unencumbered assets to be pursued for legal action.

During 2019, Masdar became aware that one of the entities against which Masdar had a claim, Siva Industries and Holdings Limited ('SIHL'), was undergoing an insolvency resolution process in India and an independent interim resolution professional had been appointed to oversee this process in line with requirements under Indian law. During that year, as per insolvency proceeding settlement submission in January 2021 relating to Siva Industries and Holdings Limited, Masdar was expected to receive USD 1.44 million in two instalments as a final settlement for the claim, however, later on a settlement proposal was submitted by the promoters of Siva to the Committee of Creditors ('COC'), which was approved by the COC in April 2021, this approval along with the application to withdraw the insolvency proceedings filed thereafter was dismissed by the National Company Law Tribunal, Chennai in August 2021, rejected the settlement proposal and dismissed the application for withdrawal of the corporate insolvency resolution proceedings. The NCLT allowed the application filed by the Resolution Professional for liquidation of SIHL and appointed a liquidator to carry out the liquidation process. Currently on account of the settlement proposal, the creditors are entitled to receive the settlement amount as per the settlement proposal and Masdar had agreed to receive as full and final settlement, INR 10.52 crores (USD 1.35 million), (AED 4.95 million) at a conversion of USD 1 = INR 77.76 as of June 7, 2022), in two tranches, and all debts owed to Masdar by SIHL and Siva Skylink Global Limited shall stand discharged. Therefore, Masdar was initially expected to be paid the settlement amount in two tranches, (i) between 3rd June to 3rd July 2022 USD 0.20 million (AED 0.73 million) (ii) between 3rd June to 30 November 2022 USD 1.15 million (AED 4.22 million).

The Advising Bank is waiting for a copy of Guarantee Letter dated 21 August 2008 from SIHL for calculating late submission fees. Once the late submission fee is levied by the Advising Bank, and after approval thereof from the Reserve Bank of India, funds would be remitted shortly thereafter.

13.3 Contract Asset

Service concession receivable related with Nur Navoi Solar FE and Shamal Zarafshan Energy FE, Uzbekistan, are as follows:

	2022	*2021*
	AED '000	*AED '000*
Non-current receivable	**297,061**	278,099
Current receivable	**27,211**	1,927
	324,272	280,026

	2022	*2021*
	AED '000	*AED '000*
Ageing of contract asset		
Not past due	**324,272**	280,026
Past due but not impaired:		
Due for 61 to 120 days	-	-
Due for 121 to 360 days	-	-
Due for more than 360 days	-	-
	324,272	280,026

The transition from a contract asset to a receivable occurs once the amounts to be received have no conditions, other than the passage of time. While operator is obliged to provide services (by also maintaining the asset's performance to meet contracted standards) during the operating phase in order to be paid the consideration for its earlier construction services, the contract asset remains conditional (i.e., remains as a contract asset) and does not transition to a receivable).

14 Inventories

	2022	*2021*
	AED '000	*AED '000*
Opening as at 01 January	**87**	413,981
Transfer to investment properties	-	(10,516)
Cost of sales	-	(25,713)
Balance as at 31 December	-	377,752
Transfer to Assets held for sale	-	(377,665)
	87	87

Cost of sale has been presented as part of discontinued operation in note 29.

	2022	*2021*
	AED '000	*AED '000*
Finished goods	**87**	87

15 CASH AND CASH EQUIVALENTS

	2022	2021
	AED '000	*AED '000*
Call and current accounts	**1,962,425**	716,407
Fixed Deposit	**1,188,194**	-
Cash in hand	**30**	90
	3,150,649	716,497

Deposit and call accounts are placed with commercial banks and are short-term in nature. Deposit and call accounts earn interest at prevailing market rates.

Fixed deposit for ninety days from deposit opening date as on reporting date is presented as restricted cash and deposit not meeting this criterion are shown as fixed deposit.

Geographical concentration of cash and term deposits is as follows:

	2022	2021
	AED '000	*AED '000*
Within UAE	**2,102,789**	508,753
Outside UAE	**1,047,860**	207,744
	3,150,649	716,497

Cash within the UAE includes AED 960.81 million held in separate accounts for funds advanced for specific special projects and grants. AED 1,000 million is held on a one month rolling fixed deposit.

Cash outside the UAE includes AED 581.70 million for the acquisition in a joint venture, AED 280.61 million in subsidiary project companies with projects under development and AED 102.05 million in the subsidiaries having the London Array investment.

16 SHARE CAPITAL

Share capital comprises 8,000,000,000 *(2021: 8000,000,000)* authorised, issued and fully paid-up ordinary shares with a par value of AED 1 each.

17 SHAREHOLDER'S ACCOUNT

Shareholder's account represents an account to record transactions with the initial shareholder in its capacity as shareholder of the Group. There are no contractual obligations to settle the balance in the Shareholder's account. Therefore, this balance is more akin to equity instruments rather than liabilities, and accordingly, has been presented within equity.

During year the Company received AED 1,083.68 million (USD 295 million) contributed equity loan from Shareholders for financing of investments.

During the year the Shareholder's account was adjusted by a net AED 657.58 million for various transactions: funds received (AED 72.68 million) for investment in a subsidiary, Arlington Group Services Limited, the acquisition of Ninety Sixth Investment Company (AED 2,663.16 million), the disposal of Masdar City (AED 3,129.53 million) and settlement of Mubadala group intercompany balances (AED (263.89 million). On completion of the change in the Company's shareholders on 01 December 2022 the amount of AED 2,337.64 million was reclassified from the shareholder's current account to retained earnings as per an agreement amongst the shareholders.

18 RESERVES

Investment reserve
Investment reserve reflects funds received by the Group from Mubadala the initial Shareholder and disbursed to Masdar Clean Tech Fund for investment purposes. This reserve is in the nature of a non-distributable capital reserve which is funded by the Government of Abu Dhabi.

Statutory reserve
As required by article 241 of the UAE Federal Law No. 32 of 2021, the Group is required to transfer 10% of its net profit for the year to a non-distributable statutory reserve. The statutory reserve is not available for distribution.

Other reserves
Other reserves include Hedging reserve of AED 485.58 million as at 31 December 2022 (2021: AED (126.72) million) and Exchange rate fluctuation reserve of (AED 449.37) million as at 31 December 2022 (2021: AED (478.26) million).

19 BANK BORROWINGS

	2022 AED '000	*2021 AED '000*
At amortised cost		
Current	**688,205**	125,336
Non-current:	**1,808,829**	2,010,212
Less: deferred financing costs	**(28,418)**	(29,820)
	1,780,411	1,980,392
	2,468,616	2,105,728

The movement in the bank borrowings is as follows:

	2022 AED '000	*2021 AED '000*
As at 01 January	**2,105,728**	2,131,099
Repayments during the year	**(115,466)**	(244,725)
Loan obtained during the year	**662,739**	232,957
Amortisation of deferred financing costs	**1,402**	3,916
Foreign exchange fluctuations	**(185,787)**	(17,519)
At 31 December	**2,468,616**	2,105,728

Loan 1

London Array offshore wind farm project refinanced debt amount is GBP 395 million with a maturity date of December 2032. The loan facility refinancing is secured by pledge of Masdar Energy UK Limited shares and also subject to various covenants as stipulated in the loan facility agreement. Masdar Energy UK Limited's bank borrowings are repayable in 26 semi-annual instalments starting March 2020.

Masdar Energy UK Limited entered an interest rate swap for the full value and tenure of the term loan. The derivative is designated as a hedge and has been determined as effective and so changes in fair value amounting to AED 136.24 million (2021: AED 71.74 million) are recognised in other comprehensive income. As at 31 December 2022, the fair value of the derivative recognised amounted to an asset of AED 237.84 million (2021: Asset AED 42.04 million) and the notional principal amount is AED 1,469.94 million (2021: AED 1,764.80 million).

Senior secured project finance term loan facility from a syndicate of lenders including Banco Santander, S.A., London Branch - BNP Paribas Fortis SA/NV - MUFG Bank, Ltd. - Siemens Bank GmbH - Societe Generale, London Branch - Standard Chartered Bank - Sumitomo Mitsui Banking Corporation, London Branch, at interest rate SONIA + Margin, secured against shares held in operator and other requirements per facility agreement.

19 BANK BORROWINGS – *continued*

The amount of Masdar Energy UK limited net equity pledged as at 31 December 2022 AED 450.54 million (2021: AED 111.98 million).

Loan 2
During 2022, USD 145 million (AED 532.66 million) was drawn against a short-term credit facility of USD 250 million (AED 918.38 million). USD 105 million was unutilized as at 31 December 2022.

Short-term bridge-to-bond term loan facility from First Abu Dhabi Bank and Sumitomo Mitsui Banking Corporation with an initial maturity date of 08 August 2023 and options to extend by up to 12 months to 8 August 2024.

Loan 3
During 2022, AED 55 million was drawn against a revolving credit facility of AED 92.50 million. AED 37.50 million was unutilized as at 31st December 2022, Revolving corporate credit facility from First Abu Dhabi Bank with an expiration date of 09 December 2026.

Loan 4
During 2022, USD 10 million (AED 36.75 million) was drawn against a revolving credit facility of USD 100 million (AED 367.35 million). USD 90 million was unutilized as at 31 December 2022.

Revolving corporate credit facility from a group of 13 banks; BAML, BNP Paribas, CACIB, Citibank, DBS, Intesa, JPM, Mizuho, Natixis, Standard Chartered Bank, Societe Generale, Sumitomo Mitsui Banking Corporation, and UniCredit Bank, with an expiration date of 09 December 2026. The Credit Adjustment Spread is for loans of one month, for loans of three months, and for loans of six months.

Loan 5
The Group availed a USD 59.36 million (AED 218.06 million) equity bridge loan facility from the European Bank for Construction and Development for Nur Navoi project in Uzbekistan, under Nur Navoi Solar Holding RSC Limited. The facility is fully repayable on 09 December 2026 as a bullet payment and is supported by a corporate guarantee from the Company.

Nur Navoi Solar Holding RSC entered an interest rate swap for the full value and tenure of the loan. The derivative is designated as a hedge and has been determined as effective and so changes in fair value amounting to AED 26.84 million (2021: AED 2.71 million) are recognized in other comprehensive income. As at 31 December 2022, the fair value of the derivative recognized amounted to an asset of AED 29.55 million (2021: Asset AED 2.71 million) and the notional principal amount is AED 220.39 million (2021: AED 218.39 million).

Loan 6
During 2022, under Nur Navoi Solar FE Uzbekistan project repaid AED 7.84 million of senior debt facilities from Asian Development Bank and International Financial Corporation. The aggregate amount of loan is USD 52.54 million (AED 193 million), the facilities are repayable in semi-annual instalments from June 2022 to December 2040.

Nur Navoi Solar FE LLC entered an interest rate swap for the full tenure of the loan. The derivative is designated as a hedge and has been determined as effective and so changes in fair value amounting to AED 28.73 million (2021: AED 2.89 million) are recognized in other comprehensive income. As at 31 December 2022, the fair value of the derivative recognized amounted to an asset of AED 31.62 million (2021: Asset AED 1.29 million) and the notional principal amount is AED 127.79 million (2021: AED 134.39 million).

Senior secured project finance term loan facilities from Asian Development Bank and International Financial Corporation, repayable in semi-annual instalments from June 2022 to December 2040. These facilities comprise floating rate loans totalling USD 27m (AED 99.2m) with a rate of interest of LIBOR + margin, a floating rate loan in the amount of USD 17.5m (AED 64.3m) with a rate of interest of LIBOR + margin, and a fixed rate loan of USD 8m (AED 29.4m). The floating rate loans are hedged using senior secured interest rate swaps from International Financial Corporation for their full tenure, loan is senior secured with lien against the assets of the borrower.

19 BANK BORROWINGS - *continued*

Loan 7
During 2022 Shamol Zarafshan Energy Foreign Enterprise LLC, a subsidiary of the Group, secured USD 276.6 million (AED 1,016.09 million) of senior debt facilities from Asian Development Bank, European Bank for Construction and Development, International Finance Corporation, Japan International Cooperation Agency, First Abu Dhabi.

Bank and Natixis. The facilities are repayable in semi-annual instalments from March 2026 to August 2042. As at 31 December 2022, the facilities were undrawn.

Shamol Zarafshan Energy Foreign Enterprise LLC entered into an interest rate swap for the full tenure of the loan. The derivative is designated as a hedge and has been determined as effective and so changes in fair value amounting to AED 42.53 million (2021: AED nil) are recognized in other comprehensive income. As at 31 December 2022, the fair value of the derivative recognized amounted to liability of AED 42.53 million (2021: AED nil) and the notional principal amount is AED nil (2021: AED nil).

Senior secured project finance term loan facilities from Asian Development Bank, European Bank for Construction and Development, International Finance Corporation, Japan International Cooperation Agency, First Abu Dhabi Bank and Natixis, repayable in semi-annual instalments from March 2026 to August 2042. These facilities comprise floating rate loans totalling USD 137.50 million (AED 505.10 million) with a rate of interest of SOFR + margin, a floating rate loan in the amount of USD 37 million (AED 135.92 million) with a rate of interest of SOFR + margin, and floating rate loans totalling USD 102 million (AED 374.70 million) with a rate of interest of SOFR + margin. The loans are hedged using senior secured interest rate swaps from International Financial Corporation and European Bank for Construction and Development for their full tenure.

Loan 8
During 2022 Masdar Azerbaijan Energy LLC, a subsidiary of the Group, secured USD 108.3 million (AED 397.84 million) of senior debt facilities from Asian Development Bank, European Bank for Construction and Development, Japan International Cooperation Agency, and Abu Dhabi Fund for Development. The facilities are repayable in semi-annual instalments from August 2024 to July 2042. As at 31 December 2022, the facilities were undrawn.

Masdar Azerbaijan Energy LLC entered an interest rate swap for the full tenure of the loan. The derivative is designated as a hedge and has been determined as effective and so changes in fair value amounting to AED 0.35 million (2021: AED nil) are recognized in other comprehensive income. As at 31 December 2022, the fair value of the derivative recognized amounted to an asset of AED 0.35 million (2021: AED nil) and the notional principal amount is AED nil (2021: AED nil).

Senior secured project finance term loan facility from Asian Development Bank, European Bank for Construction and Development, and Abu Dhabi Fund for Development, repayable in semi-annual instalments from August 2024 to July 2042. These facilities comprise floating rate loans totalling USD 38.90 million (AED 142.90 million) with a rate of interest of SOFR + margin, a floating rate loan in the amount of USD 19.40 million (AED 71.27million) with a rate of interest of SOFR+ margin, and a floating rate loan in the amount of USD 50 million (AED 183.68 million) with a rate of interest of SOFR + margin. The loans are hedged using senior secured interest rate swaps from European Bank for Construction and Development for their full tenure.

Lender	*Currency*	*Interest rate*	*Security*	***2022 AED '000***	*2021 AED '000*
Bank loan (1)	GBP	SONIA + margin	Secured	**1,444,150**	1,735,356
Bank Loan (2)	USD	SOFR + margin	Unsecured	**532,658**	-
Revolving credit (3)	AED	EIBOR + margin	Unsecured	**55,000**	-
Revolving credit (4)	USD	SOFR+CAS+ margin	Unsecured	**36,734**	-
Bank loan (5)	USD	LIBOR + margin	Unsecured	**218,074**	218,074
Bank loan (6)	USD	LIBOR + margin	Senior Secured	**182,000**	152,297
				2,468,616	2,105,727

BANK BORROWINGS - continued

Consolidated agreed-upon instalment schedule for the above-mentioned bank borrowings is as follows:

	2022 ***AED '000***	*2021* *AED '000*
Within 1 year	**810,335**	172,984
Between 1 – 2 years	**166,954**	176,414
Between 2 – 5 years	**764,870**	781,297
More than 5 years	**1,002,960**	1,266,685
	2,745,119	2,397,380

Changes in liabilities arising from financing activities

2022	**Bank Borrowing** *AED '000'*	**Finance Cost payable** *AED '000'*	**Lease Liabilities** *AED '000'*	**Derivative Financial Assets** *AED '000'*	**Contributed Equity Loan** *AED '000'*	**Shareholder's Account** *AED '000'*
Balance on 1 January 2022	**2,105,728**	**-**	**319,303**	**46,036**	**-**	**(1,680,060)**
Proceed from borrowings	**662,739**	**-**	**-**	**-**	**-**	**-**
Repayment of borrowings	**(115,466)**		**-**	**-**	**-**	**-**
Finance cost paid		**(119,488)**	**-**	**-**	**-**	**-**
Repayment of lease liabilities including interest	**-**	**-**	**(28,034)**	**-**	**-**	**-**
Shareholders' contribution	**-**	**-**	**-**	**-**	**1,083,683**	**-**
Shareholder's account	**-**	**-**	**-**	**-**	**-**	**688,954**
Changes from financing cashflow:	**547,273**	**(119,488)**	**(28,034)**	**-**	**1,083,683**	**688,954**
Other (i)	**(184,385)**	**-**	**8,622**	**357,176**	**-**	**(1,346,534)**
Balance at 31 December 2022	**2,468,616**	**-**	**299,891**	**403,212**	**1,083,683**	**(2,337,640)**

2021						
Balance at 1 January 2021	2,131,099	-	339,366	(70,193)	-	(1,680,060
Proceed from borrowings	232,957	-	-	-	-	-
Repayment of borrowings	(244,725)	-	-	-	-	-
Finance cost paid	-	(62,086)	-	-	-	-
Repayment of lease liabilities including interest	-	-	(32,015)	-	-	-
Shareholder's contribution	-	-	-	-	-	-
Shareholder's account	-	-	-	-	-	-
Changes from financing cashflow:	(11,768)	(62,086)	(32,015)	-	-	-
Other (i)	(13,603)	-	11,952	116,229	-	-
Balance at 31 December 2021	2,105,728	-	319,303	46,036	-	(1,680,060)

(i) Others include non-cash impacts of new leases, foreign exchange fluctuations, valuation changes on derivatives and other non-cash transactions with shareholders.

*The closing balance under Shareholder's Account AED 2,337.64 million is transferred to retained earnings as per an agreement amongst the shareholders.

20 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year:

Right-of-use assets

	Land AED 000	*Building AED 000*	*Vessels AED 000*	*Plant & Machinery AED 000*	*Office Equipment AED 000*	*Total AED 000*
2022						
Cost:						
1 January 2022	**25,845**	**3,260**	**8,599**	**329,797**	**294**	**367,795**
Addition	**-**	**29,217**	**-**	**-**	**-**	**29,217**
Effect of movement in exchange rate	**(2,770)**	**(349)**	**(922)**	**(35,343)**	**-**	**(39,384)**
31 December 2022	**23,075**	**32,128**	**7,677**	**294,454**	**294**	**357,628**
Accumulated Depreciation						
I January 2022	**4,308**	**686**	**5,733**	**54,966**	**294**	**65,987**
Depreciation charge for the year	**1,308**	**208**	**1,741**	**16,695**	**-**	**19,952**
Effect of movement in exchange rate	**(864)**	**(74)**	**(614)**	**(5,890)**	**-**	**(7,442)**
31 December 2022	**4,752**	**820**	**6,860**	**65,771**	**294**	**78,497**
Carrying Amount:						
31 December 2022	**18,323**	**31,308**	**817**	**228,683**	- **-**	**279,131**

	Land AED 000	*Building AED 000*	*Vessels AED 000*	*Plant & Machinery AED 000*	*Office Equipment AED 000*	*Total AED 000*
2021						
Cost:						
1 January 2021	26,109	3,293	8,687	333,160	294	371,543
Addition	-	-	-	-	-	-
Effect of exchange rate	(265)	(33)	(88)	(3,363)	-	(3,749)
31 December 2021	25,844	3,260	8,599	329,797	294	367,794
Accumulated Depreciation;						
I January 2021	2,901	462	3,861	37,018	220	44,462
Depreciation charge for the year	1,459	233	1,944	18,635	74	22,345
Effect of exchange rate	(54)	(9)	(72)	(687)	-	(822)
31 December 2021	4,306	686	5,733	54,966	294	65,985
Net Carrying Value 31 December 2021	21,538	2,574	2,866	274,831	-	301,809

Lease Liabilities

	2022 AED '000	*2021 AED '000*
As at 1 January	**319,303**	339,366
Addition during the year	**29,217**	-
Interest expense	**13,327**	14,468
Payments made during the year	**(28,034)**	(32,015)
Effect of movement in exchange rate	**(33,922)**	(2,516)
As at 31 December	**299,891**	319,303

Lease Liabilities - continued

Lease liabilities are disclosed in the consolidated statement of financial position as:

	2022 AED'000	*2021 AED'000*
Current	**25,487**	16,803
Non-current	**274,404**	302,500
	299,891	319,303

The average effective interest rate applied in the leases are from 2% to 5% (2021: 2% to 5%) per annum.

Maturity analysis of lease liabilities is disclosed in note 31.3.

The following are the amounts recognised in the consolidated statement of profit or loss:

	2022 AED'000	*2021 AED'000*
Depreciation on right-of-use assets	**19,952**	22,345
Interest expense on lease liabilities	**13,327**	14,468
Expense relating to short term or low value leases	**304**	832
Total amount recognised in profit or loss	**33,583**	37,645

Depreciation on right of use assets in the consolidated statement of profit or loss is as follows:

	2022 AED'000	*2021 AED'000*
Cost of sales	**19,952**	22,272
General and administrative expenses	-	73
	19,952	22,345

Following balances are recognized in consolidated statement of cash flows

	2022 AED 000	*2021 AED 000*
Lease liability payment including finance expense	**28,034**	32,015

21 OTHER NON-CURRENT LIABILITIES

	2022 AED '000	*2021 AED '000*
Decommissioning liability (note 21.1)	**62,943**	87,530
Provision for employees' end of service benefit (note 21.2)	**34,875**	25,355
Deferred Consideration	**79,051**	-
	176,869	112,885

* Deferred consideration is related with acquisition of Masdar Arlington Energy Storage UK Holdco, and it is expected to be paid in 2030.

21.1 Decommissioning liability

	2022	*2021*
	AED '000	*AED '000*
As at 01 January	**87,530**	95,693
Unwinding of decommissioning liability	**900**	549
Other movement	**(16,107)**	(7,728)
Effect of movement in exchange rates	**(9,380)**	(984)
As at 31 December	**62,943**	87,530

A provision has been recognised for the decommissioning costs related to the London Array project. The costs are expected to be incurred from 2037. However, there is a possibility that the decommissioning will not take place until after that date.

The undiscounted and un-escalated amount of the expected cash flows required to settle the decommissioning liability is estimated to be AED 64.6 million as at 31 December 2022 (2021: AED 64.6 million). The liability for the expected cash flows, as reflected in the consolidated financial statements, has been inflated at 2.66% (2021: 2%) and discounted using a risk-free rate of 3.95% (2021: 1.15%). Abandonments are expected to occur from 2037 and related costs will be funded mainly from the cash generated by the operating activities of Masdar Energy UK limited.

21.2 Employee's end of service benefits

Movement in the provision for employees end of service benefits is as follows:

	2022	*2021*
	AED '000	*AED '000*
As at 01 January	**25,355**	39,211
Charge for the year	**9,799**	6,610
Liabilities directly associated with assets as held for sale	**-**	(16,161)
Paid during the year	**(279)**	(4,305)
As at 31 December	**34,875**	25,355

22 TRADE AND OTHER PAYABLES

	2022	*2021*
	AED '000	*AED '000*
Trade payables	**30,809**	12,307
Project advances	**1,218,942**	248,427
Deferred income	**11,894**	11,788
Retentions	**26,039**	2,126
Accrued expenses	**201,900**	99,083
Other payables	**101,975**	54,558
	1,591,559	428,289

The average credit period on trade payables is 31 days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

23 REVENUES

	2022 AED '000	2021 AED '000
Revenue from contracts with customers	**617,289**	714,966
Finance lease and rental income	**4,104**	1,548
	621,393	716,514
Disaggregation of revenue from contracts with customers:		
Renewable power generation	**482,592**	415,401
Concession Revenue (i)	**73,141**	288,299
Special projects	**58,090**	8,608
Development fee income	**3,466**	2,658
	617,289	714,966
Geographical markets		
United Kingdom	**481,797**	415,401
United Arab Emirates	**60,395**	9,718
Uzbekistan	**74,292**	289,847
Kingdom of Saudi Arabia	**805**	-
	617,289	714,966
Timing of revenue recognition:		
Over time	**90,419**	288,299
At a point in time	**526,870**	426,667
	617,289	714,966

(i) Concession Revenue

	2022 AED 000	2021 AED 000
Revenue from construction	**60,799**	286,764
Revenue from operation	**12,342**	1,535
	73,141	288,299

Trade Receivables and contract assets from contracts with customers:

		2022 AED 000	2021 AED 000
Trade receivable	*13*	**28,173**	30,711
Contract assets	*13.3*	**324,272**	280,026
Contract liabilities – deferred income	*22*	**11,894**	11,788

Movement in contract asset:

	2022 AED '000	2021 AED '000
As at 01 January	**280,026**	-
Concession revenue	**73,141**	288,299
Receipts during the year	**(18,235)-**	(5,136)
Effect of movement in exchange rates	**(10,660)**	(3,137)
As at 31 December	**324,272**	280,026

Trade Receivables and contract assets from contracts with customers - continued

The transition from a contract asset to a receivable occurs once the amounts to be received have no conditions, other than the passage of time. While operator is obliged to provide services (by also maintaining the asset's performance to meet contracted standards) during the operating phase in order to be paid the consideration for its earlier construction services, the contract asset remains conditional.

Revenue from related parties is disclosed in note 12.

Movement in contract liabilities:

	2022 ***AED '000***	*2021* *AED '000*
As at 01 January	**11,788**	-
Net movement in profit or loss	**106**	11,788
As at 31 December	**11,894**	11,788

23.1 COST OF SALES

	2022 ***AED '000***	*2021* *AED '000*
Service Concession cost of sale - construction	**59,607**	281,141
Service Concession cost of sale – operation	**4,571**	1,510
Depreciation	**84,108**	89,051
Operation and maintenance	**75,787**	71,066
Right of Use Asset depreciation	**19,952**	22,272
Others	**41,568**	6,824
	285,593	471,864

Other cost is related Source Trading Company cost of sale.

24 GOVERNMENT GRANTS

24.1 Income from Government Grants

	2022 ***AED '000***	*2021* *AED '000*
Income from government grants	**57,568**	30,052
Expenses incurred in relation to government grants	**(57,568)**	(27,522)
	-	2,530

Income from government grants mainly represents the annual budgetary grants related to income for operation of the IRENA and Zayed Sustainability Prize. Grants related to assets or activities which are yet to be undertaken are included within deferred government grants.

24.2 Land grants

The Group has received the following parcels of land by way of government grants, which have been classified into the 'future economic benefits established', 'no future economic benefits' and 'future economic benefits uncertain' categories. Where future economic benefit has been established, land is recognised as either property, plant and equipment ("PPE") or assets held for sale (HFS).

Land identification	*Granted year*	*Area in square ft*	*Cost as at 31 December 2022 AED '000*	*Cost as at 31 December 2021 AED '000*	*Recognised as*
Future economic benefits established					
Masdar City Phase 1	2008	5,907,593	-	89,545	HFS
Masdar City Phase 2	2008	5,869,798	-	131,367	HFS
Masdar City Phase 4	2008	1,064,504	-	1,065	HFS
Masdar City Phase 5	2008	12,050,811	-	155,688	HFS
Etihad	2014	418,738	-	97,900	HFS
IRENA Headquarters	2008	126,861	-	48,320	HFS
Siemens	2010	69,176	-	35,746	HFS
Incubator	2010	36,438	-	24,985	HFS
Madinat Zayed	2008	26,909,776	-	-	PPE
Hai Al Dawoody	2009	1,076	-	-	PPE
Hamran	2009	1,076	-	-	PPE
10 MW Power Plant	2008	2,283,359	-	-	HFS
Ryan	2008	296,632	-	-	HFS
Khazna	2008	592,796	-	88,670	HFS
GEMS	2014	457,520	-	68,041	HFS
Visitor centre	2016	70,429	-	-	HFS
MI Neighbourhood	2016	609,656	-	98,121	HFS
Eco Villa	2016	25,205	-	-	HFS
Accelerator	2016	133,892	-	5,425	HFS
Accelerator II	2019	144,096	-	3,331	HFS
Siadah	2019	122,769	-	31,398	HFS
Reportage Hospitality	2019	95,648	-	24,309	HFS
B-02	2020	223,106	-	33,750	HFS
J-02	2021	576,181	-	74,574	HFS
M - 10b	2021	64,584	-	4,643	HFS
MC 2	2021	311,313	-	43,102	HFS
Future economic benefits uncertain					
Madinat Zayed	2008	116,202,049	-	-	PPE
No future economic benefits					
Masdar City Land	2008	15,753,053	-	-	HFS

Future economic benefits established
The part of the Madinat Zayed land that has been identified and used for the purpose of construction and operation of a solar power station has been recorded as property, plant and equipment at nominal value. The remainder of the land has been classified as future economic benefit uncertain as discussed below.

The Hai Al Dawoody and Hamran land have been identified for the purpose of testing of solar radiation in relation to solar plants projects and, accordingly, have been recorded as property, plant and equipment at nominal value.

Future economic benefits uncertain
The Group is of the view that the future economic benefits from the use of the remaining Madinat Zayed land is uncertain as the future use of this land is unknown and the Group will not comply with the conditions attaching to them or there is a possibility that it will not be used for commercial purposes and may, possibly, revert to the Government. Accordingly, it is uncertain that future economic benefits will flow to the Group from the ownership of the Madinat Zayed land.

The areas of land identified as held for sale (HFS) relates to land within Masdar City that are part of the overall assets included in the sale of Masdar City during 2022.

25 OTHER INCOME

	2022 AED '000	2021 AED '000
Gain on disposal of investment in jointly controlled entity (note 9)	-	28,119
Dividend income from a joint venture (i)	**85,085**	125,239
Others (ii)	**365,307**	107,953
	450,392	261,311

(i) During the year, the Group recognized dividend income amounting to AED 85.08 million (GBP 18.9 million) *(2021: AED 125.24 million (GBP 25.2 million)* from a joint venture, Dudgeon Offshore Wind UK Limited. The amount of dividend, being in excess of the carrying amount of the investment in joint venture, has been recognised in the consolidated statement of comprehensive income.

(ii) Others include derivative gain of AED 317.11 million from Azerbaijan, Jizzak, Samarkand, Sherabad, Zarafshan and Ella projects (2021: Nil).

26 GENERAL AND ADMINISTRATIVE EXPENSES

	2022 AED '000	2021 AED '000
Staff cost	**252,160**	244,602
Advertising, publicity, and events	**75,990**	24,234
Depreciation (note 6 and note 20)	**2,194**	8,095
Amortization (note 8)	**4,305**	5,774
Others*	**58,895**	1,060
	393,544	283,765

General and administrative expenses during the year included AED 57.57 million *(2021: AED 27.52 million)* charged as part of expenses incurred in relation to government grants (note 24).

*Other expenses are mainly related with office expenses reported in Masdar Americas, Masdar Azerbaijan, Nur Navoi Solar FE, PT Masdar Clean Energy Indonesia LLC, Shamal Zarafshan and ADFEC Morocco, ADFEC Office expenses and Travel expenses.

26.1 PROJECT EXPENSES

	2022 AED '000	2021 AED '000
Project expense	**144,460**	76,017

Project expenses are related to legal, technical, financial and tax consultancies for upcoming projects.

27 FINANCE EXPENSES

	2022 AED '000	2021 AED '000
Interest expense on borrowings	**58,021**	52,601
Bank charges	**8,783**	9,485
Interest on lease liabilities (note 20)	**13,327**	14,468
Net foreign exchange gain/loss	**40,347**	29,555
	120,478	106,109

27.1 FINANCE INCOME

	2022 AED '000	2021 AED '000
Interest income on loans and receivables (including bank balances)	**42,130**	48,127

28 INCOME TAXES RELATING TO CONTINUING OPERATIONS

28.1 Income tax recognised in consolidated statement of profit or loss

	2022 AED '000	2021 AED '000
Tax expense		
Income tax	**(20,924)**	(5,839)
- Prior year	**(16,263)**	-
- Current year	**(4,661)**	(5,839)
Deferred tax	**(26,697)**	(43,202)
Total income tax expense recognised in the current year relating to continuing operations	**(47,621)**	(49,041)

The Company operates in the UAE and, accordingly, is not subject to tax on its profits. The Group's net income tax expense of AED 47 million *(2021: AED 49 million)* is a result of income taxes associated with Masdar Energy UK Limited and Masdar Offshore Wind UK Limited, subsidiaries that operate in the United Kingdom and Nur Navoi Solar FE, a subsidiary located in Uzbekistan. Deferred tax assets primarily relate to taxable losses and the deferred tax liability relates to capital allowances in advance of depreciation.

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2022 AED '000	2021 AED '000
Profit before income tax from continuing operations	**499,744**	229,753
Profit subject to tax	**269,369**	179,284
Income tax expense	**(51,180)**	(34,064)
Effect of non-deductible items and taxable allowances	**(6,588)**	(6,997)
Effect of temporary differences arising from other assets	**5,712**	6,224
Utilization of brought forward tax losses	**21,451**	(11,652)
Effect of difference in applicable tax rates	**(12,355)**	(2,552)
Prior year adjustment	**(4,661)**	-
Income tax expense recognised in consolidated statement of profit or loss	**(47,621)**	(49,041)

The tax rate used for the 2022 and 2021 reconciliations above is the corporate tax rate of 19% *(2021: 19%)* of Masdar Energy UK Limited on taxable profits under tax laws in the United Kingdom.

Deferred tax assets and liabilities as at 31 December 2022 have been calculated at 25% *(2021: 25%)* being the substantively enacted tax rate at the end of reporting period.

INCOME TAXES RELATING TO CONTINUING OPERATIONS - continued

Current tax movement

	2022 ***AED '000***	*2021* *AED '000*
As at 01 January	**(5,821)**	1,850
Current year charge including prior year	**20,924**	5,839
Tax paid	**(12,128)**	(14,512)
Effect of movement in exchange rates	**501**	1,002
Income tax (recoverable) / payable	**3,476**	(5,821)

28.2 Deferred tax balances

The following is the analysis of deferred tax assets (liabilities) presented in the consolidated statement of financial position:

	2022 ***AED '000***	*2021* *AED '000*
Deferred tax assets	**107,993**	146,112
Deferred tax liabilities	**(256,075)**	(231,685)
	(148,082)	(85,573)

	At 1 January AED '000	***Recognised in profit or loss AED '000***	***Recognised in other reserves AED '000***	***Effect of movement in exchange rate AED '000***	***At 31-December AED '000***
2022:					
Deferred tax liabilities in relation to:					
Property, plant and equipment	**(224,601)**	**3,689**	**-**	**23,859**	**(197,053)**
Other liabilities	**(7,084)**	**(3,723)**	**(50,120)**	**1,905**	**(59,022)**
					(256,075)
Deferred tax assets in relation to:					
Tax losses	**135,477**	**(21,451)**	**-**	**(10,427)**	**103,599**
Other assets	**10,635**	**(5,212)**	**-**	**(1,029)**	**4,394**
					107,993
	(85,573)	**(26,697)**	**(50,120)**	**14,308**	**(148,082)**
2021:					
Deferred tax liabilities in relation to:					
Property, plant and equipment	(173,923)	(53,616)	-	2,938	(224,601)
Other liabilities	-	-	(6,889)	(195)	(7,084)
					(231,685)
Deferred tax assets in relation to:					
Tax losses	127,126	11,652	-	(3,301)	135,477
Other assets	22,608	(1,238)	(10,493)	(242)	10,635
					146,112
	(24,189)	(43,202)	(17,382)	800	(85,573)

Tax losses carried forward of AED 414.4m (2021 AED 559.4m) do not have any expiry period and are applied at an average tax rate of 25% (2021 24.2%), giving rise to a deferred tax asset of AED 103.6 million (2021: AED 135.48 million).

29 DISCONTINUED OPERATION AND ACQUISITION OF SUBSIDIARIES

29.1 Discontinued operation

29.1.1 Sustainable Real Estate as discontinued operation

During the prior year, following the guidance of His Highness Sheikh Mohammed bin Zayed Al Nahyan, an announcement was made by the shareholder to sell a majority interest in the Company. The transaction involves the sale of a stake in the Clean Energy (CE) business and then shareholder retaining 100% equity interest in the Sustainable Real Estate (SRE) business. The SRE business will be structured through a separate legal entity and this legal entity will then be wholly owned by the sole shareholder. This was achieved through a series of transactions completed on 1 December 2022 and the SRE business was classified as Held for Sale (HFS) in the consolidated statement of financial position and as discontinued operations in the consolidated statement of comprehensive income up until this disposal date.

Financial performance:

	2022 *AED '000*	*2021* *AED 000*
Revenue	**354,153**	423,959
Cost of sales	**(102,020)**	(146,239)
Gross profit	**252,133**	277,720
Other Income	**5,503**	3,880
Share of Results of equity-accounted investees	**(1,884)**	(2,843)
Provision for expected credit losses on trade receivable, net	**(6,411)**	-
Government grant income	**13,397**	17,712
Change in fair value of investment properties	**-**	106,947
General expenses	**(181,927)**	(133,623)
Profit after tax from SRE	**80,811**	269,793

The significant classes of assets and liabilities in the consolidated financial statements were as follows:

	30 November 2022 disposed *AED '000'*	*31 December2021* *AED '000*
Assets		
Property, plant and equipment	**169,766**	188,920
Investment properties	**2,856,006**	2,783,442
Finance lease receivables	**305,736**	392,836
Intangible assets	**5**	339
Inventories	**363,863**	377,665
Cash and cash equivalents	**139,012**	87,842
Due from related parties	**-**	27,130
Investment in equity accounted investees	**2,647**	2,932
Non-current trade receivables	**-**	6,146
Trade and other receivables	**416,602**	226,977
Total assets	**4,253,637**	4,094,229
Liabilities		
Due to related parties	**-**	561
Other non-current liabilities	**694,467**	716,170
Trade and other payables	**429,641**	461,583
Total liabilities	**1,124,108**	1,178,314

29.1 Discontinued operations - continued

Cash Flow from discontinued operations

	For the period from 01 January to 30 November 2022	*2021*
	AED 000	*AED 000*
Net cash flows used in operating activities	**134,240**	86,523
Net cash flows used in investing activities	**(73,569)**	(191,953)
Net cash flows generated by financing activities	**(9,502)**	**-**

29.2 ACQUISITION OF SUBSIDIARIES

29.2.1 Acquisition of Ninety Sixth Investment Company LLC:

On 30 November 2022 the group acquired a 100% interest in the shares of Ninety Sixth Investment Company LLC, a company registered in the UAE. A Company previously fully owned by the Shareholder and transferred for fair value of the assets and liabilities of Ninety Sixth Investment Company LLC on 30 November 2022.

Ninety Sixth Investment Company LLC holds investments in operating wind and solar jointly controlled entities and provides asset management services of these investments on behalf of the Company. Operational investments include: Sterling Wind, a 30 MW wind farm in Lea County, New Mexico, USA; Rocksprings, a 149 MW wind farm in Val Verde County, Texas, USA; and six assets under the Blue Palm structure of Coyote, a 243 MW wind farm in Scurry County, Texas, USA; Desert Harvest 1, a 114 MW solar PV farm in Riverside County, California, USA; Desert Harvest II, a 100 MW solar PV farm and 40 MW battery storage project in Riverside County, California, USA; Las Majadas, a 273 MW wind farm in Willacy County, Texas, ISA; Maverick I, a 173 MW Solar PV farm in Riverside County, California, USA; Maverick 4, a 136 MW Solar PV farm in Riverside County, California, USA

The Company has undertaken an internal preliminary assessment of the fair values of the identifiable net assets and provisionally concluded that their total fair values approximate to the total carrying values of the net assets in the underlying entities. A formal external review will be conducted within one year of the acquisition date and should that conclude on any adjustments to the above amounts then the accounting for the acquisition will be revised at that point.

29.2.2 Acquisition of Arlington (Group Services) Limited:

On 20 October 2022 the group acquired a 90% equity interest in the Arlington (Group Services) Limited (AGSL), a company registered in the United Kingdom.

AGSL comprises a group of companies in the early stage of developing battery energy storage businesses in the United Kingdom and has the rights to such development at a number of determined sites in the United Kingdom. The consideration payable includes a contingent proportion, payable if certain battery storage development milestones are achieved. The Group has assessed the likelihood of these milestones being achieved and estimated the consideration due. The excess of this total consideration over the net assets of the AGSL group at the date of acquisition has been provisionally recognised as goodwill, though the Group will undertake a formal assessment of the separately identifiable assets (including, for instance, other intangible assets such as know-how and licences), and liabilities at the date of acquisition within one year of that date, which may result in the allocation of that goodwill to those assets and liabilities, at which point the accounting for the acquisition will be revised.

29.2.2 Acquisition of Arlington (Group Services) Limited - continued

The consideration for the acquisition consists of:

- GBP 4.56 million in cash on completion of the sale for the all the 900 Class A ordinary shares.
- GBP 6.50 million deferred cash planning condition consideration; and
- A deferred consideration of a minimum of GBP 12 million and a maximum of GBP 30 million based on installed capacity that has become operational by the end of 31 December 2030.

The planning condition was met, and consideration paid in January 2023.

Acquisition costs incurred by the Company have been included in the administrative expenses for the year.

The identifiable assets acquired, and liabilities assumed at the acquisition date:

	AED 000
Property plant and equipment	**5,673**
Cash and cash equivalent	**10,242**
Receivables and prepayments	**4,305**
Payable and accruals	**(4,165)**
Total identifiable net assets acquired	**16,055**

The Company has made an internal, provisional assessment of the fair values of the identifiable net assets and concluded that the carrying values align with the fair value.

Goodwill arising from the acquisition has been recognized as follows:

	AED 000
Consideration transferred	**71,861**
Planning condition consideration	**28,918**
Deferred consideration	**79,408**
Total consideration	**180,187**
Identifiable net assets acquired	**(16,055)**
Total Goodwill on acquisition of AGSL	**164,132**

30 COMMITMENTS AND CONTINGENCIES

Capital commitments

Capital commitments as at 31 December are as follows:

	1 year or less AED '000
2022:	
Capital commitments	**925,851**
Group's share in the commitments of its equity-accounted investees	**36,604**
Commitments towards Financials Investment FVTP&L	**113,570**
Group's share in the commitments of its joint operations	**1,606**
2021:	
Capital commitments	843,613
Group's share in the commitments of its equity-accounted investees	22,786
Commitments towards Financials Investment FVTP&L	135,356
Group's share in the commitments of its joint operations	863

COMMITMENTS AND CONTINGENCIES - continued

Operating commitments
As at 31 December 2022, the Group has operating lease commitments amounting to AED 12.25 million (2021: AED 25.74 million) repayable within one year from the end of the reporting period.

Guarantees
As at 31 December 2022, the Group had issued corporate guarantees which benefit lenders in respect of USD-denominated equity bridge loan facilities amounting to AED 531 million (2021: AED 531 million) for the purposes of funding its equity commitments on the Dumat Al Jundal, Al Dhafra PV2 and Noor Jeddah projects. In addition, the company has issued a corporate guarantee for the benefit of lender in respect of an equity bridge loan in its subsidiary Nur Navoi Solar for the amount of AED 312 million (2021: AED 312 million).

The Group has issued performance guarantees amounting to AED 2,315 million against various projects as at 31 December 2022 (2021: 1,491.06 million).

As at 31 December 2022, the banks have issued guarantees and letters of credit for the Group under various uncommitted trade finance facilities with banks including Abu Dhabi Commercial Bank, First Abu Dhabi Bank, Societe Generale, Emirates NBD and MUFG amounting to AED 1,204 million (2021: 961.39 million).

31 FINANCIAL INSTRUMENTS

31.1 Capital management

The policy of the Board of Directors is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital.

The Company and its subsidiaries incorporated in the UAE are subject to certain capital requirements of the UAE Federal Decree Law No. 32 of 2021, which they are compliant with. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The capital structure of the Group consists of net debt (bank borrowings offset by cash and bank balances, excluding restricted cash) and equity of the Group (comprising issued capital, share capital under issuance, reserves and additional shareholder contribution offset by accumulated losses as detailed in notes 16 to 18).

Gearing ratio
The gearing ratio as at 31 December is as follows:

	2022	*2021*
	AED '000	*AED '000*
Debt (i)	**2,468,617**	2,105,728
Cash and bank balances	**(3,150,649)**	(716,497)
Net debt	**(682,032)**	1,389,231
Equity (ii)	**6,518,906**	4,983,693
Net debt to equity ratio	**(10.46%)**	27.88%

(i) Debt comprises bank borrowings (note 19).

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

31.2 Categories of financial instruments

	2022	*2021*
	AED '000	*AED '000*
Financial assets not carried at fair value		
Finance lease receivables	**52,201**	-
Loans to related parties	**530,076**	452,976
Trade and other receivables	**747,899**	275,273
Due from related parties	**94,236**	173,102
Cash and cash equivalents	**3,150,649**	716,497
	4,575,061	1,617,848
Financial liabilities not carried at fair value		
Bank borrowings	**2,468,617**	2,105,728
Lease liabilities	**299,891**	319,304
Trade and other payables including other non-current liabilities *	**514,610**	267,392
Due to related parties	**41,103**	32,579
	3,324,221	2,725,003

As at 31 December 2022 and 2021, the Group considers that the carrying amounts of above financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.
*This does not include project advances and end of service benefits

31.3 Financial risk management

Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and credit risk.

Currency risk
Currency risk is the risk that the Group is exposed to currency fluctuations on its transactions that are denominated in a currency other than the respective functional currencies of Group entities. There is no significant exposure to currency risk to the Group. Whilst the Group has significant currency exposure to the US dollar, this does not result in a significant currency risk to the Group as the rate of the AED is pegged to the US dollar.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's variable rate borrowings.

Interest rate sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents Group's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2022 would decrease/increase by AED 6.79 million (2021: AED 0.18 million) and Equity, other comprehensive income net of tax effect AED 17.9 million (2021: AED 20.88 million) for total bank borrowing AED 2,468.62 million (2021: AED 21.05 million).

Interest rate swap contracts
Under interest rate swap contracts, the Group agrees to exchange the difference between the fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt.

Cashflow sensitivity analysis for variable rate instruments:

	Profit or loss		***Equity, net of tax***	
Effects in AED '000'	***100 bp Increase***	***100 bp Decrease***	***100 bp Increase***	***100 bp Decrease***
31 December 2022				
Variable-rate instruments	**(6,786)**	**6,786**	**-**	**-**
Interest rate swaps	**-**	**-**	**17,900**	**(17,900)**
Cash flow sensitivity (net)	**(6,786)**	**6,786**	**17,900**	**(17,900)**

	Profit or loss		*Equity, net of tax*	
Effects in AED '000'	*100 bp Increase*	*100 bp Decrease*	*100 bp Increase*	*100 bp Decrease*
31 December 2021				
Variable-rate instruments	(179)	179	-	-
Interest rate swaps	-	-	20,878	(20,878)
Cash flow sensitivity (net)	(179)	179	20,878	(20,878)

The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract. The average interest rate is based on the outstanding balances at the end of the reporting period.

The Group designates derivatives (interest rate swaps) as cash flow hedging instruments, therefore, a change in interest rates booked in other comprehensive income and would not affect profit or loss, group also undertake derivatives for upcoming projects on the basis of fair value hedges and book fair value through profit or loss

Financial risk management - continue

The following table provides a reconciliation by risk category of components of equity and analysis of other comprehensive income, net of tax, resulting from cash flow hedge accounting:

	2022 Hedging Reserve AED '000'	*2021 Hedging Reserve AED '000'*
As at 1 January	**(126,722)**	(329,138)
Change in fair value – Interest rate swap	**199,427**	90,415
Share of movement in equity accounted investees	**460,773**	119,913
Deferred Tax movement	**(50,120)**	(6,889)
Effect of movement in exchange rates	**2,226**	(1,023)
As at 31 December	**485,584**	(126,722)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from the Group's trade and other receivables and cash and bank balances.

The Group has adopted a policy of only dealing with creditworthy counterparties. The Group attempts to control credit risk by monitoring credit exposures and continually assessing the creditworthiness of third parties. Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks in the country of operation.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. The Group is exposed to credit risk on cash and bank balances, trade, and other receivables, due from related parties, loans to related parties and finance lease receivables.

The amount that best represents the maximum credit risk exposure on financial assets at the end of the reporting period, in the event of counterparties failing to perform their obligations generally approximates their carrying value. Trade and other receivables and balances with banks are not secured by any collateral.

Maximum exposure to credit risk without considering any collateral or bilateral netting agreements:
The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of bilateral netting and collateral agreements.

	2022 AED '000	*2021 AED '000*
Finance lease receivables (note 11)	**52,201**	-
Loan to related parties (note 12)	**530,076**	452,976
Due from related parties (note 12)	**94,236**	173,102
Contract Asset (note 13)	**324,272**	280,026
Trade and other receivables (note 13)	**1,069,794**	411,460
Derivative financial asset (31)	**403,212**	46,036
Cash and bank balances (note 15)	**3,150,649**	716,497
Total credit risk exposure	**5,624,440**	2,080,097

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Credit risk - continued

Cash and Bank balances with Fitch ratings

Fitch Rating	***2022*** ***AED '000'***	*2021* *AED '000'*
A-	**102,051**	110,499
A+	**225,520**	-
AA-	**2,795,152**	598,846
Cash and others	**27,926**	7,153
	3,150,649	716,497

Credit quality per class of financial assets

The Group's credit risk rating systems and processes differentiate exposures in order to highlight those with greater risk factors and higher potential severity of loss. Loan to related parties majorly relates to Shams Power Company PJSC, Sharjah Waste to Energy LLC, Infinity Power Holdings B.V and Baynouna Holdings BV, refer note 9 and 12 for details.

	31 December 2022				*31 December 2021*			
	Stage 1 12-month ECL AED'000	***Stage 2 Lifetime ECL Not credit-impaired AED'000***	***Stage 3 Lifetime ECL Credit-impaired AED'000***	***Total AED'000***	*Stage 1 12-month ECL AED'000*	*Stage 2 Lifetime ECL Not credit-impaired AED'000*	*Stage 3 Lifetime ECL Credit-impaired AED'000*	*Total AED'000*
Finance lease receivables	-	**53,889**	-	**53,889**	-	408,760	-	408,760
Provision for expected credit losses					-	**(15,924)**	-	**(15,924)**
Reclass Held for Sale	-	**(1,688)**	-	**1,688**				
Held for Sale reclass	-	-	-	-	-	(392,836)	-	(392,836)
-								
Total carrying amount	-	**52,211**	-	**52,211**	-	-	-	-
Loan to related parties	**439,487**	**164,231**	-	**603,718**	301,106	272,125	-	573,231
Provision for expected credit losses	**(32,582)**	**(41,060)**	-	**(73,642)**	(26,015)	(94,240)	-	(120,255)
Total carrying amount	**406,905**	**123,171**	-	**530,076**	275,092	177,885	-	452,976
Due from related parties	**94,236**	-	-	**94,236**	173,102	-	-	173,102
Provision for expected credit losses	-	-	-	-	-	-	-	-
Total carrying amount	**94,236**	-	-	**94,236**	173,102	-	-	173,102
Receivables under payment plan	-	-	-	-	84,540	-	-	84,540
Provision for expected credit losses	-	-	-	-	(142)	-	-	(142)
Held for Sale	-	-	-	-	(84,398)	-	-	84,398
Total carrying amount	-	-	-	-	-	-	-	-
Movement in Impairment loss allowance or ECL Provision								
Finance lease receivables provision								
At the beginning of the year	-	-	-	-	-	14,278	-	14,278
ECL recognised under IFRS 9	-	-	-	-	-	2,534	-	2,534
Reversal on cancellation	-	-	-	-	-	(888)	-	(888)
Reclass	-	**1,688**	-	**1,688**	-			
Held for Reclass	-	-	-	-		(15,924)		(15,924)
Total carrying amount	-	**1,688**	-	**1,688**	-	-	-	-
Loan to related parties' provision								
At the beginning of the year	**26,015**	**94,240**	-	**120,255**	40,700	103,360	-	144,060
ECL recognised under IFRS 9	-	-	-	-	-	-	-	-
At the beginning of the year (as per IFRS 9)	**26,015**	**94,240**	-	**120,255**	40,700	103,360	-	144,060
Transfer from stage 2 to stage 1								
Allowances for impairment made during the year	**8,908**	**420**	-	**9,328**	2,525	-	-	2,525
Reversal on recoveries during the year	**(1,569)**	**(46,283)**	-	**(47,852)**	(11,073)	(5,402)	-	(16,475)
Other	-	-	-	-	(5,097)	-	-	(5,097)
Effect of movement in exchange rates	**(772)**	**(7,317)**	-	**(8,089)**	(1,040)	(3,718)	-	(4,758)
Total carrying amount	**32,582**	**41,060**	-	**73,642**	26,015	94,240	-	120,255
Receivables under payment plan								
At the beginning of the year	-	-	-	-	83	-	-	83
ECL recognised under IFRS 9								
At the beginning of the year (as per IFRS 9)	-	-	-	-	83	-	-	83
Allowances for impairment made during the year	-	-	-	--	59	-	-	59
Reversal on cancellation during the year								
Held for Sale	-	-	-		(142)	-	-	(142)
Write-offs								
Total carrying amount	-	-	-	-	-	-	-	-

Credit quality per class of financial assets - continued

The loss allowance for other trade receivables is measured at an amount equal to lifetime expected credit losses under simplified approach as presented in note 13 to the Group's consolidated financial statements.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash and liquid assets on demand to meet its expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group maintains adequate amount of its cash resources in bank and in short term deposits.

The Group has significant future capital commitments (note 30) for which it relies completely on funding from the Parent Company.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows and excluding the impact of netting arrangements. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Within 1 year AED '000	*Between 1-2 year AED '000*	*Between 2-5 year AED '000*	*More than 5 years AED '000*	*Total AED '000*	*Carrying Amount AED '000*
2022						
Bank borrowing	**810,335**	**166,954**	**764,870**	**1,002,960**	**2,745,119**	**2,468,616**
Due to related parties	**41,103**	**-**	**-**	**-**	**41,103**	**41,103**
Other non-current liabilities	**-**	**-**	**-**	**141,994**	**141,994**	**141,994**
Trade and other payables	**1,280,756**	**-**	**-**	**-**	**1,280,756**	**1,591,559**
Lease liabilities	**38,243**	**36,486**	**85,955**	**230,491**	**391,175**	**299,891**
	2,170,437	**203,440**	**850,825**	**1,375,445**	**4,600,147**	**4,543,163**

	Within 1 year AED '000	*Between 1-2 year AED '000*	*Between 2-5 year AED '000*	*More than 5 years AED '000*	*Total AED '000*	*Carrying Amount AED '000*
2021						
Bank borrowing	172,984	176,414	781,297	1,266,685	2,397,380	2,105,728
Due to related parties	32,579	-	-	-	32,579	32,579
Other non-current liabilities	-	-	-	87,530	87,530	87,530
Trade and other payables	262,859	-	-	-	262,859	428,289
Lease liabilities	30,916	46,637	69,956	287,367	434,876	319,303
	499,338	223,051	851,253	1,641,582	3,215,224	2,973,429

Contract liabilities – Deferred Income

	2022 AED '000	*2021 AED '000*
Ageing of Contract liabilities		
Not past due	**11,894**	11,788
Past due but not impaired:		
Due for 61 to 120 days	**-**	-
Due for 121 to 360 days	**-**	-
Due for more than 360 days	**-**	-
	11,894	11,788

Liquidity risk - continued

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The following table details the Group's liquidity analysis for its interest rate swaps. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

	Within 1-year AED '000	*Between 1 - 2 years AED '000*	*Between 2 - 5 years AED '000*	*Total AED '000*	*Carrying amount AED '000*
2022					
Interest rate swaps	**57,563**	**52,979**	**317,024**	**427,567**	**403,212**
2021					
Interest rate swaps	12,872	11,976	35,447	60,295	46,036

Financing facilities

The Group has access to financing facilities as described in note 19, of which AED 2,520.63 million were unused at the end of the reporting period (2021: AED 852.72 million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The following table details various information regarding interest rate swap contracts outstanding at the end of the reporting period

	Notional principle Value 2022 AED '000'	*Notional principle Value 2021 AED '000'*	***Fair value 2022 AED '000'***	*Fair value 2021 AED '000'*
Outstanding receives floating pay fixed contracts				
Less than 1 year *	**(570,453)**	125,139	**166,693**	2,855
1 to 2 years *	**(457,591)**	133,622	**21,683**	3,042
2 to 5 years	**971,735**	689,382	**105,684**	13,570
5 years +	**1,874,429**	1,171,440	**109,152**	26,569
	1,818,120	2,119,583	**403,212**	46,036

*Notional profile in first two years are negative (increasing) due to Shamol Zarafshan and Azerbaijan loan drawdowns.

31.4 Fair value measurements

The following analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 – quoted prices in active markets for assets and liabilities
- Level 2 – inputs other than quoted prices included within Level 1 are observable for the asset or liability, 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 inputs)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis - continued

	Fair value as at		*Fair value hierarchy*	*Valuation technique(s) and key input(s)*
	2022	*2021*		
	AED'000	*AED'000*		
Financial Assets				
Derivative financial assets	**403,212**	46,036	Level 2	Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of reporting period)
Financial assets carried at fair value through profit or loss				
Debt investment – HFEP	-	208,369	Level 3	Discounted cash flow
Equity investment – Zouk	**21,961**	34,903	Level 3	Net Asset Value

The fair values of the financial assets and financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant observable inputs being the discount rate that reflects the credit risk of counterparties.

Derivative financial assets include USD 39 million (AED146.38 million) in respect of interest rate swap for upcoming projects, and other bank loan related hedges AED 256.83 million are disclosed in note number 19.

The fair values of the financial assets and financial liabilities included in the level 3 category above have been determined based on a discounted cash flow analysis and net asset values.

As at 31 December 2022 and 2021, the Group considers that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

32 Geographical information and segment reporting

Group is mainly in the business on renewable power generation across different geographies and accordingly Chief Operating Decision Maker (CODM) reviews the results of operating activities of the group as a single business segment.

The following tables present revenue, certain asset information relating to the Group based on geographical location as at 31 December:

2022

	United Arab Emirates AED'000'	**Europe AED '000'**	**Uzbekistan AED '000'**	**Kingdom of Saudi Arabia AED '000'**	**United States of America AED '000'**	**Australia AED '000'**	**Others AED '000'**	**Total AED '000'**
Revenues	**64,499**	**481,797**	**74,292**	**805**	**-**	**-**	**-**	**621,393**
Non-current assets	**1,022,882**	**2,152,732**	**297,061**	**90,173**	**1,994,576**	**159,643**	**463,297**	**6,180,364**

2021

	United Arab Emirates AED'000'	Europe AED '000'	Uzbekistan AED '000'	Kingdom of Saudi Arabia AED '000'	United States of America AED '000'	Australia AED '000'	Others AED '000'	Total AED '000'
Revenues	11,266	415,401	289,847	-	-	-	-	716,514
Non-current assets	178,406	2,423,313	278,099	176	-	42,075	392,149	3,314,218

33 Events after reporting date

In March 2023 Masdar, through its US subsidiary, acquired a 50% equity interest in Big Beau through Big Beau Class B Holdco for USD 85.76 million. Big Beau consists of 128 MW Solar wind farm and 40MW of battery storage and reached COD in December 2022. The wind farm is located in Kem County, California. The investment is classified as a jointly controlled and the Company will equity account for its share of results from the date of acquisition.

In February 2023 the Company acquired a 15% interest in Pertamina Geothermal Energy Tbk (PGE) by participating in PGE's initial public offering. Masdar acquired 6,209,421,300 shares at IDR 875 per share for a total consideration of IDR 5,433 billion (USD 365.65 million equivalent). 10% of PGE's shares are now publicly listed. PGE has rights to 13 geothermal working areas in Indonesia and has a total installed capacity of 1,877 MW, of which 672 MW are operated by PGE and 1,205 MW are under joint operation contractor. PGE is a green energy company that currently contributes 82% of the installed geothermal capacity in Indonesia. The Company will classify the investment as an associate and equity account for its share of results from the date of acquisition.

In February 2023 the Company received USD 370 million as a loan from the Shareholders. The loan is classified as a contributed equity loan and the funds were used for the completion of the acquisition in PGE. In April 2023 the Company received USD 65 million as a loan from the shareholders. The loan is classified as a contributed equity loan and the funds were used for the completion of the acquisition through Infinity Power BV.

Masdar has a 49% joint venture interest in Infinity Power Holdings BV. In March 2023 the JV acquired 100% of Lekela Power BV for a consideration of USD 825.44 million. Masdar's share of the consideration was USD 404.47 million. Lekela has a portfolio of seven operational scale wind power projects located South Africa, Egypt, and Senegal with an installed capacity of 1,035 MW.

* In these financial statements, certain comparative financial information has been reclassified for better presentation.