



ACWA POWER Company
(ACWA Power)

2021 Year-end Investor Report

As at and for the year ended
December 31st , 2021





CEO's letter

Dear stakeholders,

It is my privilege and pleasure to welcome you to ACWA Power's first full-year results report as a publicly listed company.

On the one hand, this is yet another regular, ordinary fiscal year closing, summing up the successes and challenges of the year we left behind a short while ago. On the other hand, it is a unique one as we are now addressing a significantly large and diverse shareholder base, who have entrusted their investments with us, following a truly landmark Initial Public Offering (IPO) and successful listing on 11 October 2021 on Tadawul, the Saudi Stock Exchange. Through the IPO, we offered 81.2 million shares to the public representing 11.1% of the company, which was oversubscribed by 250 times (including 20 times by the Saudi retail investors), and subsequently raised SAR 4.5 billion in capital.

In our first earnings report for the first nine months of 2021, IPO and the subsequent listing itself understandably dominated the narrative. I now take this opportunity to recognize all the numerous and highly noteworthy accomplishments, all through 2021 right across our business units, which were overshadowed by the IPO and the listing in the previous address.

Our project portfolio, comprising 64 assets in operation, under construction or in advanced development, reached a value of SAR 251.7 billion at Total Investment Cost (TIC), with capacity to generate 42.7 GW of electricity and produce 6.4 million m3 per day of desalinated water.

More noteworthy, though, is the growing share of renewables in our portfolio. While capturing this growth, our portfolio's mix has continued to change in favor of renewable or low-carbon-emitting assets in line with our declared decarbonization roadmap and our unwavering determination to stay at the forefront of the energy transition that the world has embarked on, now at an increasing pace.

During 2021, we added five new renewable projects—each at large scale—to our advanced development portfolio in Saudi Arabia, Egypt and Uzbekistan. The 600 MW Shuaibah PV IPP and 200 MW Qurayyat PV IPP in Saudi Arabia; 1,150 MW Wind IPP in Egypt, which replaced a tender which we had won for the 2,300 MW Dairut-Luxor Gas IPP; and 100 MW Nukus Wind IPP and 1,500 MW Karakalpakstan Wind IPP in Uzbekistan, with the latter being the world's largest single-site wind farm, added a cumulative 3,550 MW gross power generation capacity to our fleet, bringing the total renewable energy capacity in our portfolio at the end of the year to 14.8 GW.

Our 120 MW Khalladi wind farm in northern Morocco continued to break generation records. Since its inauguration in June 2018, the 370 GWh of energy that the plant produces and supplies annually to industrial companies is equivalent to the average annual consumption of a city of 400,000 people and has contributed to the reduction of more than 144,000 tons of CO^2 emissions per year. The success of our first operational wind plant excites us about the near-future prospects of the six other wind projects in advanced development stage in Uzbekistan, Azerbaijan and Egypt at a total combined gross capacity of 3,940 MW.

Just before the year ended, on 31 December 2021, we brought the 600,000 cubic meter/day Rabigh Three IWP in Saudi Arabia online, which was soon after verified and confirmed by Guinness World Records as the "Largest RO (Reverse Osmosis) Plant in Commercial Operation" in the world. In addition to Rabigh Three IWP; we obtained the Commercial Operation Certificate for the 217 MW Photovoltaic Phase 1 of the Noor Energy 1 project in the UAE; inaugurated 500 MW Ibri 2 PV IPP, the first solar IPP in Oman under the Sultanate's national renewable energy program; and broke ground on the SAR 1.1 billion, 240 MW wind project in Azerbaijan, the first and largest foreign investment in the country's renewable power sector.

During the year, we successfully completed the financial closes of Sudair 1,500 MW PV IPP, Jazan IGCC and The Red Sea Development Project in Saudi Arabia; Redstone 100 MW CSP IPP in South Africa; and Sirdarya 1,500 MW CCGT IPP in Uzbekistan. The financial close for the SAR 3.4 billion Sudair solar plant, a key project in PIF's renewables energy program, brought one of the world's largest single-contracted solar PV plants and the largest in Saudi Arabia closer to reality.

Following the financial close in October 2021, we announced the completion of the acquisition of the first group of assets for the SAR 45 billion Jazan Integrated Gasification Combined Cycle (IGCC) project. The largest IGCC facility of its kind in the world, the investment is a joint venture between ACWA Power, Aramco and Air Products with ACWA Power holding a 25% [1] equity stake. The financial close for the SAR 27 billion, non-recourse project finance senior debt facility is the largest project finance agreement in our history.

ACWA Power also successfully raised SAR 2.8 billion through a senior, unsecured floating Sukuk issuance with a 7-year tenor under the Shariah compliant Mudaraba-Murabaha structure. The issuance, which marked our maiden entry into the Saudi debt capital market, was 1.8 times oversubscribed at a very favorable pricing with diverse interest from fund managers, government funds and insurance companies.

The Red Sea Development Project, in Saudi Arabia, spanning an area the size of Belgium, is a remarkable project in terms of its vision, strategy, ambition, size and scope. It is a truly responsible regenerative tourism project, pioneering the model for preserving the planet for future generations while enhancing the quality of the offering for the benefit and experience of the tourists. We are proud to be the provider of the full set of utility services to the very exacting zero carbon emission, zero waste and zero plastics standards and are delighted to have achieved this milestone on yet another path breaking project that is helping to meet the clean energy targets of Vision 2030. Obtaining significant investments from such a diverse group of domestic, regional and international lenders is a testament to the strength of the vision and structure of this transaction and, above all, underpins the trust that financial markets place in ACWA Power's track record underpinned by our expertise and capability in delivering large scale projects within the PPP framework.

While we are privileged to be entrusted with so many critical projects of scale in power generation and desalinated water production, possibly the most significant of all is the green hydrogen project we have embarked on in a three party, equal share joint venture with Air Products and NEOM. Evolving to be a pace setter for the much-needed energy transition, the project progressed in 2021 in accordance with our development plans to emerge as the first project in the world of this magnitude to be advancing to construction. When completed, this green hydrogen-based green ammonia production facility will be powered by approximately 4 GW of combined solar and wind capacity in NEOM in Saudi Arabia and sustainably supply carbon-free hydrogen to initially serve the transport sector thus contribute to saving three million tons per year of CO^2 emissions.

There have also been remarkably positive developments in relation to some of our fossil fuel-fired assets, which also contributed to our rapid decarbonization drive.

In September 2021 we entered into an agreement for the sale of our 32% effective shareholding in Shuqaiq Water and Electricity Company ("Shuqaiq IWPP"), an oil-fired asset located in Saudi Arabia, with 850 MW power and 212,000 m3/day water desalination capacity, including the sale of our 32% indirect interest in the O&M contract. When completed, this sale will eliminate approximately 1.6 million tons of CO^2 emissions per year from our portfolio and bring us closer to our targets of 50% reduction in the portfolio's carbon intensity by 2030 and achieving net zero emissions by 2050. This sale was also a part of capital recycling strategy in pursuit of continuous financial and operational optimization.

On 2 February 2022, DEWA, our co-investor and offtaker in the 2,400 MW Hassyan Clean Coal IPP, with the blessing of

[1] ACWA Power has an effective interest of 21.25% in the returns of JIGPC.

the Chairman of the Dubai Supreme Council of Energy, announced the decision to convert the operation of this project from clean coal to natural gas. Aligning this project with the Dubai Clean Energy Strategy 2050 and the Dubai's carbon neutrality strategy to provide 100% of the energy production capacity from clean energy sources by 2050, this step continues to ensure Dubai's energy supply security by maintaining a diversified energy mix. With operation on natural gas instead of coal, the project will avoid approximately 30 million tons of CO^2 emissions by 2030.

Following ACWA Power's exit in 2020 from the only other coal project, which was at the development stage in Vietnam, this switch to gas in the Hassyan project will result in a coal-free ACWA Power portfolio of 64 assets. These actions augment ACWA Power's commitment to decarbonize our portfolio and focus on renewables and transitional low CO^2 emitting assets with the objective of fulfilling the net zero emissions target by year 2050.

When taken in isolation, these extraordinary achievements stand on their own merits as icons of remarkable accomplishments. When taken as a whole, they contribute to our robust financial results and provide a strong platform for continuing the growth and sustaining the value creation. Leaving financial performance details to the rest of this report, I am glad to note here that both the adjusted net profit and the parent operating cash flow (POCF) for the year posted growth versus 2020, in line with the guidance we gave to the investment community. While adjusted net profit reached SAR 1,194 million with 3% increase, POCF recorded SAR 1,611 million, 51.4% higher than last year.

Our commitment to prioritizing health and safety has allowed us to cross a cumulative of 50 million safe manhours without a lost-time injury for the first time in our history. Nonetheless, despite our attention to upholding high standards, it is with great sorrow we bear the loss of two lives in separate accidents on two of our construction sites, two tragedies felt by the entire ACWA Power family. Indeed, there is no alternative to achieving zero casualties; and we will continue to stay dedicated to attaining excellence in safety, through our unwavering commitment to continuous improvement.

Looking ahead, there is a very visible pipeline of new power and water projects as well as a large hydrogen market that ACWA Power is well placed to convert into a fair share of business growth in the coming years. While doing this, we will not compromise our pledge of reliably and responsibly delivering power and water and producing green hydrogen with a focus on minimizing costs; our commitment to health, safety and wellbeing of our own people as well as the communities we serve; and our commitment to reduce the carbon intensity of the portfolio we own and operate and achieve net zero carbon status by 2050.

In closing this address, I recognize the entrepreneurship, enthusiasm, commitment and sheer hard work of our people and the supportive guidance and governance by our Board of Directors, the unwavering support of our technology, construction services, project and corporate finance and co-investment partners and the trust of the off-takers and our ultimate customers, the communities we serve. For the best part of the last decade, we at ACWA Power maintained our leading position at the forefront of the energy transition by repeatedly delivering competitive tariffs in multiple countries. We are passionately committed to do no less as a proud Saudi flagbearer to deliver elements of Saudi Arabia's Vision 2030; to drive towards a cleaner future here at home and also contribute to the efforts of other nations to improve their energy mix in favor of cleaner renewable energy-sourced power and water plants.

Paddy Padmanathan

Vice Chairman and CEO

Business and operational highlights

Growing portfolio

ACWA Power's portfolio consists of 64 operational, under construction and advanced development assets. Gross power generation and water desalination capacity of the portfolio reached 42.7 GW and 6.4 million cubic meters per day, with a portfolio value of SAR 251.7 billion at Total Investment Cost (TIC).



At the forefront of energy transition

For more than a decade we have been at the forefront of energy transition both in Saudi Arabia and beyond, by repeatedly demonstrating our determination and capability to transform the energy mix of the countries we operate in towards low CO^2 emitting or renewable power and water technologies. At 14.8 GW, renewable assets represented 34.7% of gross power capacity, and, including natural gas projects, the ratio of low CO^2 emitting assets constituted 83.0% of ACWA Power's gross power generation capacity at the end of 2021. A pioneer in globally landmark large-scale initiatives such as green hydrogen and giga-cities together with its JV partners, ACWA Power is dedicated to reduce its carbon intensity gradually targeting to reach net zero emissions status by 2050.



14.8 GW
renewable assets capacity

34.7%
gross power capacity

net zero emissions by 2050



Reliable delivery of power and water

Plant availability is the single most important operational target for us as maintaining the contractual availability levels provides ACWA Power with the constant and visible stream of income and cash. Historically, we remain well above our contractual commitments and with 90% and 93% overall plant availability for power and water, 2021 was no different.

Operating income before impairment loss and other expenses

2,193 SAR mn

12.5% ↗

Adjusted profit attributable to equity holders of parent

1,194 SAR mn

3.1% ↗

Parent Operating Cash Flow (POCF)

1,611 SAR mn

51.4% ↗

Strong financial performance consistent with expectations

Company's operating income before impairment loss and other expenses at SAR 2.2 billion grew by 12.5%; adjusted net profit attributable to equity holders of the parent at SAR 1.2 billion grew by 3.1%, and, on a comparable basis to 2020, by 21.7%; POCF at SAR 1.6 billion grew by 51.4%; and net leverage to POCF ratio at 6.2 times reduced by 0.4 times.

Parent Net Leverage to POCF ratio

6.22 Times

-0.4x

We put SAFETY first!

In the same year when we crossed a cumulative of 50 million safe manhours without a lost-time injury, we unfortunately lost two lives in separate accidents on two of our construction sites despite our relentless dedication to safety of our people. This loss of two lives was acutely felt by the entire ACWA Power family.

Overall Lost Time Injury (LTI) rate was 0.01 in 2021.



Sustainability at ACWA Power: Leading the energy transition

ACWA Power's commitment to sustainability manifests itself in its ESG strategy and the actions we take within its framework. In the **Environment** category, we crowned our determination to our commitments by publicly declaring our targets to reduce our carbon intensity by 50% by 2030 and reach net carbon zero by 2050. Supporting local content by encouraging and developing local service providers, suppliers and the workforce, and driving community impact by integrating ourselves with these communities and addressing their most pressing issues with relevant CSR programs are our strengths in the **Social** arena. A true reflection of our values-driven corporate culture, our **Governance** philosophy aspires to deliver the highest levels of sustainable value to our stakeholders.



Management's discussion and analysis of the financial results and position as at and for the year ended 31 December 2021

This Section provides an analytical review of the financial condition and operational performance of ACWA Power as at and for the financial year ended 31 December 2021, and it should be read in conjunction with the Company's audited consolidated financial statements for the subject period as audited by Ernst & Young & Co.

All amounts are in SAR (or SR) thousand, unless stated herein otherwise. Percentages have been rounded and therefore a calculation of the percentage increase/decrease based on amounts presented in tables within this section (shown in thousands) may not be exactly equivalent to the corresponding percentages as stated in tables. All references to "increase/(decrease)" in the following analysis correspond to the 2021 in comparison to 2020, unless otherwise is explicitly stated.

This Section may contain data and statements of forward-looking nature that may entail risks and uncertainties. The Company's actual results could differ materially from those expressed or implied in such data and statements as a result of various factors.

Key factors affecting the operational and financial results between successive periods

Although the Company's business model of Develop, Invest, Operate and Optimize allows it to generate and capture returns over the life cycle of a project, these returns may differ from one reporting period to another including within a full reporting year cycle, depending on the number of projects in the Company's portfolio and where they sit in their project life cycles (i.e., in development, under construction or in operation). Projects achieving financial close ("FC") and projects achieving either initial or final commercial operation dates ("ICOD" or "PCOD") are typical examples that may lead to such variances on the financial statements, rendering them unreasonable without additional transparency. However, the impact of this or similar type of transactions that the company considers as ordinary course of business does not result in any financial adjustments in the financial KPIs of the Company.

In addition to above, there may be transactions that the management would consider as non-routine or non-operational as they are non-recurring in nature insofar as they are not expected to repeat in the future. The impact of such transactions on the profit attributable to equity holders of the parent as stated on the consolidated statement of profit or loss of the Company ("consolidated profit attributable to equity holders of the parent") are adjusted in the respective year of their realizations to arrive at adjusted profit attributable to equity holders of the parent for the concerned period.

Moreover, there may be certain transactions that have occurred for the first time in the current reporting period and are expected to repeat in future periods. The management normalizes the impact of such transactions in the year in which they are first-time realized to establish a common comparison platform to past periods for a meaningful variance analysis.

By virtue of providing further transparency and ease of analysis, the Company identifies above-described transactions and discloses them separately under this section of the MD&A.

Below are major transactions that the Company has identified as key material factors or transactions that affected the financial results and position of the Company in 2021.

Material ordinary-course-of-business transactions that did not result in adjustment to the consolidated profit attributable to equity holders of the parent for the current reporting period

Projects achieving Financial Close ("FC")

When a project has access to funding from lenders, it achieves its FC and the Company becomes entitled to recognize development fees as revenue, recover its project development and bidding costs and reverse any related provisions. Following FC, the project typically earns additional service fees such as project and construction management fees, which are recognized during the construction period that a project embarks upon as soon FC has been achieved.

The following table lists all projects that achieved their respective FCs in the year ended 31 December 2021:

Project	Subsidiary/ Equity accounted investee ("EAI")	Location	Project Cost – SAR Million	Gross capacity ((MW)/ '000s M3/day)
	2021			
Jazan IGCC	EAI	Saudi Arabia	12,000	3800 MW
Redstone CSP IPP	EAI	South Africa	800	100 MW
Sirdarya CCGT IPP	Subsidiary	Uzbekistan	1,200	1500 MW
Sudair PV IPP	EAI	Saudi Arabia	950	1500 MW
The Red Sea Project	EAI	Saudi Arabia	1,544	210 MW

Source: Company information.

In 2020, the Company achieved four financial closes.

Projects achieving Initial or Project Commercial Operation Dates (ICOD/PCOD)

A project starts providing power and water under the Offtake Agreement to the Offtaker in the year it achieves its ICOD or PCOD and begins recognizing revenue and charging costs in profit or loss statement, including depreciation on the fixed assets.

The following table lists all projects that achieved their respective ICODs or PCODs and affected the comparability for the year ended 31 December 2021.

Project	2021				
	Subsidiary/ Equity accounted investee ("EAI")	Location	ICOD	PCOD	Capacity achieving ICOD/PCOD (MW/'000s M^3/day)
Al Dur 2 (Water) (partial)	EAI	Bahrain	Feb 2021		114 M^3/day
Salalah IWP	EAI	Oman	-	Mar 2021	114 M^3/day
Al Dur 2 (Power)	EAI	Bahrain	May 2021		1500 MW
DEWA V PV (partial)	EAI	UAE	Jul 2021	-	300 MW
Ibri 2 PV IPP	EAI	Oman	-	Aug 2021	500 MW
Hassyan IPP (Unit 2)	EAI	UAE	Sep 2021	-	600 MW
Jazan IGCC	EAI	S. Arabia	Oct 2021[1]		3800 MW
UAQ IWP (partial)	EAI	UAE	Dec 2021	-	227 M^3/day
Noor Energy 1 (PV-1) (partial)	EAI	UAE	Dec 2021	-	217 MW
Rabigh 3 IWP	Subsidiary	S. Arabia	-	Dec 2021	600 M^3/day
			2020		
Hassyan IPP Unit 1	EAI	UAE	Nov 2020	-	600 MW

Source: Company information.

[1] Jazan ICOD represents the transfer of Group A assets.

In November 2020, Hassyan Unit 1 achieved its ICOD and started generating revenues as per the IPP contract. Accordingly, Hassyan Unit 1 had its first full year of operation in 2021.

Sukuk issuance

On 10 May 2021, ACWA Power launched its inaugural SAR 5 billion, 7-year Sukuk program (shariah compliant Mudaraba-Murabaha structure) in Saudi Arabia in the form of a CMA-approved privately placed unlisted unrated Sukuk issuance earmarked for sophisticated investors. The initial tranche under the program was sized at SAR 2.8 billion. The final pricing and book building were completed in early June 2021 and the Sukuk was issued on 14 June 2021 with a favorable pricing of 6-month SAIBOR+100 bps per annum. The remaining amount of SAR 2.2 billion under the Sukuk program will be issued at the discretion of ACWA Power based on its funding requirements. The Sukuk was issued only in Saudi Arabia under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of Saudi Arabia ("CMA") as a privately placed, unlisted issuance. The Sukuk Program was approved by the CMA in November 2020.

This transaction resulted in an additional finance cost of SAR 28.2 million in 2021.

RAWEC Refinancing and Capital Recycling

Rabigh Arabian Water and Electricity Company, an independent water, steam and power producer ("RAWEC") supplying these utilities, on a captive basis, to Rabigh Refining & Petrochemical Company JSC (Petro Rabigh), a facility of Saudi Aramco, has initiated the plan in December 2021 to replace its existing current outstanding debt with fully amortizing USD and SAR bank facilities alongside a 144a/RegS bond issuance in phases. On 30 December 2021, RAWEC concluded phase one of this debt refinancing, raising a new facility amounting to SAR 3,000.0 million that was drawn down and utilized to settle existing loan balance of SAR 2,862.5 million. The facility was obtained in two tranches, repayable semi-annually from June 2022 with the final instalment to be paid in June 2030.

STPC bond issue

In February 2021, the Company has announced the successful completion of the refinancing of the outstanding loan facilities of its wholly owned subsidiary, Shuaibah Two Water Development Project Company ("STPC"). Composed of two tranches; the first tranche of the refinancing facility has been provided by a conventional USD 100.0 million LIBOR-linked floating rate commercial loan and a second tranche of a privately placed project bond consisting of USD 166.2 million.

Financial charges in relation to the derecognition of deferred finance cost, hedge termination cost for old loan and refinancing fees of SAR 25 million were recognized in 2021.

Proceeds from the Initial Public Offering of the Company (the "IPO")

On 11 October 2021, the Company completed its IPO and, representing 11.67% of the Company's share capital after capital increase, listed 85,336,851 new ordinary shares including the employee shares (public offering was 11.1% and 81,199,299 shares) at a value of SAR 56 each on the Saudi Stock Exchange. Total IPO proceeds before deducting transaction costs amounted to SAR 4,778.9 million. As a result, the Company's issued share capital increased by SAR 853.4 million at nominal value of SAR 10 per share and the share premium increased by SAR 3,925.5 million.

Hassyan coal agreement

In relation to the Hassyan Clean Coal IPP (subsequently converted into a gas-fired plant in February 2022), an equity accounted investee, the Company has a coal supply agreement with a third-party supplier, where the Company has committed to cover the difference or take up the surplus between two agreed prices with the coal supplier during the IPP's period of operations. Detailed information of this agreement and the calculation mechanisms are available in the Company's IPO Prospectus.

On initial recognition, the Company has estimated a derivative liability, computed using the discounted cash flow method, with the corresponding impact in the carrying value of the investment of the equity accounted investee of the Company. Subsequent to a directive from the offtaker, the plant is in process of converting its operation from the primary fuel source of coal to natural gas. Based on management's assessment, the coal consumption in future will be very minimal as coal will continue to stay only as a back-up fuel. As a result, the Company has revised the expected consumption and recognized a liability of SAR 171.4 million in the consolidated statement of financial position as of 31 December 2021.

ACWA Power does not expect this step to have a major impact on the expected project cost or planned operation dates as the plant was designed to operate on both fuel types since the inception.

Dividends

On 29 June 2021, Company's Board of Directors approved a dividend payment of SAR 560.0 million (SAR 0.77 per share) for the year 2021, payable during 2022. The proposed dividends are subject to approval of the shareholders at the ordinary general assembly meeting in May 2022.

Material transactions that resulted in adjustment to the consolidated profit attributable to equity holders of the parent for the current reporting period (see also below "Management key financial indicators")

IPO employee bonus and incentive plan

On 30 March 2021, the Board of Directors of the Company approved an incentive plan comprising shares and cash benefits (the "Plan") for eligible employees, payable upon a successful listing of the Company and subject to other performance conditions, and on 13 June 2021 the shareholders of the Company approved the Plan. The Plan was granted and vested to eligible employees on 28 September 2021. Accordingly, the Group recognized a share-based payment expense, amounting to SAR 280.0 million (SAR 231.7 million, equivalent to 4,137,552 shares at IPO price of SAR 56 per share and SAR 48.3 million on account of equity-settled and cash-settled share-based payments, respectively), equivalent to the fair value of the Plan as at the grant date.

The Company posted an adjustment of SAR 280.0 million for this transaction in arriving at Adjusted Net Profit for 2021.

Impairments

The Company assesses at each reporting date whether there is an indication that a plant may be subject to partial or full impairment, using potential impairment indicators such as delay in contract extension, no offtake agreements for a long period of time following the expiry of current agreements, frequent or continuous lower operational performance than minimum required level, a long-term shutdown without any expectation to revive the plant in the short-term, etc. Moreover, technological obsolescence or post-PPA (tariff) reduction could also lead to impairment. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount, compares it with the asset's net book value and charges any excess book value over the asset's recoverable amount as impairment expense. The Company additionally tests goodwill for impairment at least on an annual basis to ensure there are no impairments, and wherever there is any impairment, the Company charges it to the current year's profit or loss statement.

Below table summarizes such impairment charges for the years ended 31 December 2021 and 2020. The Company posted an adjustment of SAR 123.0 million in relation to these impairments in arriving at Adjusted Net Profit for 2021.

Impairment charges / (reversals) SAR million	Subsidiaries[2]	Equity Accounted investees	
Year	Barka[1]	SWEC	SQWEC
2021	60.0	(30.0)	93.0
2020	137.5	30.0	-

Source: Company information. Impairment related to subsidiaries is disclosed in the Company's consolidated financial statements as "Impairment loss and other expenses, net", whereas impairment related to equity accounted investees is part of "Share in net results of equity accounted investees, net of tax." Total impairment charge including from the equity accounted investees pertaining to ACWA Power's equity share is SAR 123.0 million in 2021 (2020: SAR 67.5 million).

[1] Including goodwill impairment.

[2] Including non-controlling interests.

ACWA Power Barka SAOG ("Barka")

Barka is a subsidiary of the Company. Its operational assets comprise one conventional power generation plant and two reverse osmosis (RO) water desalination plants.

Barka's existing WPA on its Reverse Osmosis Plants (RO Plants) and PWPA (Main Plant) expired on 31 December 2021 and 8 February 2022, respectively. Subsequent to the year end on 2 February 2022, the management has secured extension of the WPA (RO Plants) for the next 23 months with an option to extend further by another nine months. However, due to the uncertainty around the renewal of the PWPA (Main Plant) with no material positive development in addition to the recent operation of merchant market conditions in Oman, an impairment assessment was performed under IFRS to assess the recoverable value of the Main Plant, which resulted in higher recoverable value than the carrying value. Consequently, although no impairment was recorded in the current year for the Main Plant (2020: SAR 130 million), remaining goodwill in relation to Barka was fully impaired with a charge of SAR 60.0 million in 2021 (2020: SAR 7.5 million).

As the PWPA of Barka (Main Plant) has expired and Barka is not earning any revenues from the power plant, the Company is actively monitoring regulatory amendments to cater for bilateral power agreements as a viable alternative to current spot market. However, unless the power plant secures a bilateral contract in time, the project company may likely not be able to settle certain liabilities related to Barka's long term loan and other third-party service providers. Irrespective of this, as Barka has already secured a WPA extension on its two RO plants, it plans to engage with its project lenders and service providers to assess the best way forward for the outstanding liabilities.

Shuaibah Water & Electricity Co. ("SWEC")

SWEC, an equity accounted investee of the Company located in Saudi Arabia with 900 MW power and 880,000 m3/day water desalination capacity, is an oil-fired plant and has a PWPA with Saudi Water Partnership Company (SWPC) for a period of 20 years from the Project Commercial Operation Date ("PCOD") of 14 January 2010. In 2020, the Company booked an impairment charge of SAR 30.0 million following an impairment assessment then, considering the uncertainties around the contract's renewal potential post-expiry of the existing PWPA mainly driven by Saudi Arabia's publicly declared ambitions to change the country's energy mix in favor of cleaner forms of fuel sources. Following discussions with SWPC, in Q4-2020, the Company signed an MOU to restructure the PWPA of existing SWEC and replace it with an independent water plant. Subsequently, in 2021, the Group received an RFP for a replacement plant whose WPA has been signed between the parties. Aforementioned developments warranted reassessment of certain assumptions considered in 2020's impairment assessment including the residual value of the existing plant and led to the reversal of the impairment booked in 2020, during the year.

Shuqaiq Water and Electricity Company ("SQWEC")

On 7 September 2021, the Company entered into an agreement for the sale of its 32% effective shareholding in SQWEC, an oil-fired asset located in the Kingdom of Saudi Arabia, with 850 MW power and 212,000 m3/day water desalination capacity. The buyer is based in Saudi Arabia and the agreement includes the sale of 32% interest in the O&M contract which is currently with ACWA Power's wholly owned subsidiary, First National Operations and Maintenance Company ("NOMAC").

SQWEC is an equity accounted investee of ACWA Power that commenced commercial operations in 2011 and has a 20-year PWPA ("Offtake Agreement") expiring in 2031. Although the asset positively contributed to the Company's consolidated net income in 2020, it has contributed a net loss in 2021 on account of accelerated depreciation charges (see below, Change in useful life of certain oil-fired assets) in addition to an impairment loss of SAR 93.0 million through share in net results from SQWEC as the carrying value of the assets exceeded the recoverable amount. The transaction is expected to close in 2022, pursuant to required approvals from stakeholders including lenders and the offtaker.

The sale is part of ACWA Power's capital recycling strategy and brings the Group a step closer to its target of reducing carbon emissions by 50% by 2030 compared to 2020 levels and achieving net zero emission by 2050.

Provision for Zakat and tax related to prior year assessments

During 2020, the Company made non-routine provisions of amounting SAR 87.0 million against final Zakat assessments for previous years from 2009-2018. Additional provisions were made in 2020 amounting to SAR 13.5 million by the Company's subsidiaries, which are also non-routine and relate to previous years.

During 2021, some of the subsidiaries of the Company made additional non-routine provisions amounting to SAR 13.4 million against ZATCA assessments for past years.

The Company posted an adjustment of SAR 13.4 million in relation to these provisions in arriving at Adjusted Net Profit for 2021.

Provision for long term incentive plan ("LTIP")

In 2021, the Board of Directors of the Company approved a cash-based LTIP, which was granted to certain members of key management personnel. The LTIP covers a nine-year period in total effective from 1 January 2020 and comprises three separate performance periods comprising three years each. Cash awards will vest pursuant to the LTIP at the end of each performance period subject to the achievement of performance conditions. Accordingly, a provision of SAR 61.0 million (including SAR 29.3 million for 2020) has been recognized within general and administration expenses in 2021 representing the performance periods of 2020 and 2021.

The Company posted an adjustment of SAR 29.3 million for this transaction in arriving at Adjusted Net Profit for 2021.

Provision/reversal of provision for due from related party

Kirikkale CCGT IPP is an equity accounted investee of the Company situated in Turkey, for which O&M operator is NOMAC. In 2019, a financial restructuring (Standstill Agreement) was completed in Kirikkale, where the lenders agreed for Kirikkale to pay 90% of the monthly O&M invoices going forward and previously due, to be collected in the future subject to expected level of operations, and the Company recorded the subject receivable at net present value because of deferment of collection till December 2023. Furthermore, in 2020, a provision for impaired receivables of SAR 28.5 million was made against the remaining receivable balance as a result of lower expected operations in Kirikkale due to lesser electricity demand in the country. Following improved performance in 2021 and partial recovery of the outstanding balance, the Company reversed SAR 4.9 million of provisions in 2021.

The Company posted an adjustment of SAR (4.9) million for this transaction in arriving at Adjusted Net Profit for 2021.

Material transactions that the Company normalized below its Adjusted Net Profit of the current reporting period to establish comparability

Change in useful life of certain oil-fired assets

In 2021, the Company re-assessed the useful life of certain oil-fired assets in its portfolio and decided to align their remaining useful lives with their re-assessed economic lives, i.e. remaining contract life of the PWPAs (Power and Water Purchase Agreements), with effect from 1 January 2021. Accordingly, useful life of these plants was revised to 20 years from the original life of 40 years, resulting in a SAR 198.4 million of additional depreciation expense for 2021, which is reflected through share in net results of equity accounted investees.

The Company did not post an adjustment for this transaction as it will recur in future periods. However, while comparing the current period and the previous period(s), the Company normalizes Adjusted Net Profit by the amount of this transaction for a meaningful variance analysis.

Discounting impact on loan from shareholder subsidiary (loan from PIF)

In 2020, the Company declared dividends of SAR 2.7 billion at SR 4.18 per share to its shareholders, out of which SAR 1,000.0 million was paid in 2020; SAR 800.0 million was paid in 2021; and SAR 901.0 million pertaining to the Public Investment Fund of Saudi Arabia (PIF, a shareholder) was converted into a long-term non-interest-bearing loan in 2020, through the same shareholder's fully owned subsidiary. This loan will be subject to future investment adjustments on behalf of the shareholder's subsidiary based on certain conditions and can be settled at any time post-November 2023 with initial long-stop date of 31 December 2030. The Company has recorded this loan at the present value of expected cash repayments discounted at an appropriate rate applicable for long-term advances of similar nature. The difference between the nominal and discounted value, amounting SAR 233.4 million, has been recognized as other contribution from shareholder within share premium, whereas SAR 9.7 million and SAR 29.4 million of unwinding of discounting has been booked in 2020 and 2021 as financing cost, respectively.

The Company did not post an adjustment for this transaction as it will recur in future periods. However, while comparing the current period and the previous period(s), the Company normalizes Adjusted Net Profit by the amount of this transaction for a meaningful variance analysis.

Management key financial indicators

ACWA Power's management uses several key performance metrics internally to review the Group's financial performance. These metrics are defined and analyzed below.

Operating income before impairment loss and other expenses	Consolidated Operating income before impairment loss and other expenses which also includes share in net results of equity accounted investees
Adjusted profit / (loss) attributable to equity holders of the parent	Adjusted profit / (loss) attributable to equity holders of the parent represent profit / (loss) after adjusting for non-routine & non-operational items
Parent Operating Cash Flow (POCF)	(i) Distributions from the project companies and NOMAC; (ii) technical and other management fees and development revenues; and (iii) cash generated by sell-downs and/or disposals of the Company's investments including refinancing. These cash inflows are then reduced by parent level general, administrative and Zakat expenses as well as the financial payments relating to the non-recourse Bond.
Total parent net leverage	(i) Borrowings with recourse to the parent and (ii) Off-balance sheet guarantees in relation to Equity Bridge Loans (EBLs) and Equity LCs; equity-related commitments and guarantees on behalf of its JVs and subsidiaries; options entered with the lenders of mezzanine debt facilities taken by the Company's JVs and subsidiaries, net of cash on hand.
Parent net leverage ratio	• Parent level debt to net tangible equity attributable to owners of the Company • Parent net debt to POCF

Operating income before impairment loss and other expenses

	SAR in million		Increase / (Decrease)
	2021	2020	2021
Operating income before impairment loss and other expenses	2,193	1,949	12.5%

Source: Audited financial statements.

In 2021, operating income before impairment loss and other expenses reached SAR 2,193 million, growing by 12.5%, or SAR 244 million, from SAR 1,949 million in 2020. Higher development and construction management services fees on account of projects achieving financial close; higher operation and maintenance income on account of projects achieving their ICOD or PCODs including Jazan IGCC and Al Dur IWPP; reversal of an impairment charge in SWEC and recognition of LD income in Hassyan were the main drivers of positive variance. These were partially offset by an increase in general and administration expenses mainly related to staff cost and the long-term incentive plan provision in addition to lower share in net results of equity accounted investees, net of tax, mainly because of recognition of accelerated depreciation on two oil-fired assets and impairment in SQWEC. Please see above "Key factors affecting the operational and financial results between successive periods."

Adjusted net profit attributable to equity holders of the parent ("Adjusted net profit")

Adjusted net profit attributable to equity holders of the parent	SAR in million		Increase / (Decrease)
	2021	2020	2021
Consolidated profit attributable to equity holders of the parent	759	883	(14.0)%
Adjustments:			
Share based payments expenses	280	-	
Impairment in relation to subsidiaries and equity accounted investees	123	167	
Provision for zakat and tax on prior year assessments	13	101	
Corporate social responsibility contribution	-	53	
Provision for long-term incentive plan	29	(29)	
Provision on due from related party	(5)	29	
Provision on Vietnam coal project development costs	-	81	
Others	(6)	(25)	
NCI share of adjustments	-	(100)	
Net adjustments	**435**	**275**	
Adjusted net profit attributable to equity holders of the parent	1,194	1,158	3.1%
Accelerated depreciation—Oil-fired assets	198	-	
Discounting impact on loan from shareholder subsidiary	29	10	
Normalized adjusted net profit attributable to equity holders of the parent	1,421	1,168	21.7%

Source: Company information.

In 2021, the Company's adjusted net profit has been SAR 1,194 million. All adjustments to the consolidated net profit/(loss) attributable to equity holders of the parent are listed in the above table. Please refer to above, "Key factors affecting the operational and financial results between successive periods" for detailed explanation of these adjustments. Consolidated profit attributable to equity holders of the parent was lower in 2021 mainly because of share-based payments, LTIP provisions and impairments and higher Zakat and tax expenses.

Being 3.1%, or SAR 36 million, ahead of that of 2020, adjusted net profit for 2021 was broadly in line with our guideline estimate. As explained above in "Key factors affecting the operational and financial results between successive periods" the Company does not adjust the impact of the accelerated depreciation and the discounting impact on loan from shareholder when arriving at the adjusted net profit since these transactions will recur in the future periods too. When normalized for the value of these transactions, normalized adjusted net profit for 2021 reaches SAR 1,421 million, representing SAR 253 million, or 21.7%, higher normalized adjusted net profit than 2020.

Parent Operating Cash Flow ("POCF")

Parent-level cash	SAR in million		Increase / (Decrease)
	2021	2020	2021
Distributions	1,163	719	61.6%
Development and construction management services	1,001	709	41.1%
Fees and other services	323	426	(24.3)%
Total cash inflows	2,486	1,855	34.0%
G&A, Zakat expenses and CAPEX	(688)	(608)	13.2%
Financial expenses of the Non-Recourse Bond	(187)	(183)	2.3%
Parent Operating Cash Flow (POCF)	1,611	1,064	51.4%
Total Discretionary Cash	**9,403**	**3,088**	**204.5%**
Total Uses of cash	**(4,883)**	**(2,882)**	**69.4%**
Period end cash balance	4,520	206	2093.3%

Source: Company information.

POCF increased by SAR 547 million, or 51.4%, in 2021 to reach SAR 1,611 million mainly driven by higher inflows on account of i) higher distribution from projects and NOMAC and ii) higher development and construction management services fees (see above, Key factors affecting the operational and financial results between successive periods), partially offset by the payment for coal procurement for Hassyan IPP, which is included in G&A, Zakat expenses and Capex in the above table.

Higher POCF and the proceeds from the issuance of new capital via the IPO and the Sukuk bond (see above, Key factors affecting the operational and financial results between successive periods) resulted in significantly higher Total Discretionary Cash of SAR 9,403 million, representing an increase of 204.5%, or SAR 6,315 million, versus a year ago. The Company used SAR 4,883 million of its Total Discretionary Cash for servicing its parent-level debt, paying dividends and investments in projects including Jazan, which was the Company's single-biggest equity investment to date. Period end cash balance (parent level) was SAR 4,520 million as at 31 December 2021.

Parent Net Leverage

Parent-level liquidity and leverage	SAR in million		Increase / (Decrease)
	2021	2020	2021
Recourse borrowings	5,270	867	507.8%
Other liabilities	1,640	1,451	13.0%
Total on-balance sheet leverage	6,909	2,318	198.1%
Off balance sheet commitments	7,633	4,940	54.5%
Total parent leverage	14,543	7,258	100.4%
Total parent cash and bank at year-end	(4,520)	(206)	2093.3%
Total parent net leverage	10,022	7,051	42.1%
Net tangible equity	12,892	7,322	76.1%
Parent net leverage ratio (leverage/net tangible equity)	0.78	0.96	(0.19)x
Total parent net leverage/POCF ratio	6.22	6.63	(0.4)x

Source: Company information.

Total Parent Net Leverage stood at SAR 10,022 million as of 31 December 2021 increasing from SAR 7,051 million as of 31 December 2020, mostly driven by increase in the Company's on balance sheet recourse borrowings (Sukuk bond, Sirdarya, Redstone, Hassyan) and off-balance sheet commitments in relation to Equity Bridge Loans (EBLs) and Equity LCs; equity-related commitments and guarantees on behalf of its JVs and subsidiaries in addition to the Company's commitment to contribute SAR 131.0 million towards the equity of an equity accounted investee during 2023 and a loan commitment, which arises due to symmetrical call and put options entered in by the Company with the lenders of the mezzanine debt facilities taken by certain of the Company's equity accounted investees, amounting to SAR 598.2 million. The impact of above was partially offset by higher cash and bank balance as at 31 December 2021.

Despite higher total parent net leverage, a higher net tangible equity attributable to owners of the Company in 2021 due to new shares issued on IPO resulted in approximately 0.2 times improvement in parent net leverage ratio to net tangible equity as of 31 December 2021. Similarly, a higher POCF resulted in 0.4 times improvement in the total parent net leverage to POCF ratio, reducing it to 6.22 times in 2021 from 6.63 times in 2020.

Operational Performance Highlights

Most of the Company's base-load conventional power generation and water desalination projects conduct business under long-term sales contracts, with offtakers usually contractually obligated to purchase electricity, water or steam for the duration of, and at rates that are contractually determined at the outset of such contracts, once the project makes minimum required capacity available to the Offtaker. Additionally, once the capacity is available, the project earns fixed operation and maintenance revenues as part of the capacity payments from the Offtaker. A plant's available capacity is affected by unplanned interruptions (outages) as a result of critical equipment failure or other factors.

Plant availability is therefore the single most important key performance indicator as far as the operations are concerned. For the year 2021, overall plant availability for power and water plants in operation were 90% (2020: 95%) and 93% (2020: 94%), respectively. Higher forced outages mainly in RABEC, Ibri, Sohar, Barka Power and Barka Expansion SWRO water plants and Noor III were main drivers for lower availability in 2021. In particular, Noor III in Morocco, a 75% owned subsidiary of the Company, is experiencing an extended forced outage beyond originally estimated. The Company estimates an approximate loss in revenue of SAR 283 million during the forced outage period estimated to continue till November 2022 and has filed an insurance claim for substantial part of the amount. Net of the insurance claim (which is currently under discussion with the insurers), the Company does not expect to have a material net impact to the net profit of the Company.

In a landmark development for ACWA Power's O&M arm, Group A assets of the Jizan IGCC, the world's largest integrated gasification plan and the first of its kind in Saudi Arabia, was taken over in October 2021.

In the same year when we crossed a cumulative of 50 million safe manhours without a lost-time injury, we unfortunately lost two lives in separate accidents on two of our construction sites despite our relentless dedication to safety of our people. This loss of two lives was acutely felt by the entire ACWA Power family.

Overall LTI rate was 0.01 in 2021.

Sustainability and ESG Highlights

In 2021 we were focused on supporting the implementation of our ESG strategy and continued to work towards our ESG goals as well as refining our approach and systems for improved data monitoring, including for our water use indicators. We conducted an extensive stakeholder survey to produce a comprehensive materiality assessment, which we intend to update every two to three years.

We also updated our governance and management processes in the context of our ESG strategy. Demonstrating further commitment to sustainability, our ESG agenda is now being overseen at the Board of Directors level, providing overall strategic recommendations and direction and monitoring our progress on sustainability and ESG targets.

In 2021, total Scope 1 and Scope 2 CO^2 emissions across all our assets measured 70.7 million tons, approximately 3 million tons higher than 2020, which was almost totally driven by Hassyan power plant's operation on coal. The carbon intensity of gross electricity generation in 2021 was 0.46 ton CO^2/MWh. ACWA Power's share in the portfolio's CO^2 emissions was 29.1 million tons based on our equity share in the projects.

We must note that from February 2022, Hassyan IPP was decided to run on natural gas as the primary fuel instead of coal, which not only resulted in ACWA Power's portfolio to become a 100% coal-free one but will also avoid approximately 30 million tons of CO^2 emissions by 2030 [1].

Our exit from the only other coal project that was at the development stage in Vietnam in 2020, the sale of Shuqaiq in 2021 and Hassyan's switch to gas in 2022 augment our commitment to de-carbonize our portfolio and focus on renewables and transitional low CO^2 emitting assets with the objective of fulfilling the net-zero emissions target by year 2050[2].

On the Social platform, charged with the mission of creating shared value for our people and the communities we serve, while we remain committed to providing a safe and healthy working environment for every one of our employees, we continue to support the local communities by virtue of supporting localization and local content as well as prioritizing local community engagement and jointly addressing the most pressing issues with relevant CSR programs.

A full coverage of the Company's ESG framework, strategy and actions will be available in the Company's Annual report for 2021.

[1] Based on 55% capacity factor.
[2] The Group is committed to gradually reducing its greenhouse gas (GHG) emission intensity, by 50% by 2030 and ultimately achieving net zero-emissions by 2050.

ACWA POWER COMPANY
and its subsidiaries
(formerly known as International Company for Water and Power Projects)
(Saudi Listed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2021

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of ACWA Power Company (A Saudi Joint Stock Company)
(formerly known as International Company for Water and Power Projects)

Report on the Audit of Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of ACWA Power Company (A Saudi Joint Stock Company) (formerly known as International Company for Water and Power Projects) (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matters (continued)	
i) Impairment of non-financial assets	
Non-financial assets comprise of goodwill and non-financial assets either held directly or through subsidiaries accounted for as either property, plant and equipment or net investment in finance lease. Goodwill is tested annually for impairment, while other non-financial assets are tested for potential impairment if there are indicators of impairment, including, but not limited to, amendments to underlying power purchase agreements either in respect of long term contracted rates or to the term of the underlying offtake arrangements.	
a. Impairment of goodwill	*How our audit addressed the key audit matter*
As of 31 December 2021, the carrying value of goodwill in the Group's financial statements amounted to SAR 1,937 million. Based on its annual goodwill impairment assessment, management has concluded that the Goodwill carrying value is not impaired. This conclusion was based on a value in use model that required significant management judgement with respect to the discount rate and the underlying future cash flows. The model was based on the most recent financial plans and cash flows that are estimated over the expected period of the underlying projects' lives. We considered this to be a key audit matter given the significant judgement and estimation required to determine recoverable amount and uncertainty inherent in underlying forecasts and assumptions. Refer to note 3 to the consolidated financial statements for the significant accounting policy relating to impairment of non-financial assets and notes 4 and 6.1.1 for the significant accounting estimates, assumptions and judgements relating to impairment of non-financial assets.	We performed the following procedures: - Assessed the valuation methodology; - Challenged the reasonableness of key assumptions, including discount rates and cash flow forecasts; - Reconciled input data to supporting evidence such as approved budgets and considered the reasonableness of these budgets.

Key audit matters (continued)	
i) Impairment of non-financial assets (continued)	
b. Impairment of property, plant and equipment, investments in equity accounted investees and net investment in finance lease	*How our audit addressed the key audit matter*
As at 31 December 2021, the Group`s consolidated statement of financial position includes property, plant and equipment amounting to SAR 11,816 million, equity accounted investees amounting to SAR 9,433 million and net investment in finance lease amounting to SAR 12,748 million. For some of those assets where management has identified impairment indicators, management has carried out an exercise to calculate the recoverable amount of these assets. Based on the assessment, management did not identify any impairment loss related to property, plant and equipment and net investment in finance lease. However, an impairment loss of SAR 93 million was recognized with respect to equity accounted investees. The recoverable amounts were mostly determined based on value-in-use calculations using discounted cash flows models. The models were based on most recent financial plan and included projection periods over the term of the relevant Power Purchase Agreements/ Power and Water Purchase Agreements or the economic life of an asset. For assets where carrying value is expected to be recovered through a sale of assets, the recoverable amount was determined based on fair value less cost to sell method. The fair value was determined based on bilateral contracts or binding terms, where appropriate.	We analysed the existence of indicators of impairment losses at the CGU level. For those assets where impairment indicators were identified and impairment test was performed by management, we performed the following: - We verified, for the CGU tested, that the discounted future cash flow projections correspond to those generated by the assets included in these CGUs and that they were consistent with i) the budget data, medium-term plans, and, beyond, with the Group`s long-term assumptions, ii) past performance, iii) market outlook, iv) the expected operating life of assets;  - We have assessed, by conducting interviews with management and review of management`s expert report (where applicable), the underlying assumptions on which price and production volume are substantiated; - We performed the following procedures on management`s impairment model, as deemed appropriate: i) Tested mathematical accuracy and logical integrity of the model; ii) Evaluated reasonableness of pre-tax discount rate used by cross-checking the underlying assumptions against observable market data;

Key audit matters (continued)	
i) Impairment of non-financial assets (continued)	
b. Impairment of property, plant and equipment, investments in equity accounted investees and net investment in finance lease (continued)	*How our audit addressed the key audit matter*
We considered this to be a key audit matter given the significant estimation involved in determining recoverable amount and uncertainty inherent in underlying forecasts and assumptions. The key inputs to the recoverable amounts included: - cash flows over the periods the asset is expected to generate including production volumes and tariffs; - Pre-tax discount rates. Refer to note 3 in the consolidated financial statements for the significant accounting policy relating to impairment of non-financial assets, note 4 for significant accounting estimates, assumptions and judgements relating to impairment of non-financial assets, note 5 for property, plant and equipment and note 7 for equity accounted investees related disclosures.	- For those assets where recoverable amount was determined using fair value less cost to sell, we verified the fair value to underlying contracts and assessed reasonableness of cost to sell with reference to observable market data; - Tested management`s sensitivity analysis that considered impact of changes in assumptions on outcome of the impairment assessment;  - Assessed adequacy of Group`s disclosures in the consolidated financial statements in respect of key assumptions, to which the outcome of the impairment test is most sensitive.

ii) Completeness of derivative financial liabilities (other than cash flow hedges) and valuation of Level 2 and 3 derivative financial instruments	*How our audit addressed the key audit matter*
As described in note 21 to the consolidated financial statements, the Group (including its equity accounted investees) use derivative financial instruments to hedge interest rate risk and foreign currency exposure on certain loans contracted. Such derivative financial instruments qualify to be designated as cash flow hedges. As at 31 December 2021 the Group recognized SAR 407 million of derivative financial liabilities related to cash flow hedges.	We performed the following procedures: - We inspected, on a sample basis, the Group's documentation and contracts related to derivative financial liabilities;

Key audit matters (continued)	
ii) Completeness of derivative financial liabilities (other than cash flow hedges) and valuation of Level 2 and 3 derivative financial instruments (continued)	*How our audit addressed the key audit matter*
Due to the significant number of subsidiaries and equity accounted investees as well as the number of contracts entered into by the Group, there is an inherent risk that certain derivative financial instruments (other than those contracted as cash flow hedges), including embedded instruments, might not be properly identified and recorded by the Group. Derivative financial liabilities, other than cash flow hedges, amounting to SAR 176 million are categorized as Level 3 financial instruments and SAR 361 million are categorized as Level 2 financial instruments. Unlike other financial instruments whose values or inputs are readily observable and therefore more easily independently corroborated, the valuation is inherently more subjective due to the use of either complex valuation models and/or unobservable inputs. Therefore, we consider this to be a key audit matter due to the subjectivity and complexity involved in assessing Level 3 fair values of derivative financial instruments.	We performed the following procedures on management`s valuation models for instruments categorized as Level 2 and 3 financial instruments: - Tested mathematical accuracy and logical integrity of the models; - Evaluated reasonableness of discount rates interest rate curves used by cross-checking underlying assumptions against observable market data; - Reconciled input data to supporting evidence such as budgets or purchase quantity forecasts and considered the reasonableness of such budgets and forecasts. We obtained confirmation of year end derivative financial instruments from counterparties (where applicable) or performed alternative procedures, as appropriate. We reviewed significant contracts and agreements concluded during the year to identify potential embedded derivatives. The audit procedures were performed by the Primary team as well as component teams for significant subsidiaries and equity accounted investees.

Other information included in the Group`s 2021 Annual report
Other information consists of the information included in the Group`s 2021 annual report, other than the consolidated financial statements and our auditor`s report thereon. Management is responsible for the other information in its annual report. The Group`s 2021 annual report is expected to be made available to us after the date of this auditor`s report.

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

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

When we read the Group`s 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as 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.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of consolidated financial statements of the current period and therefore the key audit matters. We describe these matters in our auditor`s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstance, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young



Ahmed Ibrahim Reda
Certified Public Accountant
License No. 356

Riyadh: 13 Sha'ban 1443H
(16 March 2022)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	**As at 31 Dec 2021**	As at 31 Dec 2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	**11,815,728**	12,732,340
Intangible assets	6	**1,997,430**	2,058,678
Equity accounted investees	7	**9,433,199**	5,062,848
Net investment in finance lease	8	**12,372,474**	10,605,337
Due from related parties	22	**-**	25,046
Deferred tax asset	20.4	**165,004**	135,498
Fair value of derivatives	21	**45,540**	-
Strategic fuel inventories	10.1	**54,086**	70,760
Other assets	9	**156,923**	197,510
TOTAL NON-CURRENT ASSETS		**36,040,384**	30,888,017
CURRENT ASSETS			
Inventories	10	**425,299**	450,835
Net investment in finance lease	8	**375,821**	323,571
Due from related parties	22	**780,656**	745,661
Accounts receivable, prepayments and other receivables	11	**2,913,617**	3,020,235
Cash and cash equivalents	12	**5,172,921**	832,668
TOTAL CURRENT ASSETS		**9,668,314**	5,372,970
TOTAL ASSETS		**45,708,698**	36,260,987

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	**As at 31 Dec 2021**	As at 31 Dec 2020
EQUITY AND LIABILITIES			
EQUITY			
Shareholders' equity			
Share capital	13.1	**7,134,143**	6,429,344
Share premium	13.1	**5,335,893**	1,410,398
Statutory reserve		**718,763**	642,883
Retained earnings		**1,307,826**	1,184,908
Proposed dividends	13.4	**560,000**	-
Equity attributable to owners of the Company before other reserves		**15,056,625**	9,667,533
Other reserves	13.2	**(1,572,279)**	(2,798,419)
Equity attributable to owners of the Company		**13,484,346**	6,869,114
Non-controlling interest	14	**835,799**	531,041
TOTAL EQUITY		**14,320,145**	7,400,155
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term financing and funding facilities	15	**22,856,753**	17,286,744
Due to related parties	22	**1,594,852**	1,577,839
Equity accounted investees	7	**443,167**	1,182,959
Fair value of derivatives	21	**362,890**	650,789
Deferred tax liability	20.4	**120,404**	125,711
Deferred revenue	17	**54,331**	63,304
Other financial liabilities	23.1	**265,295**	302,240
Employee end of service benefits' liabilities	16	**196,025**	178,964
Other liabilities	23.2	**408,953**	309,422
TOTAL NON-CURRENT LIABILITIES		**26,302,670**	21,677,972
CURRENT LIABILITIES			
Accounts payable, accruals and other financial liabilities	18	**3,597,981**	4,105,476
Short-term financing facilities	19	**186,381**	364,847
Current portion of long-term financing and funding facilities	15	**958,476**	1,178,360
Due to related parties	22	**83,485**	43,280
Fair value of derivatives	21	**44,058**	59,584
Zakat and taxation	20.3	**215,502**	276,517
		5,085,883	6,028,064
Financing and funding facilities classified as current	15.6	**-**	1,154,796
TOTAL CURRENT LIABILITIES		**5,085,883**	7,182,860
TOTAL LIABILITIES		**31,388,553**	28,860,832
TOTAL EQUITY AND LIABILITIES		**45,708,698**	36,260,987

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	**2021**	2020
CONTINUING OPERATIONS			
Revenue	24	**5,360,940**	4,829,111
Operating costs	25	**(2,460,554)**	(2,301,362)
GROSS PROFIT		**2,900,386**	2,527,749
Development cost, provision and write offs, net of reversals	11.4	**(133,249)**	(142,856)
General and administration expenses	26	**(940,769)**	(818,882)
Share in net results of equity accounted investees, net of tax	7.1	**225,606**	231,107
Other operating income	24.2	**141,503**	151,872
OPERATING INCOME BEFORE IMPAIRMENT LOSS AND OTHER EXPENSES		**2,193,477**	1,948,990
Impairment loss and other expenses, net	28	**(356,482)**	(181,051)
OPERATING INCOME AFTER IMPAIRMENT LOSS AND OTHER EXPENSES		**1,836,995**	1,767,939
Other income, net	27	**96,308**	155,608
Exchange loss, net	29	**(46,503)**	(23,460)
Financial charges, net	30	**(1,059,769)**	(1,068,448)
PROFIT BEFORE ZAKAT AND INCOME TAX		**827,031**	831,639
Zakat and tax (charge) / reversal	20.1	**(83,123)**	50,950
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**743,908**	882,589
DISCONTINUED OPERATIONS			
Profit from discontinued operations including loss recognised on assets held for sale	32.1	**-**	19,798
PROFIT FOR THE YEAR		**743,908**	902,387
Profit / (loss) attributable to:			
Equity holders of the parent		**758,798**	882,568
Non-controlling interests		**(14,890)**	19,819
		743,908	902,387
Basic and diluted earnings per share to equity holders of the parent (in SR)	31.2	**1.14**	1.37
Basic and diluted earnings per share from continuing operations to equity holders of the parent (in SR)	31.2	**1.14**	1.34

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	**2021**	2020
PROFIT FOR THE YEAR		**743,908**	902,387
OTHER COMPREHENSIVE INCOME / (LOSS)			
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		**(399)**	23,585
Equity accounted investees – share of OCI	13.2, 7.1	**997,786**	(1,191,366)
Net change in fair value of cash flow hedge reserve		**380,665**	(360,680)
Settlement of cash flow hedges transferred to profit or loss		**(40,087)**	(39,650)
Items that will not be reclassified to profit or loss			
Re-measurement of defined benefit liability	16.1	**(18,177)**	11,506
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS)		**1,319,788**	(1,556,605)
TOTAL COMPREHENSIVE INCOME / (LOSS)		**2,063,696**	(654,218)
Total comprehensive income / (loss) attributable to:			
Equity holders of the parent		**1,984,938**	(554,615)
Non-controlling interests		**78,758**	(99,603)
		2,063,696	(654,218)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and tax from continuing operations		**827,031**	831,639
Profit before zakat and tax from discontinued operations		**-**	15,615
Adjustments for:			
Depreciation and amortisation	5.3, 6.2	**620,926**	567,375
Financial charges	30,32.1	**1,059,769**	1,089,384
Loss recognised on loss of control in a subsidiary	32.1	**-**	9,163
Unrealised exchange loss	29	**15,007**	32,613
Share in net results of equity accounted investees, net of zakat and tax	7.1	**(225,606)**	(231,107)
Charge for employees' end of service benefits	16.1	**40,820**	39,379
Fair value of cash flow hedges recycled to profit or loss		**2,662**	(16,166)
Provisions		**52,736**	97,142
Provision for long term incentive plan	23.2.1	**60,995**	-
Impairment loss in relation to property, plant and equipment and goodwill	28	**60,024**	137,485
Loss / (gain) on disposal of property, plant and equipment	27	**7,747**	(9,588)
Development cost, provision and write offs, net of reversals	11.4	**133,249**	142,856
Share based payments	28.4	**280,000**	-
Finance income from shareholder loans and deposits		**(72,338)**	(55,146)
Gain on remeasurement of options	27	**(6,075)**	(24,651)
Changes in operating assets and liabilities:			
Accounts receivable, prepayments and other receivables		**(72,950)**	(288,813)
Inventories		**(4,399)**	(12,511)
Payables and accruals		**259,958**	(173,116)
Due from related parties		**16,355**	33,329
Strategic fuel inventories		**16,674**	11
Net investment in finance lease		**763,035**	(354,672)
Other assets		**21,424**	(826)
Other liabilities		**38,536**	57,305
Deferred revenue		**(8,973)**	(66,523)
Net cash from operations		**3,886,607**	1,820,177
Employee end of service benefits' paid	16.1	**(41,936)**	(8,507)
Zakat and tax paid	20.3	**(192,946)**	(85,462)
Dividends received from equity-accounted investees	7.1	**209,021**	149,203
Net cash generated from operating activities		**3,860,746**	1,875,411
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment, and intangible assets		**(2,052,022)**	(1,457,633)
Proceeds on disposal of property, plant and equipment		**21,924**	21,996
Investments in equity accounted investees		**(3,946,171)**	(74,722)
Finance income from shareholder loans and deposits received		**52,399**	34,912
Proceeds on disposal of net assets held for sale		**-**	125,871
Net cash used in investing activities		**(5,923,870)**	(1,349,576)

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	**2021**	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	13.1	**4,778,864**	-
Transaction costs on issue of shares including share based payments	13.1	**(404,868)**	-
Proceeds from financing and funding facilities, net of transaction cost		**9,771,211**	1,560,459
Repayment of financing and funding facilities		**(5,769,355)**	(1,812,544)
Due to related parties		**27,774**	47,420
Other financial liabilities		**(142,060)**	(116,807)
Financial charges paid		**(1,073,831)**	(1,087,501)
Dividends paid	13.4	**(905,924)**	(1,082,509)
Capital contributions from and other adjustments to non-controlling interest		**121,566**	-
Net cash generated from / (used in) financing activities		**6,403,377**	(2,491,482)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**4,340,253**	(1,965,647)
Cash and cash equivalents at beginning of the year		**832,668**	2,798,315
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	**5,172,921**	832,668

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

ACWA POWER Company and its Subsidiaries
(formerly known as International Company for Water and Power Projects)
(Saudi Listed Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	*Share premium*	*Statutory reserve*	*Retained earnings*	*Proposed dividends*	*Other Reserves (note 13.2)*	*Equity attributable to owners of the Company*	*Non-controlling interests*	*Total equity*
Balance at 1 January 2020	6,429,344	1,177,031	554,626	3,102,108	-	(1,361,236)	9,901,873	703,504	10,605,377
Profit for the year	-	-	-	882,568	-	-	882,568	19,819	902,387
Other comprehensive loss	-	-	-	-	-	(1,437,183)	(1,437,183)	(119,422)	(1,556,605)
Total comprehensive income / (loss)	-	-	-	882,568	-	(1,437,183)	(554,615)	(99,603)	(654,218)
Acquisition of non-controlling interests (note 14.1)	-	-	-	(10,530)	-	-	(10,530)	10,530	-
Dividends (note 13.4)	-	-	-	(2,700,981)	-	-	(2,700,981)	(83,390)	(2,784,371)
Other contribution from shareholders (note 22 (i))	-	233,367	-	-	-	-	233,367	-	233,367
Transfer to statutory reserve	-	-	88,257	(88,257)	-	-	-	-	-
Balance at 31 December 2020	6,429,344	1,410,398	642,883	1,184,908	-	(2,798,419)	6,869,114	531,041	7,400,155
Balance at 1 January 2021	**6,429,344**	**1,410,398**	**642,883**	**1,184,908**	-	**(2,798,419)**	**6,869,114**	**531,041**	**7,400,155**
Profit for the year	-	-	-	**758,798**	-	-	**758,798**	**(14,890)**	**743,908**
Other comprehensive loss	-	-	-	-	-	**1,226,140**	**1,226,140**	**93,648**	**1,319,788**
Total comprehensive income	-	-	-	**758,798**	-	**1,226,140**	**1,984,938**	**78,758**	**2,063,696**
Issue of shares (note 13.1)	**853,369**	**3,925,495**	-	-	-	-	**4,778,864**	-	**4,778,864**
Transaction costs on issue of shares (note 13.1)	**(148,570)**	-	-	-	-	-	**(148,570)**	-	**(148,570)**
Changes to non-controlling interests (note 14.2)	-	-	-	-	-	-	-	**331,043**	**331,043**
Dividends (note 13.4)	-	-	-	-	-	-	-	**(105,043)**	**(105,043)**
Proposed dividends (note 13.4)	-	-	-	**(560,000)**	**560,000**	-	-	-	-
Transfer to statutory reserve	-	-	**75,880**	**(75,880)**	-	-	-	-	-
Balance at 31 December 2021	**7,134,143**	**5,335,893**	**718,763**	**1,307,826**	**560,000**	**(1,572,279)**	**13,484,346**	**835,799**	**14,320,145**

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

1 ACTIVITIES

ACWA POWER Company (the "Company" or "ACWA POWER") (formerly known as International Company for Water and Power Projects) is a Saudi joint stock company established pursuant to a ministerial resolution numbered 215 dated 2 Rajab 1429H (corresponding to 5 July 2008) and is registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration number 1010253392 dated 10 Rajab 1429H (corresponding to 13 July 2008).

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

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

The Company and its subsidiaries (collectively the "Group") are engaged in the business of development, construction, acquisition, generation and sale of electricity and desalinated water, leasing, operation and maintenance of power generation, water desalination and steam plants, and other related or auxiliary business activities complimentary to it.

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

Entity name	Country of incorporation	Principal activities	Direct shareholding 2021	Direct shareholding 2020
ACWA Power Saudi Electricity and Water Development Company ***("APSE")***	Kingdom of Saudi Arabia	Investment in industrial enterprises and management, investment in commercial enterprises and management; and managing office.	**100.0%**	**100.0%**
Kahromaa Company ***("KAHROMAA")***	Kingdom of Saudi Arabia	Installation, maintenance and operation contracting of electricity generation and desalination plants.	**100.0%**	**100.0%**
ACWA Power Reinsurance Co. Ltd. (captive insurance) ***("ACWA Re")***	United Arab Emirates (Dubai International Financial Centre – 'DIFC')	To effect and carry out contracts of insurance restricted to those of a Class 3 Captive Insurer. Under its captive license, ACWA Re can insure a part of its own affiliate's assets and that of related third party.	**100.0%**	**100.0%**
Multiple Shares Company ***("MSC")***	Kingdom of Saudi Arabia	Installation, maintenance and operation, contracting of electricity generation and desalination plants.	**95.0%**	**95.0%**
ACWA Power Bahrain Holdings W.L.L. ***("APBH")***	Kingdom of Bahrain	Installation, maintenance and operation contracting of electricity generation and desalination plants.	**99.7%**	**99.7%**
ACWA Power Global Services Ltd. (***"APGS"***)	United Arab Emirates (DIFC)	Own investments in group of companies, provide financial advisory, book-keeping and reporting, tax compliance and related services.	**100.0%**	**100.0%**
ACWA Power Management and Investments One Ltd. ***("APMI One")***	United Arab Emirates (DIFC)	Investment in industrial enterprises and management, investment in commercial enterprises and management; and managing office.	**100.0%**	**100.0%**
ACWA Power Renewable Energy Holding Ltd. ***("APREH")***	United Arab Emirates (DIFC)	Power generation, water desalination and distribution or other business related to or ancillary thereto, development and management of such companies and provision of technical, commercial, administrative services.	**51.0%**	**51.0%**
First National Holding Company **("NOMAC")**	Kingdom of Saudi Arabia	NOMAC, incorporated in 2018, is engaged in constructing, owning, buying, managing, operating and investing in industrial, services and construction projects of power stations, electricity, steam stations, water desalination plants and providing operation and maintenance (O&M) under long term contracts.	**100.0%**	**100.0%**
ACWA Industrialization Company	Kingdom of Saudi Arabia	Power generation, water desalination and distribution or other business related to or ancillary thereto.	**100.0%**	**100.0%**
ACWA Power International L.L.C	United Arab Emirates	Power generation facilities and distribution systems; operation and maintenance; power generation and water desalination. During 2021, the Group transferred its investment in ACWA Power International L.L.C to APGS.	**-**	**100.0%**

2 BASIS OF PREPARATION AND CONSOLIDATION

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

2.1 BASIS OF PREPARATION

These consolidated financial statements are prepared under the historical cost convention except for derivative financial instruments and other financial derivative liabilities or options which are measured at fair value. These consolidated financial statements are presented in Saudi Riyals ("SR") which is the functional and presentation currency of the Company. All values are rounded to the nearest thousand (SR'000), except when otherwise indicated.

2.2 BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

2 BASIS OF PREPARATION AND CONSOLIDATION (CONTINUED)

2.2 BASIS OF CONSOLIDATION (CONTINUED)

Changes in ownership interest in subsidiaries

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

The significant accounting policies adopted are as follows:

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Cash and cash equivalents

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

Financial instruments

Initial recognition

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Classification

The Group classifies its financial assets under the following categories:

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

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

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

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

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

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

Derecognition

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

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

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

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

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

Offsetting of financial instruments

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured for any changes in their fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from the changes in the fair value of derivatives are taken directly to the profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

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

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

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

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

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

Accounts receivables

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

Projects development cost

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Investments in associates and joint ventures – equity accounted investees

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

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

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

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

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

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

Business combinations

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

- financial assets that are debt instruments;
- trade receivables and contract assets;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment (continued)
Financial assets (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment (continued)

Non-financial assets

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

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

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

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

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

Accounts payable and accruals

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

Provisions

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

Employees' benefits

Short-term employee benefits

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

Post-employment obligation

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

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

Lease hold land and building	2-40 years

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

ii) Lease liabilities

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

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

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

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

Group as a lessor

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

The amount of net investment in finance lease is recorded in the consolidated statement of financial position as an asset at the gross amount receivable under the finance lease less unearned finance income.

Asset retirement obligation

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

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

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

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

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

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

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

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

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

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

Deferred and accrued revenue

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Deferred and accrued revenue (continued)

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

Borrowing costs

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

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

Expenses

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

Zakat and taxation

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

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

Deferred tax

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Zakat and taxation

Deferred tax (continued)

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

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

Foreign currencies

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

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

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

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

Value added tax ("VAT")

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

Dividends

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

Earnings per share

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments and interpretations adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform:

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when a RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods as they become applicable. The Group has disclosed uncertainties associated with IBOR reforms in note 35.3.

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 financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts:

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current:
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

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

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

The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37:
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments do not have any impact on the Group.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities:
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

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

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

4 USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with IFRS as endorsed in KSA and IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may differ from the related actual results.

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

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

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

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

4 USE OF ESTIMATES AND ASSUMPTIONS (CONTINUED)

(iv) Useful lives of property, plant and equipment

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

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

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

The change in estimate will have annual impact of SR 198.4 million on profit or loss in future periods till expiry of underlying PWPAs.

(v) Fair value of unquoted financial instruments

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

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

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

(vi) Lease classification

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

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

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

5 PROPERTY, PLANT AND EQUIPMENT ("PPE")

The following rates are used for calculation of depreciation:

Buildings	2% - 7%	Plant, machinery and equipment	2.5% - 25%
Barges and onshore equipment	5% - 40%	Furniture, fixtures and office equipment	10% - 33.3%
Capital spares	3.3% - 12.5%	Motor vehicles	20% - 25%

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

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

	Land and buildings	*Plant, machinery and equipment*	*Barges and Onshore equipment*	*Furniture, fixtures and office equipment*	*Capital spares*	*Motor vehicles*	*Capital work in progress (CWIP)*	*Total*
Cost:								
At 1 January 2020	1,068,794	15,871,129	255,443	113,903	35,218	39,086	769,672	18,153,245
Additions	49,965	144,575	-	5,174	24,075	2,982	1,213,428	1,440,199
Disposals / write-offs*	(140,790)	(685,745)	(255,443)	(889)	-	(2,931)	-	(1,085,798)
Foreign currency translation	-	-	-	(144)	-	(281)	-	(425)
At 31 December 2020	977,969	15,329,959	-	118,044	59,293	38,856	1,983,100	18,507,221
Accumulated depreciation and impairment								
At 1 January 2020	598,640	5,168,261	255,443	92,208	23,164	33,152	-	6,170,868
Depreciation charge for the year (note 5.3)	29,495	497,842	-	12,997	3,346	3,808	-	547,488
Impairment loss (note 28.1)	-	129,985	-	-	-	-	-	129,985
Relating to disposals / write-offs*	(140,773)	(674,127)	(255,443)	(267)	-	(2,780)	-	(1,073,390)
Foreign currency translation	-	-	-	(13)	-	(57)	-	(70)
At 31 December 2020	487,362	5,121,961	-	104,925	26,510	34,123	-	5,774,881
Carrying amount as at 31 December 2020	490,607	10,207,998	-	13,119	32,783	4,733	1,983,100	12,732,340

**This includes write-offs of certain fully depreciated assets with a total cost and accumulated depreciation amounting to SR 1,070.3 million.*

5.1 As of 31 December 2021, the capital work in progress comprises of a plant under construction in relation to ACWA Power Sirdarya (31 December 2020: Rabigh Three Company ("Rabigh 3"). CWIP in relation to Rabigh 3 amounting SR 2,582.4 million has been transferred to finance lease receivable upon the commencement of commercial operations effective from 31 December 2021.

5.2 Borrowing costs capitalised during the year amounted to SR 140.5 million (2020: SR 55.2 million) which represents the borrowing incurred during construction phase of qualifying assets.

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

	2021	2020
Depreciation charge for the year ended 31 December	**592,312**	547,488
Depreciation charge in relation to right of use asset	**15,763**	9,426
Depreciation charge for the year ended 31 December – (refer note 25 & 26)	**608,075**	556,914

6 INTANGIBLE ASSETS

	Notes	**As at 31 Dec 2021**	As at 31 Dec 2020
Goodwill	6.1	**1,937,287**	1,997,311
Other intangible assets	6.2	**60,143**	61,367
		1,997,430	2,058,678

6.1 Intangible assets includes goodwill which represents the excess of the aggregate of the consideration transferred and the amount recognised for minority interests over fair value of identifiable assets acquired and liabilities assumed by the Group on acquisition and arose on account of the following acquisitions:

	Notes	**As at 31 Dec 2021**	As at 31 Dec 2020
Arabian Company for Water and Power Projects ("APP")	6.1.1	**1,937,287**	1,937,287
ACWA Power Barka Services 1 & 2	6.1.2	**-**	60,024
		1,937,287	1,997,311

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

6.1.1 This goodwill arose on acquisition of 100% equity stake, in the share capital of APP. This goodwill is allocated to the Group's operating segments, as follows, for the purpose of impairment testing:

	As at 31 Dec 2021	As at 31 Dec 2020
Thermal and water desalination	**774,915**	774,915
Renewables	**1,162,372**	1,162,372
	1,937,287	1,937,287

The management monitors Goodwill at an operating segment level i.e. at group of cash generating units (CGUs) included within an operating segment. The performance of an individual asset is assessed based on total returns (i.e. returns associated with investment, development, operation and optimization) which is usually spread across various CGUs within an operating segment. Accordingly, for the purpose of impairment testing, the management believe that it is more appropriate to consider total cash flows that are relevant for operating segments (i.e. group of CGUs).

At the reporting date, management has determined that the recoverable amount of this goodwill is higher than the carrying amount of goodwill. The recoverable amount was determined on the basis of value in use calculations. These calculations use cash flow projections based on financial models approved by management. Cash flows are estimated over the expected period of the relevant projects' lives, which ranges from 15 to 35 years, and discounted using a pre-tax discount rate of 7.50% (2020: 7.50%). The discount rate used represents the current market assessment of the risks specific to the cash generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The value in use calculation is sensitive to the discount rate and the internal rate of return ("IRR") achieved on projects. However, a reasonably possible change in discount rate and IRR will not cause the carrying amount of goodwill to exceed its recoverable amount due to availability of significant headroom.

6.1.2 During prior years, ACWA Power Global Holdings Limited ("APGH") (one of the Group's subsidiaries), indirectly acquired a 50% equity stake in the share capital of ACWA Power Barka SAOG ("Barka") and 86.19% each in ACWA Power Barka Services 1 and ACWA Power Barka Services 2. In accordance with the terms of the financing structure for the acquisition, the Group has an effective interest of 41.91% in ACWA Barka and 72.25% indirect equity stake in the two technical service companies, collectively "services companies". Such acquisition resulted in the recognition of goodwill amounting to SR 183.0 million.

6 INTANGIBLE ASSETS (CONTINUED)

Considering the uncertainty regarding the renewal of certain PWPAs, the Group performed impairment testing for certain of its cash generating units including ACWA Power Barka Services 1 and ACWA Power Barka Services 2 ("the Entities"). The Entities are considered as a single cash generating unit for impairment testing purposes and to determine the value in use. The Group used discounted cash flows to calculate the recoverable amount to which goodwill is allocated and estimated that the recoverable amount was lower than the carrying amount and accordingly an impairment loss of SR 60.0 million (2020: SR 7.5 million) was recognised in these consolidated financial statements.

6.2 Other intangible assets includes:

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

	2021	2020
Cost:		
At 1 January	**107,172**	89,738
Additions	**11,627**	17,434
At 31 December	**118,799**	107,172
Accumulated amortisation		
At 1 January	**45,805**	35,344
Amortisation charge for the year (refer to note 26)	**12,851**	10,461
At 31 December	**58,656**	45,805
Carrying amount as at 31 December	**60,143**	61,367

7 EQUITY ACCOUNTED INVESTEES

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

7 EQUITY ACCOUNTED INVESTEES (CONTINUED)

7.1 Contribution from equity accounted investees

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

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

7 EQUITY ACCOUNTED INVESTEES (CONTINUED)

7.1 Contribution from equity accounted investees (continued)

	% of effective ownership	Country of domicile	Opening balance	Additions / (disposals) / other adjustments	Share in net income / (loss)	Dividends received	Share in OCI	Closing balance
31 December 2020								
SGA/NOVA SGA Marafiq Holdings ("SGA Marafiq")	33.33%	Bahrain / UAE	479,219	(42,059)	44,402	-	(41,457)	440,105
Shuqaiq International Water and Electricity Company Limited ("SIWEC")	53.34%	Saudi Arabia	476,148	698	40,233	(14,302)	(40,911)	461,866
Saudi Malaysian Water and Electricity Company Limited ("SAMAWEC") (note 7.1.3)	50.00%	Saudi Arabia	1,135,620	-	51,066	(51,891)	(10,804)	1,123,991
Suez Nomac O&M Holdings Company W.L.L.	40.00%	Bahrain	26,667	-	12,098	(10,646)	-	28,119
Jubail Operations Holdings Company W.L.L.	40.00%	Bahrain	26,671	-	12,098	(10,646)	-	28,123
Jordan Biogas Company	50.00%	Jordan	2,498	(2,072)	(426)	-	-	-
Qurayyah Investment Company ("QIC") (note 7.1.4)	44.98%	Saudi Arabia	420,017	93,554	19,007	(17,038)	(33,282)	482,258
Rabigh Electricity Company	40.00%	Saudi Arabia	597,578	3,035	126,908	(51,200)	(39,037)	637,284
Al Mourjan for Electricity Production Company	50.00%	Saudi Arabia	462,956	2,239	(8,442)	-	(114,470)	342,283
Dhofar Generating Company	27.00%	Oman	74,163	1,191	4,287	(10,518)	(11,636)	57,487
MAP Inland Holdings Ltd. (JAFZA)	47.26%	UAE	497,770	40,663	(2,308)	-	(52,090)	484,035
MAP Coastal Holding Company Limited (JAFZA)	47.26%	UAE	421,320	40,663	(30,809)	-	(52,210)	378,964
Vinh Hao 6 Power Joint Stock	60.00%	Vietnam	68,890	268	5,429	-	-	74,587
ACWA Power Renewable Energy Holding Ltd ("APREH")	51.00%	UAE	604,350	-	(35,701)	-	(55,268)	513,381
Dhofar O&M Company LLC	35.00%	Oman	-	6,875	3,490	-	-	10,365
								5,062,848
Hassyan Energy Phase 1 P.S.C	26.95%	UAE	(152,106)	61,612	(10,159)	-	(204,963)	(305,616)
Haya Power & Desalination Company	60.00%	Bahrain	(75,147)	-	-	-	(79,239)	(154,386)
Noor Energy 1 P.S.C.	24.90%	UAE	(265,057)	45,708	(55)	-	(254,464)	(473,868)
Dhofar Desalination Co. SAOC	50.10%	Oman	(9,072)	-	-	-	(12,797)	(21,869)
Taweelah RO Desalination Company LLC	40.00%	UAE	(12,000)	-	-	-	(49,595)	(61,595)
Naqa'a Desalination Plant LLC	40.00%	UAE	(3,600)	-	-	-	(66,416)	(70,016)
Shams Ad-Dhahira Generating Company SAOC	50.00%	Oman	-	(8,152)	-	-	(30,587)	(38,739)
Shuaa Energy 3 P.S.C.	24.00%	UAE	-	(1,597)	(11)	-	(42,140)	(43,748)
Water consortium Holding Company	40.00%	Saudi Arabia	-	(13,122)	-	-	-	(13,122)
ACWA Guc Elektrik Isletme Ve Yonetim Sanayi Ve Ticaret A.S. ("ACWA GUC") (note 7.1.5)	70.00%	Turkey	-	-	-	-	-	-
								(1,182,959)
			4,776,885	229,504	231,107	(166,241)	(1,191,366)	3,879,889

7 EQUITY ACCOUNTED INVESTEES (CONTINUED)

7.1 Contribution from equity accounted investees (continued)

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

- its share of Shuqaiq International Water and Electricity Company Limited ("SIWEC" or "Shuqaiq"), an equity accounted investee and
- 32% interest in the operations and maintenance ("O&M") contract associated with Shuqaiq. Currently O&M services are provided by First National Operation and Maintenance Company ("NOMAC"), a wholly owned subsidiary of the Group.

The Group's interest in SIWEC and O&M operations will be classified as held for sale upon successful completion of certain conditions precedent in the SPA which will make these assets as available for immediate sale in accordance with the requirements of IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations".

Pursuant to the consideration agreed in the SPA, the management has estimated that the carrying value of the Assets exceed the recoverable amount by SR 93.0 million. Accordingly, an impairment loss of SR 93.0 million is recorded within share of net results from SIWEC.

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

7.1.3 Share in net results of SAMAWEC for the year 2021 includes impairment reversal of the Group's share amounting to SR 30.0 million (2020: SR 30.0 million impairment charge) due to a revision in assumptions including residual value of fixed assets. The calculation of value in use is most sensitive to the assumptions on weighted average cost of capital ("WACC"). An increase in WACC by 1% will result in additional impairment loss of SR 74.1 million.

7.1.4 On 31 May 2020, the Group entered into sale and purchase agreement with Samsung C&T in relation to the purchase of 9.98% of the share capital of Samsung in QIC, through it's fully owned subsidiary ("Qurayyah Project Company" or "QPC") for a consideration of SR 93.7 million and recognised a gain of SR 16.7 million. Post-acquisition of said shares, the Group owns 44.98% of interest in QIC and effectively owns 22.49% interest in Hajr for Electricity Production Company ("HEPCO"). The shareholders of QIC will continue to share the control and the Group has continued to account for its investment in QIC using equity method (note 18.3).

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

7 EQUITY-ACCOUNTED INVESTEES (CONTINUED)

7.2 Financial information regarding equity accounted investees

The table below represents the summarised financial information of its material equity accounted investees:

Information on statement of financial position of material equity accounted investees:

	Non-current assets	Cash and cash equivalents	Other current assets	Short-term financing and funding facilities	Other current liabilities	Long-term financing and funding facilities	Other non-current liabilities	Total equity	Group's effective holding	Total equity attributable to the Group	Other long-term interest in investees**	Other adjustments ***	Carrying amount
31 December 2021													
SGA Marafiq Holdings W.L.L. (SGA Marafiq)*	**1,210,623**	**70**	**80**	**-**	**(13,911)**	**-**	**(605,215)**	**591,647**	**33.33%**	**197,196**	**197,091**	**91,294**	**485,581**
Shuqaiq International Water and Electricity Company (SIWEC)*	**875,039**	**9,054**	**2,579**	**(16,310)**	**(90,028)**	**(194,257)**	**(337,666)**	**248,411**	**53.34%**	**132,502**	**338,261**	**(84,364)**	**386,399**
Saudi Malaysian Water and Electricity Company Limited (SAMAWEC)*	**1,682,899**	**2,026**	**364**	**-**	**(299)**	**-**	**-**	**1,684,990**	**50.00%**	**842,495**	**-**	**413,264**	**1,255,759**
Qurayyah Investment Company (QIC)*	**1,219,818**	**804**	**225**	**-**	**(938)**	**-**	**-**	**1,219,909**	**44.98%**	**548,715**	**-**	**(27,685)**	**521,030**
Rabigh Electricity Company	**7,343,902**	**183,130**	**119,490**	**(286,409)**	**(325,470)**	**(4,607,231)**	**(854,286)**	**1,573,126**	**40.00%**	**629,250**	**-**	**(18,787)**	**610,463**
Al Mourjan for Electricity Production Company	**5,226,858**	**61,174**	**60,553**	**(152,717)**	**(254,025)**	**(3,539,970)**	**(365,652)**	**1,036,221**	**50.00%**	**518,111**	**-**	**(77,453)**	**440,658**
Dhofar Generating Company	**1,876,900**	**43,683**	**244,292**	**(99,292)**	**(177,157)**	**(1,246,974)**	**(223,713)**	**417,739**	**27.00%**	**112,790**	**-**	**(41,816)**	**70,974**
Hassyan Energy Phase 1 P.S.C	**9,188,444**	**435,467**	**596,261**	**(84,998)**	**(755,127)**	**(8,354,143)**	**(1,517,666)**	**(491,762)**	**26.95%**	**(132,530)**	**310,877**	**218,772**	**397,119**
MAP Inland Holdings Ltd. (JAFZA)	**3,434,298**	**139,528**	**748,313**	**(112,303)**	**(931,231)**	**(2,004,781)**	**(1,320,208)**	**(46,384)**	**47.26%**	**(21,921)**	**573,953**	**(22,478)**	**529,554**
MAP Coastal Holding Company Limited (JAFZA)	**3,536,452**	**14,720**	**940,921**	**(105,603)**	**(996,621)**	**(2,070,610)**	**(1,431,247)**	**(111,988)**	**47.26%**	**(52,926)**	**506,652**	**(25,583)**	**428,143**
Haya Power & Desalination Company	**3,614,853**	**1,354**	**48,340**	**-**	**(111,690)**	**(3,451,117)**	**(84,690)**	**17,050**	**60.00%**	**10,230**	**-**	**(45,000)**	**(34,770)**
Noor Energy 1 P.S.C.	**11,944,053**	**835,206**	**196,901**	**-**	**(282,026)**	**(12,198,250)**	**(1,849,918)**	**(1,354,034)**	**24.99%**	**(338,373)**	**62,252**	**(54,681)**	**(330,802)**
ACWA Power Renewable Energy Holding Ltd ("APREH")	**2,361,890**	**127,642**	**1,026,489**	**(88,128)**	**(239,362)**	**(2,594,795)**	**(156,277)**	**437,459**	**51.00%**	**223,104**	**-**	**205,593**	**428,697**
ACWA Guc Elektrik Isletme Ve Yonetim Sanayi Ve Ticaret A.S. ("ACWA GUC") (note 7.1.5)	**1,025,269**	**174,925**	**182,751**	**(310,059)**	**(139,419)**	**(1,736,184)**	**(27)**	**(802,744)**	**70.00%**	**(561,921)**	**-**	**561,921**	**-**
Jazan Integrated Gasification and Power Company	**26,697,392**	**160,162**	**767,005**	**-**	**(369,064)**	**(24,174,517)**	**(2,742,673)**	**338,305**	**21.25%**	**71,890**	**2,742,674**	**-**	**2,814,564**
Dhofar Desalination Co. SAOC	**612,429**	**753**	**20,403**	**(14,062)**	**(54,723)**	**(424,116)**	**(169,850)**	**(29,166)**	**50.10%**	**(14,612)**	**64,272**	**-**	**49,660**
Shams Ad-Dhahira Generating Company SAOC	**1,572,522**	**68,082**	**33,740**	**(45,752)**	**(141,670)**	**(1,363,457)**	**(195,479)**	**(72,014)**	**50.00%**	**(36,007)**	**-**	**(13,750)**	**(49,757)**
Vinh Hao 6 Power Joint Stock	**182,054**	**13,107**	**33,239**	**(17,992)**	**(527)**	**(104,645)**	**-**	**105,236**	**60.00%**	**63,142**	**11,737**	**-**	**74,879**
Taweelah RO Desalination Company LLC	**2,363,859**	**45,594**	**8,896**	**-**	**(16,080)**	**(2,234,895)**	**(167,132)**	**242**	**40.00%**	**97**	**144,070**	**(12,000)**	**132,167**

7 EQUITY-ACCOUNTED INVESTEES (CONTINUED)

7.2 Financial information regarding equity accounted investees (continued)

Information on statement of financial position of material equity accounted investees (continued):

	Non-current assets	Cash and cash equivalents	Other current assets	Short-term financing and funding facilities	Other current liabilities	Long-term financing and funding facilities	Other non-current liabilities	Total equity	Group's effective holding	Total equity attributable to the Group	Other long-term interest in investees**	Other adjustments***	Carrying amount
31 December 2020													
SGA Marafiq Holdings W.L.L. (SGA Marafiq)*	1,055,028	8,423	10	-	(19,637)	-	(769,602)	274,222	33.33%	91,398	251,698	97,009	440,105
Shuqaiq International Water and Electricity Company (SIWEC)*	695,207	11,995	3,428	(16,309)	(12,980)	(278,483)	(337,666)	65,192	53.34%	34,773	338,260	88,833	461,866
Saudi Malaysian Water and Electricity Company Limited (SAMAWEC)*	1,460,365	1,610	220	-	-	-	-	1,462,195	50.00%	731,098	-	392,893	1,123,991
Qurayyah Investment Company (QIC)*	1,112,873	169	50,152	-	(49,360)	-	-	1,113,834	44.98%	501,003	-	(18,745)	482,258
Rabigh Electricity Company	7,568,748	236,378	104,337	(259,692)	(354,565)	(4,897,241)	(1,027,870)	1,370,095	40.00%	548,038	-	89,246	637,284
Dhofar Generating Company	1,942,991	45,731	357,285	(68,196)	(288,629)	(1,358,288)	(262,783)	368,111	27.00%	99,390	-	(41,903)	57,487
Al Mourjan for Electricity Production Company	5,406,768	22,296	61,412	(130,580)	(294,365)	(3,741,257)	(460,115)	864,159	50.00%	432,080		(89,797)	342,283
Hassyan Energy Phase 1 P.S.C	7,318,550	242,445	256,496	-	(209,198)	(7,191,209)	(1,779,711)	(1,362,627)	26.95%	(367,228)	61,612	-	(305,616)
MAP Inland Holdings Ltd. (JAFZA)	3,595,411	136,973	963,997	(110,084)	(1,175,064)	(2,116,138)	(1,370,607)	(75,512)	47.26%	(35,687)	552,773	(33,051)	484,035
MAP Coastal Holding Company Limited (JAFZA)	3,629,482	19,181	1,106,460	(105,452)	(1,129,958)	(2,175,286)	(1,487,695)	(143,268)	47.26%	(67,708)	479,625	(32,953)	378,964
Haya Power & Desalination Company	2,894,469	9,969	13,729	-	(120,130)	(2,797,620)	(182,727)	(182,310)	60.00%	(109,386)	-	(45,000)	(154,386)
Noor Energy 1 P.S.C.	7,318,185	375,851	75,584	-	(359,902)	(7,410,161)	(1,998,310)	(1,998,753)	24.99%	(499,488)	62,252	(36,632)	(473,868)
ACWA Power Renewable Energy Holding Ltd ("APREH")	2,476,911	382,241	926,847	(78,150)	(216,985)	(2,805,405)	(206,863)	478,596	51.00%	244,084	-	269,297	513,381
ACWA Guc Elektrik Isletme Ve Yonetim Sanayi Ve Ticaret A.S. ("ACWA GUC") (note 7.1.5)	1,795,784	169,598	228,352	-	(143,772)	(2,091,202)	(713,870)	(755,110)	70.00%	-	-	-	-
Dhofar Desalination Co. SAOC	604,635	6,634	21,365	(142,449)	(44,086)	(437,889)	(51,861)	(43,651)	50.10%	(21,869)	-	-	(21,869)
Shams Ad-Dhahira Generating Company SAOC	1,272,202	65,605	1,649	(20,098)	(77,245)	(1,188,677)	(109,708)	(56,272)	50.00%	(28,136)	-	(10,603)	(38,739)
Vinh Hao 6 Power Joint Stock	186,748	15,603	27,052	(13,742)	(339)	(113,957)	-	101,365	60.00%	60,819	13,500	268	74,587
Taweelah RO Desalination Company LLC	1,676,040	26,534	35,381	-	(11,561)	(1,582,833)	(267,548)	(123,987)	40.00%	(49,595)	-	(12,000)	(61,595)

** Financial information of project companies owned by these equity accounted investees is included in note 37.1.*
*** Other long-term interest in investees represents shareholder loans / advances (as an investment) provided to the investee by the Group.*
**** Other adjustments includes downstream / upstream consolidation adjustments, purchase price allocation and other group level consolidation adjustments.*

7 EQUITY-ACCOUNTED INVESTEES (CONTINUED)

7.2 Financial information regarding equity accounted investees (continued)

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

For year ended 31 December 2021	Revenues	Share in net results of equity accounted investees	Depreciation	Finance Charges	Finance Income	Net profit or loss *	Other comprehensive income *	Total comprehensive income *
SGA Marafiq Holdings W.L.L.	-	212,593	-	(13,324)	-	174,075	160,788	334,863
Shuqaiq International Water and Electricity Company	-	141,535	-	(8,467)	2	135,546	144,131	279,677
Saudi Malaysian Water and Electricity Company Limited	-	255,356	-	(32)	42	251,138	78,621	329,759
Qurayyah Investment Company	-	38,010	-	-	-	19,595	83,941	103,536
Rabigh Electricity Company	870,927	-	(219,150)	(340,016)	539	112,320	170,882	283,202
Dhofar Generating Company	412,641	-	(39,683)	(71,085)	2,137	27,888	42,112	70,000
Al Mourjan for Electricity Production Company	602,809	-	(181,031)	(223,255)	197	(8,939)	180,737	171,798
Hassyan Energy Phase 1 P.S.C	947,216	-	(16)	(181,981)	-	337,810	532,138	869,948
MAP Inland Holdings Ltd. (“MAP Inland”)	825,221	-	(89,580)	(141,778)	86	(53,346)	79,026	25,680
MAP Coastal Holding Company Limited (“MAP Coastal”)	947,964	-	(93,814)	(149,007)	-	(37,122)	74,106	36,984
Haya Power & Desalination Company	173,408	-	(13,532)	(20,000)	4	77,936	121,423	199,359
Noor Energy 1 P.S.C.	-	-	-	-	-	(240)	646,045	645,805
ACWA Power Renewable Energy Holding (“APREH”) (note 7.2.2)	399,823	6,745	(112,388)	(221,032)	32,111	(26,509)	152,917	126,408
ACWA Guc Elektrik Isletme Ve Yonetim Sanayi Ve Ticaret A.S. (“ACWA GUC”) (note 7.1.5)	1,158,003	-	(87,249)	(975,171)	15,522	(626,379)	-	(626,379)
Jazan Integrated Gasification and Power Company	618,644	-	(1,905)	(158,388)	-	272,705	-	272,705
Dhofar Desalination Co. SAOC	57,779	-	(12,006)	(25,401)	-	(8,227)	22,712	14,485
Shams Ad-Dhahira Generating Company SAOC	40,166	-	(21,432)	(22,195)	-	(24,958)	9,216	(15,742)
Vinh Hao 6 Power Joint Stock	23,826	-	(52)	(11,508)	284	8,516	-	8,516
Taweelah RO Desalination Company LLC	-	-	(1,676)	-	-	23,485	100,745	124,230

7 EQUITY-ACCOUNTED INVESTEES (CONTINUED)

7.2 Financial information regarding equity accounted investees (continued)

Information on statement of profit or loss and other comprehensive income of material joint ventures and associates (continued):

	Revenues	Share in results of equity accounted investees	Depreciation	Finance charges	Finance income	Net profit or loss *	Other comprehensive income *	Total comprehensive income *
For year ended 31 December 2020								
SGA Marafiq Holdings W.L.L.	-	202,620	-	(24,621)	(11,436)	156,796	(120,796)	36,000
Shuqaiq International Water and Electricity Company	-	108,498	-	(34,175)	66	77,229	(68,194)	9,035
Saudi Malaysian Water and Electricity Company Limited	-	195,059	-	(93)	107	188,721	(13,259)	175,462
Qurayyah Investment Company	-	13,079	-	-	-	10,789	(75,985)	(65,196)
Rabigh Electricity Company	930,489	-	(222,066)	(358,886)	150	310,791	(95,888)	214,903
Dhofar Generating Company	401,981	-	(39,503)	(68,740)	2,468	20,331	(43,097)	(22,766)
Al Mourjan for Electricity Production Company	566,518	-	(141,709)	(233,250)	412	3,705	(228,942)	(225,237)
Hassyan Energy Phase 1 P.S.C	34,816	-	(2)	(15,287)	3	(37,695)	(760,530)	(798,225)
MAP Inland Holdings Ltd. (“MAP Inland”)	837,146	-	(89,408)	(107,746)	65	8,370	(110,213)	(101,843)
MAP Coastal Holding Company Limited (“MAP Coastal”)	929,900	-	(95,341)	(113,687)	1	(51,939)	(110,466)	(162,405)
Haya Power & Desalination Company	-	-	-	-	-	-	(132,065)	(132,065)
Noor Energy 1 P.S.C.	-	-	-	-	-	(219)	(1,018,263)	(1,018,482)
ACWA Power Renewable Energy Holding (“APREH”) (note 7.2.1)	365,138	(25,609)	(95,151)	(203,345)	43,700	(37,949)	(105,700)	(143,649)
ACWA Guc Elektrik Isletme Ve Yonetim Sanayi Ve Ticaret A.S. (“ACWA GUC”) (note 7.1.5)	915,438	-	(54,385)	(878,610)	6,932	(705,346)	-	(705,346)
Dhofar Desalination Co. SAOC	-	-	-	-	-	-	(25,543)	(25,543)
Shams Ad-Dhahira Generating Company SAOC	-	-	-	-	-	-	(61,174)	(61,174)
Vinh Hao 6 Power Joint Stock	21,769	-	4,756	(13,522)	317	9,049	-	9,049
Taweelah RO Desalination Company LLC	-	-	-	-	-	-	(123,988)	(123,988)

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

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

8 NET INVESTMENT IN FINANCE LEASE

In relation to certain Power Purchase Agreements ("PPA") or Water Purchase Agreements ("WPA") between the few of the Group's subsidiaries and their off-taker, the Group management has concluded that the PPA or WPA are within the scope of IFRS 16, "Leases". Further, management has assessed the lease classification and concluded that the arrangements are finance leases and the plant will be transferred to the off-taker after PPA or WPA terms. Accordingly, a finance lease receivable has been recognised in the consolidated financial statements.

For certain finance lease arrangements, the lease cash flows are denominated in multiple currencies. Accordingly, the minimum lease payments are determined separately for each currency involved using the interest rate implicit in the lease for each respective currency.

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

	As at 31 Dec 2021	As at 31 Dec 2020
a) Net investment in finance leases consist of:		
Gross investment in finance leases (see (b) below)	**19,827,110**	17,099,678
Less: Unearned finance income (see (c) below)	**(7,078,815)**	(6,170,770)
	12,748,295	10,928,908
Analysed as:		
Current portion of net investment in finance lease	**375,821**	323,571
Non-current portion of net investment in finance lease	**12,372,474**	10,605,337
b) The future minimum lease payments to be received consist of:		
Within one year	**922,577**	792,955
After one year but not more than five years	**4,365,576**	3,950,823
Five years onwards	**14,538,957**	12,355,900
	19,827,110	17,099,678
c) The maturity of unearned finance income are as follows:		
Within one year	**546,756**	469,384
After one year but not more than five years	**2,361,615**	2,140,611
Five years onwards	**4,170,444**	3,560,775
	7,078,815	6,170,770

Finance income earned on the finance leases during the year was SR 313.1 million (2020: SR 258.9 million) (note 24) which is net of loss of SR 145.8 million (2020: SR 202.2 million) due to fewer lease payments compared to original estimates resulted from lower production.

The total finance lease income in each respective currency is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in each currency respectively with respect to the lease.

The periodic rate of return used by the Group ranges from 2.04% to 10.21% (31 Dec 2020: 2.04% to 10.21%) per annum.

9 OTHER ASSETS

	As at 31 Dec 2021	As at 31 Dec 2020
Value Added Tax ("VAT") receivable	**98,466**	129,443
Right of use assets	**45,456**	52,526
Others	**13,001**	15,541
	156,923	197,510

10 INVENTORIES

	As at 31 Dec 2021	As at 31 Dec 2020
Spare parts and consumables	**398,878**	421,156
Chemicals	**14,969**	21,982
Diesel	**11,021**	7,308
Goods in transit	**431**	389
	425,299	450,835

10.1 A Subsidiary of the Group is required to maintain sufficient quantities of fuel (termed as "Strategic fuel inventories") in the power generating stations, for the periods stated in a Power Purchase Agreement, to enable the stations to operate continuously. As of 31 December 2021, strategic fuel inventories amounting to SR 54.1 million (31 Dec 2020: SR 70.8 million) were maintained at the station and classified as non-current in the consolidated statement of financial position.

11 ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES

	Notes	As at 31 Dec 2021	As at 31 Dec 2020
Trade accounts receivable		**1,348,435**	1,333,872
Less: Allowance for impaired receivables	11.1	**(29,519)**	(28,795)
Net trade accounts receivable	11.2	**1,318,916**	1,305,077
Prepayments and other receivables		**335,611**	325,132
Reinsurance assets and premiums receivable	11.3	**388,454**	516,748
Project development cost	11.4	**167,472**	287,111
Advances to suppliers		**567,779**	425,557
Dividend receivable		**-**	17,618
Value added tax and other receivables from authorities	11.5	**99,436**	80,943
Advances to employees		**32,104**	29,102
Others	11.6	**3,845**	32,947
		2,913,617	3,020,235

11.1 Allowance for impaired receivables is calculated using the expected credit loss approach specified in IFRS 9. To measure the expected credit losses, trade receivables are evaluated based on customer credit rating and expected probability of defaults. Movement in allowance for impaired receivables is disclosed in note 35.1 (c).

11.2 Net trade account receivable includes SR 390.1 million (31 Dec 2020: SR 455.5 million) receivable of CEGCO that includes SR 306.9 million (31 Dec 2020: SR 306.9 million) of fuel revenues receivable on account of electricity supplied to the off-taker, National Electric Power Company ("NEPCO"), which is domiciled in the Hashemite Kingdom of Jordan. The payments of NEPCO are back stopped by the Government of Jordan Guarantee. The Government of Jordan has shareholding in both CEGCO and NEPCO (note 18.1).

11.3 The balance represents reinsurance assets and premiums receivable of a fully owned subsidiary (ACWA Power Reinsurance) of the Group. Related insurance liabilities are included in accrued expenses and other liabilities (note 18.2).

11.4 Project development cost represents costs incurred on projects under development which are considered feasible as of the reporting date. A provision is made against the project development costs based on an average project success rate and management's best estimates. During 2021, SR 133.2 million (2020: provision of SR 142.9 million) were recorded in profit or loss from continued operations on account of provisions and write-offs. During 2020, project development costs includes a one-off write-off of amounting to SR 80.86 million relating to a coal project in Asia which the Group decided to withdraw from due to the Group's decision to not pursue any new coal project investments.

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

11.6 As of 31 December 2020, others include SR 26.1 million of deferred cost related to IPO which was classified to equity during 2021.

12 CASH AND CASH EQUIVALENTS

	As at 31 Dec 2021	As at 31 Dec 2020
Cash at bank	**1,728,067**	798,263
Short-term deposits with original maturities of three months or less	**3,444,854**	34,405
	5,172,921	832,668

The short-term deposits carry variable rate of return between 0.75% - 2.5% per annum.

13 SHARE CAPITAL AND RESERVES

13.1 Share capital and share premium

The Company's authorised and fully paid up share capital consists of 731,099,729 shares (31 Dec 2020: 645,762,878 shares) of SR 10 each.

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

	As at 31 Dec 2021	As at 31 Dec 2020
Authorised and fully paid up shares of SR 10 each	**7,310,998**	6,457,629
Transaction cost	**(176,855)**	(28,285)
Share capital	**7,134,143**	6,429,344

On 11 October 2021, the Company completed its Initial Public Offering ("IPO") and its ordinary shares were listed on the Saudi Stock Exchange, the Tadawul. The Company issued 85,336,851 new ordinary shares at a value of SR 56 each, representing 11.67% of the Company's share capital after capital increase. Accordingly, the Company's issued share capital increased at nominal value of SR 10 per share amounting to SR 853.4 million and share premium increased by SR 3,925.5 million. Total capital increase includes 4,137,552 shares granted to eligible employees of the Company as share based payments (note 28.4). Total proceeds received against the IPO before deducting transaction cost and share based payments amounted to SR 4,778.9 million.

13.2 Other reserves

Movement in other reserve is given below:

	Cash flow hedge reserve	***Currency translation reserve***	***Share in OCI of equity accounted investees (note 7)***	***Re-measurement of defined benefit liability***	***Other (note 23.1 (b))***	***Total***
Balance as at 1 January 2020	(313,175)	(29,721)	(971,975)	(19,185)	(27,180)	(1,361,236)
Changes during the year, net	(258,464)	2,192	(1,191,366)	8,574	-	(1,439,064)
Recycled to profit or loss on loss of control (note 32.1)	(19,477)	21,358	-	-	-	1,881
Balance as at 31 December 2020	**(591,116)**	**(6,171)**	**(2,163,341)**	**(10,611)**	**(27,180)**	**(2,798,419)**
Changes during the year, net	**247,149**	**(278)**	**997,786**	**(18,517)**	**-**	**1,226,140**
Balance as at 31 December 2021	**(343,967)**	**(6,449)**	**(1,165,555)**	**(29,128)**	**(27,180)**	**(1,572,279)**

13 SHARE CAPITAL AND RESERVES (CONTINUED)

13.2 Other reserves (continued)

Cash flow hedge reserve
The cash flow hedge reserve represents the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss. Under the terms of the long term loan and funding facilities, the hedges are required to be held until maturity. Changes in the fair value of the undesignated portion of the hedged item, if any, are recognised in profit or loss.

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

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

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

13.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and benefit its various stakeholders. Management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

13.4 Dividends

On 29 June 2021, the Board of Directors approved a dividend payment of SR 560.0 million (SR 0.77 per share) for the year 2021, payable during 2022. The proposed dividends are subject to approval of the shareholders at the ordinary general assembly meeting in May 2022.

On 16 November 2020, in an extraordinary general assembly meeting, shareholders of the Company declared a one-off dividend of SR 2,701.0 million equivalent to SR 4.18 per share. The dividend was unanimously agreed by the shareholders of the Company prior to the Public Investment Fund of Saudi Arabia increasing its shareholding in the Company from 33.36% to 50% on 19 November 2020.

Of the total dividends declared during the year 2020, the Company paid SR 1,000.0 million during 2020 and SR 800.0 million was paid during 2021. A portion of the total dividends for 2020 amounting to SR 901.0 million was converted into a long-term non-interest-bearing loan. Refer to note 22.1 (i).

Furthermore during 2021, certain subsidiaries of the Group distributed dividends of SR 105.0 million (31 Dec 2020: SR 83.4 million) to the non-controlling interest shareholders.

14 NON-CONTROLLING INTEREST ("NCI")

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

Information on statement of financial position

	Central Electricity Generating Company ("CEGCO")	ACWA Power Barka SAOG ("Barka")	ACWA Power Ouarzazate S.A. ("APO I")	ACWA Power Ouarzazate II S.A. ("APO II")	ACWA Power Ouarzazate III S.A. ("APO III")	Al Zarqa Plant for Energy Generation ("ZARQA")	Rabigh Three Company ("Rabigh 3")	Sakaka Solar Energy Company ("Sakaka")	Rabigh operation and maintenance company ("ROMCO")	ACWA Power Harbin Holdings Limited ("Harbin")	Others* including adjustments	Total
As at 31 December 2021												
NCI %	**59.07%**	**58.09%**	**26.87%**	**25.00%**	**25.00%**	**40.00%**	**30.00%**	**30.00%**	**40.00%**	**45.00%**		
Non-current assets	**408,916**	**476,538**	**2,968,825**	**3,335,334**	**2,756,906**	**2,041,468**	**2,529,298**	**1,053,756**	**1,474**	**313,397**		
Current assets	**494,171**	**230,306**	**171,115**	**163,524**	**175,511**	**162,241**	**97,796**	**71,925**	**62,161**	**47,835**		
Non-current liabilities	**(133,785)**	**(219,576)**	**(2,157,926)**	**(2,479,572)**	**(2,115,547)**	**(1,590,988)**	**(2,588,533)**	**(1,098,847)**	**(3,228)**	**-**		
Current liabilities	**(450,197)**	**(337,070)**	**(207,683)**	**(806,153)**	**(965,540)**	**(163,572)**	**(213,317)**	**(76,143)**	**(27,105)**	**(38,574)**		
Net assets / (liabilities)	**319,105**	**150,198**	**774,331**	**213,133**	**(148,670)**	**449,149**	**(174,756)**	**(49,309)**	**33,302**	**322,658**		
Net assets / (liabilities) attributable to NCI	**188,502**	**87,265**	**208,101**	**53,283**	**(37,168)**	**179,660**	**(52,427)**	**(14,793)**	**13,321**	**145,196**	**64,859**	**835,799**
As at 31 December 2020												
NCI %	59.07%	58.09%	25.00%	25.00%	25.00%	40.00%	30.00%	30.00%	40.00%	45.00%		
Non-current assets	580,198	597,827	3,221,999	3,585,994	2,967,581	2,151,031	1,948,381	1,085,555	1,419	2,520		
Current assets	554,104	332,516	266,870	239,895	186,047	252,797	19,697	56,009	94,043	24,567		
Non-current liabilities	(170,110)	(336,554)	(2,340,750)	(3,260,011)	(2,665,814)	(1,752,847)	(2,189,470)	(1,206,698)	(7,227)	-		
Current liabilities	(571,289)	(425,766)	(304,189)	(711,691)	(807,358)	(229,848)	(111,149)	(48,173)	(56,686)	(14,336)		
Net assets / (liabilities)	392,903	168,023	843,930	(145,813)	(319,544)	421,133	(332,541)	(113,307)	31,549	12,751		
Net assets / (liabilities) attributable to NCI	232,096	97,621	210,983	(36,453)	(79,886)	168,453	(99,762)	(33,992)	12,620	5,738	53,623	531,041

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

Information on statement of profit of loss and other comprehensive income

	CEGCO	Barka	APO I	APOII	APOIII	Zarqa	Rabigh 3	Sakaka	ROMCO	Harbin	Others*	Total
31 December 2021												
NCI %	**59.07%**	**58.09%**	**26.87%**	**25.00%**	**25.00%**	**40.00%**	**30.00%**	**30.00%**	**40.00%**	**45.00%**		
Revenue	**410,104**	**388,572**	**185,331**	**204,446**	**27,271**	**250,374**	**16,953**	**53,843**	**106,072**	**25,968**		
Profit / (loss)	**49,784**	**9,594**	**19,597**	**(32,897)**	**(149,118)**	**30,669**	**232**	**1,023**	**31,766**	**(970)**		
OCI	**(911)**	**-**	**-**	**-**	**-**	**56,895**	**157,702**	**63,008**	**-**	**-**		
Total comprehensive income / (loss)	**48,873**	**9,594**	**19,597**	**(32,897)**	**(149,118)**	**87,564**	**157,934**	**64,031**	**31,766**	**(970)**		
Profit / (loss) – NCI share	**29,408**	**5,574**	**5,267**	**(8,224)**	**(37,280)**	**12,268**	**70**	**307**	**12,706**	**(437)**	**(34,549)**	**(14,890)**
OCI – NCI share	**(538)**	**-**	**-**	**-**	**-**	**22,758**	**47,311**	**18,902**	**-**	**-**	**5,215**	**93,648**
31 December 2020												
NCI %	59.07%	58.09%	25.00%	25.00%	25.00%	40.00%	30.00%	30.00%	40.00%	45.00%		
Revenue	383,573	498,619	199,785	132,969	9,703	249,249	-	54,380	83,513	-		
Profit / (loss)	53,567	(61,449)	114,339	(31,542)	(157,982)	38,978	(165)	(3,904)	23,659	5,345		
OCI	(2,790)	-	-	-	-	(65,247)	(202,154)	(62,275)	-	-		
Total comprehensive income / (loss)	50,777	(61,449)	114,339	(31,542)	(157,982)	(26,269)	(202,319)	(66,179)	23,659	5,345		
Profit / (loss) – NCI share	31,643	(35,702)	28,585	(7,886)	(39,496)	15,591	(50)	(1,171)	9,464	2,405	16,436	19,819
OCI – NCI share	(1,648)	-	-	-	-	(26,099)	(60,646)	(18,683)	-	-	(12,346)	(119,422)

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

14.1 On 30 June 2020, the Group acquired the 35.15% additional interest from the Bowarege minority shareholder for zero consideration. The additional interest had a carrying amount of SR (10.5) million. The difference between the carrying amount and consideration paid is recorded directly within the equity.

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

15 LONG -TERM FINANCING AND FUNDING FACILITIES

	Notes	**As at 31 Dec 2021**	As at 31 Dec 2020
Recourse debt:			
Financing facilities in relation to projects		**2,479,306**	753,314
Corporate facilities		**1,130**	113,630
Corporate bond	*15.1*	**2,789,269**	-
Non-Recourse debt:			
Financing facilities in relation to projects		**14,926,843**	15,746,631
ACWA Power Management and Investments One Ltd ("APMI One")	*15.2*	**3,004,460**	3,006,325
ACWA Power Capital Management Ltd ("APCM")	*15.3*	**614,221**	-
Total financing and funding facilities		**23,815,229**	19,619,900
Less: Current portion of long-term financing and funding facilities		**(958,476)**	(1,178,360)
Less: Financing and funding facilities classified as current	*15.5*	**-**	(1,154,796)
Non-current portion shown under non-current liabilities		**22,856,753**	17,286,744

Financing and funding facilities as reported on the Group's consolidated statement of financial position are classified as 'non-recourse' or 'with-recourse' facilities. Non-recourse facilities are generally secured by the borrower (i.e. a subsidiary) with its own assets, contractual rights and cash flows and there is no recourse to the Company under any guarantee. The with-recourse facilities are direct borrowings or those guaranteed by the Company. The Group's financial liabilities are either fixed special profit bearing or at a margin above the relevant reference rates. The Group seeks to hedge long term floating exposures using derivatives (note 21).

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

	Notes	*Interest rate*	*Maturity*	*Non-current portion*		*Current portion*	
		Fixed / variable		**As at 31 Dec 2021**	As at 31 Dec 2020	**As at 31 Dec 2021**	As at 31 Dec 2020
Recourse Debt							
Financing facilities in relation to projects:	*15.4*						
ACWA Power Ouarzazate III S.A. ("APO III")		Fixed	2023	**88,911**	130,156	-	-
ACWA Power Taweelah Project Holding Co Ltd ("Taweelah")		Variable	2023	**141,605**	-	-	-
ACWA Power Kom Ombo Project Holding Company (Kom Ombo")		Variable	2025	**32,578**	-	-	-
Rabigh Three Company ("Rabigh 3")		Variable	2024	**424,261**	424,261	-	-
Qara Solar Energy / Sakaka Solar Energy Company ("Sakaka")		Variable	2025	**198,897**	198,897	-	-
ACWA Power Sirdarya ("Sirdarya")		Variable	2025	**975,000**	-	-	-
ACWA Power Conventional Energy Limited ("APCE)		Variable	2028	**367,217**	-	-	-
ACWA Power Green Energy Africa Pty Ltd		Variable	2024	**250,837**	-	-	-
Total – Financing facilities in relation to projects				**2,479,306**	753,314	**-**	**-**

15 LONG -TERM FINANCING AND FUNDING FACILITIES (CONTINUED)

	Notes	*Interest rate*	*Maturity*	*Non-current portion*		*Current portion*	
		Fixed / variable		**As at 31 Dec 2021**	As at 31 Dec 2020	**As at 31 Dec 2021**	As at 31 Dec 2020
Corporate facilities:							
Revolving Corporate Murabaha Facility		Variable	2028	**1,130**	113,630	-	-
Corporate bond	*15.1*	Variable	2028	**2,789,269**	-	-	-
Total – Recourse Debt				**5,269,705**	866,944	-	-
Non-Recourse Debt:							
Financing facilities in relation to projects:	*15.4*						
ACWA Power Barka SAOG ("ACWA Barka")		Both	2024	**116,816**	232,389	**117,885**	116,630
Central Electricity Generating Company ("CEGCO")		Both	2026	**76,157**	113,135	**25,274**	28,182
ACWA Power Ouarzazate S.A. ("APO I")		Fixed	2038	**1,681,986**	1,849,781	**82,613**	135,348
ACWA Power Ouarzazate II S.A. ("APO II")		Fixed	2040	**2,390,661**	2,717,596	**104,260**	105,011
ACWA Power Ouarzazate III S.A. ("APO III")		Fixed	2040	**2,054,733**	2,075,387	**110,755**	155,591
ACWA Power Ouarzazate IV S.A. ("APO IV")		Fixed	2035	**183,310**	171,894	**12,458**	38,201
Shuaibah Two Water Development Project ("Shuaibah II")		Both	2040	**325,072**	914,316	**11,649**	27,274
ACWA Power Laayoune		Fixed	2035	**231,834**	263,499	**12,959**	847
ACWA Power Boujdour		Fixed	2035	**73,443**	79,983	**5,036**	4,777
Al Zarqa Plant for Energy Generation ("ZARQA")		Variable	2035	**1,093,975**	1,154,796	**60,973**	78,332
Sakaka Solar Energy Company ("Sakaka")		Variable	2044	**754,946**	779,914	**24,968**	23,930
Rabigh Three Company ("Rabigh 3")		Variable	2045	**1,930,415**	1,464,683	**44,475**	-
Rabigh Arabian Water and Electricity Company ("RAWEC")	*15.5*	Both	2030	**2,533,591**	2,756,698	**336,463**	458,437
ACWA Power Sirdarya ("Sirdarya")		Variable	2039	**530,136**	-	-	-
Total – Financing facilities in relation to projects				**13,977,075**	14,574,071	**949,768**	1,172,560
APMI One bond	*15.2*	Fixed	2039	**3,004,155**	3,000,525	**305**	5,800
APCM bond	*15.3*	Fixed	2044	**605,818**	-	**8,403**	-
Total – Non-Recourse Debt				**17,587,048**	17,574,596	**958,476**	1,178,360
Total financing and funding facilities				**22,856,753**	18,441,540	**958,476**	1,178,360
Less: Financing and funding facilities classified as current	*15.6*			-	(1,154,796)	-	-
				22,856,753	17,286,744	**958,476**	1,178,360

The Group has hedged its variable interest rate exposure through interest rate swaps. Refer note 35.3 for interest rate sensitivity on variable rate financial liabilities.

15 LONG-TERM FINANCING AND FUNDING FACILITIES (CONTINUED)

15.1 On 14 June 2021, the Group issued an Islamic bond (Sukuk) amounting to SR 2,800.0 million at par (sak) value of SR 1 million each, without discount or premium. The Sukuk issuance bears a return based on Saudi Arabia Interbank Offered Rate (SIBOR) plus a pre-determined margin payable semi-annually in arrears. The Sukuk will be redeemed at par on its date of maturity on 14 June 2028.

15.2 In May 2017, the Group (through one of its subsidiaries, APMI One) issued bonds with an aggregate principal of USD 814.0 million. The bonds carry a fixed rate of interest at 5.95% per annum due for settlement on a semi-annual basis. The bonds' principal is due to be repaid in semi-annual instalments commencing from June 2021, with the final instalment due in December 2039. The bonds are collateralised by cash flows from certain equity accounted investees and subsidiaries of the Group.

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

15.4 Borrowings by project companies are primarily secured against underlying assets of the respective project companies, except borrowings that are with recourse to the Group amounting to SR 2,112.1 million as of 31 December 2021 (31 Dec 2020: SR 753.3 million).

15.5 On 30 December 2021, RAWEC concluded the phase I of debt refinancing. A new facility amounting to SR 3,000.0 million was drawn down and utilised to settle existing loan balance of SR 2,862.5 million. The new facility was obtained in 2 Tranches as follows:

- Tranche A - SR 2,062.5 million, semi-annually repayable from June 2022 with the final instalment to be paid in June 2030. The margin on the loan is 1% above SIBOR for first three years and 1.10% till final maturity. The loan was recognised at amortised cost with effective interest rate of 3.892%; and

- Tranche B - USD 250 million, equivalent to SR 937.5 million semi-annually repayable from June 2022 with the final instalment to be paid in June 2030. The margin on the loan is 1.25% above London Interbank Offered Rate (LIBOR) for first three years and 1.35% till final maturity. The loan was recognised at amortised cost with effective interest rate of 3.23%.

15.6 Due to Covid 19 related issues, a delay in contractual payments from the off-taker in one of the Group's subsidiaries ("the Subsidiary") resulted in a technical covenant breach as at 31 December 2020, under the power purchase agreement which led to a cross default under the financing documents, The cumulative amount withheld by the off-taker during 2020 was SR 42.4 million. While the project benefits from a Government Guarantee on the receivables from the off-taker, the project company did not call on the Government Guarantee to cover these partially withheld payments as the off-taker reached a settlement agreement and subsequently cleared all overdue balances. The breach resulted in reclassification of the loan amounting to SR 1,154.8 million, from non-current liabilities to current liabilities as of 31 December 2020.

During 2021, the Subsidiary received a covenant waiver from the lenders, which resulted in reclassification of loan balance back to non-current liabilities as of 31 December 2021.

16 EMPLOYEE END OF SERVICE BENEFITS' LIABILITIES

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

	31 Dec 2021	31 Dec 2020
Balance at beginning of the year	**178,964**	159,598
Charge for the year recorded in profit or loss	**40,820**	39,379
Loss / (gain) on re-measurement of defined benefit liability (OCI)	**18,177**	(11,506)
Paid during the year	**(41,936)**	(8,507)
Balance at end of the year	**196,025**	178,964

16 EMPLOYEE END OF SERVICE BENEFITS' LIABILITIES (CONTINUED)

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

	2021	2020
Interest cost	**3,313**	3,749
Current service cost	**37,507**	35,630
Total	**40,820**	39,379

16.3 The principal actuarial assumptions used are as follows:

	2021	2020
Discount rate	**2.50% - 5.5%**	2.80% - 6.5%
Increments	**1.45% - 10%**	1.45% - 10%
Withdrawal rate		
Up to the age of 20 years	**4%-22.5%**	4%-22.5%
From the age of 21 to 25 years	**4% - 18.8%**	4% - 18.8%
From the age of 26 to 30 years	**4% - 15%**	4% - 15%
From the age of 31 to 50 years	**3% - 7.5%**	3% - 7.5%
Above 51	**1% - 3.8%**	1% - 3.8%

16.4 Sensitivity analysis

	Change (bps)	***Increase (decrease)***	
		31 Dec 2021	31 Dec 2020
Discount rate	**+100**	**(11,757)**	(8,489)
	- 100	**13,695**	9,837
Increments	**+100**	**14,279**	10,413
	- 100	**(12,479)**	(9,137)

17 DEFERRED REVENUE

	Notes	**2021**	2020
Balance as at 1 January		**289,153**	192,546
Deferred during the year		**245,322**	272,985
Recognised during the year		**(325,954)**	(176,378)
Balance as at 31 December		**208,521**	289,153
Less: current portion	18	**(154,190)**	(225,849)
Non-current portion at end of the year		**54,331**	63,304

During the year Group recognised revenue of SR 325.9 million (2020: SR 176.4 million) from deferred revenue.

18 ACCOUNTS PAYABLES, ACCRUALS AND OTHER FINANCIAL LIABILITIES

	Notes	**As at 31 Dec 2021**	As at 31 Dec 2020
Accounts payable	18.1	**1,570,704**	1,700,028
Accrued expenses and other liabilities		**992,731**	463,728
Reinsurance liabilities and premiums payable	18.2	**371,905**	501,820
Salaries and benefits payable		**235,677**	194,317
Deferred revenues	17	**154,190**	225,849
Value added tax payable		**102,853**	75,599
Other financial liabilities	23.1 (c)	**128,359**	-
Accrued financial charges on letters of guarantee and loans		**32,669**	46,731
Lease liabilities		**6,766**	2,513
Dividend payable		**1,305**	800,881
Payable to a shareholder of equity accounted investee	18.3	**-**	93,750
Others		**822**	260
		3,597,981	4,105,476

18.1 Accounts payable includes SR 306.9 million (31 Dec 2020: SR 306.9 million) on account of fuel charges due to supplier. The fuel cost is a pass through to NEPCO, the off-taker.

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

18.2 The balance represents reinsurance liabilities and premiums payable of a fully owned subsidiary (ACWA Power Reinsurance) of the Group. Related insurance receivable is included in prepayments, insurance and other receivables (note 11.3).

18.3 The balance as of 31 December 2020, represents payable to a non-controlling shareholder in respect of purchase of additional shareholding in an equity accounted investee. This was paid during 2021 (note 7).

19 SHORT-TERM FINANCING FACILITIES

This represents working capital facilities obtained and drawn by subsidiaries and outstanding at the reporting date amounting to SR 186.4 million (2020: SR 364.9 million). The facilities carry variable rate of interest between 1.5% - 6.5% per annum.

20 ZAKAT AND TAXATION

20.1 Amounts recognised in profit or loss

	Notes	**2021**	2020
Zakat and current tax	20.2 and 20.3	**131,931**	178,568
Deferred tax *	20.4	**(48,808)**	(233,701)
Zakat and tax charge / (credit)		**83,123**	(55,133)
Less: Tax credit from discontinued operation	32.1	**-**	4,183
Zakat and tax (credit) / charge reflected in profit or loss		**83,123**	(50,950)

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

20.2 Significant zakat and tax assessments

The Company

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

The Company has filed zakat and tax returns for all the years up to 2020. The company has closed its position with Zakat, Tax & Customs Authority (the "ZATCA") until year 2018. The ZATCA is yet to assess the years 2019 and 2020.

20 ZAKAT AND TAXATION (CONTINUED)

20.2 Significant zakat and tax assessments (continued)

ACWA Power Projects ("APP")
APP has filed its zakat and tax returns for all the years up to 2020. APP had finalised its position with the ZATCA up to the year 2014.

During 2020, APP received an assessment from the ZATCA for the year 2018 with an additional zakat liability of SR 31 million. The company closed out the revised zakat liability at an amount of SR 1.3 million. Further, during April 2021, APP received an assessment from the ZATCA for the years 2015 to 2017 with an additional zakat liability of SR 39.7 million. An appeal has been filed by APP against these assessments. The assessments are now under review by the General Secretariat of Tax Committees ("GSTC").

NOMAC Saudi Arabia ("NOMAC")
NOMAC has filed its zakat returns for all the years up to 2020. During the prior years, the Company received two zakat assessments from the ZATCA for the years 2008-2012 and 2013-2016, assessing an additional zakat liability of SR 12 million for these assessed years. NOMAC has filed appeals against these assessments.

Rabigh Arabian Water & Electricity Company ("RAWEC")
RAWEC has filed its zakat and tax returns for all the years up to 2020. The ZATCA raised an assessment in related to 2007 to 2013 claiming additional tax, zakat, withholding tax amounting to SR 10.7 million. RAWEC filed an objection with the General Secretariat of Tax Committees ("GSTC") Tax Violations and Dispute Resolution Committee ("TVDRC"). During 2021, TVDRC has issued its ruling partially in favour of the RAWEC reducing the liability to SR 1.85 million. The ZATCA appealed the TVDRC ruling to the Tax Violations and Dispute Appeal Committee ("TVDAC"). The case yet to be reviewed by the TVDAC.

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

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

20.3 Zakat and current tax provision for the year

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

	2021	**2020**
Balance as at 1 January	**276,517**	183,411
Charge - for the current year	**118,532**	78,057
for prior year assessments	**13,399**	100,511
Payments	**(192,946)**	(85,462)
Balance as at the end of the year	**215,502**	276,517

20 ZAKAT AND TAXATION (CONTINUED)

20.4 Deferred tax - Movement in deferred tax balances

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

				As at 31 Dec		
	Net balance at 1 Jan	**Recognised in profit or loss**	**Recognised in OCI including currency translation differences**	**Net balance**	**Deferred tax assets**	**Deferred tax liabilities**
2021						
Property, plant and equipment	**(232,943)**	**(37,917)**	**-**	**(270,860)**	**-**	**(270,860)**
Unused tax losses*	**198,302**	**80,389**	**-**	**278,691**	**278,691**	**-**
Fair value of derivatives	**7,923**	**-**	**(11,049)**	**(3,126)**	**-**	**(3,126)**
End-of-service employee benefit liability	**5,988**	**(41)**	**-**	**5,947**	**5,947**	**-**
Accruals, provisions and others	**30,517**	**6,377**	**(2,946)**	**33,948**	**33,948**	**-**
	9,787	**48,808**	**(13,995)**	**44,600**	**318,586**	**(273,986)**
Deferred tax assets and liabilities off-set					**(153,582)**	**(153,582)**
Net deferred tax asset / (liability)					**165,004**	**(120,404)**
2020						
Property, plant and equipment	(250,552)	17,609	-	(232,943)	-	(232,943)
Unused tax losses*	-	198,302	-	198,302	198,302	-
Fair value of derivatives	-	562	7,361	7,923	7,923	-
End-of-service employee benefit liability	5,768	220	-	5,988	5,988	-
Accruals, provisions and others	17,692	12,825	-	30,517	30,517	-
	(227,092)	229,518	7,361	9,787	242,730	(232,943)
Deferred tax assets and liabilities off-set					(107,232)	107,232
Net deferred tax asset / (liability)					135,498	(125,711)

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

21 DERIVATIVES AND CASH FLOW HEDGES

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

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

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

		Notional		***Positive fair value***		***Negative fair value***	
		31 Dec 2021	31 Dec 2020	**31 Dec 2021**	31 Dec 2020	**31 Dec 2021**	31 Dec 2020
Hedged items	***Hedging instruments***						
Interest payments on floating rate loans	Interest rate swaps	**6,579,783**	3,871,279	**45,540**	-	**(401,672)**	(707,047)
Highly probable forecast transactions	Forward foreign exchange contracts	**32,190**	53,898	**-**	-	**(5,276)**	(3,326)
				45,540	-	**(406,948)**	(710,373)
Less: Current portion				**-**	-	**(44,058)**	(59,584)
Non-current portion				**45,540**	-	**(362,890)**	(650,789)

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

22 RELATED PARTY TRANSACTIONS AND BALANCES

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

Particulars	*Notes*	*Relationships*	*For the year ended*	
			2021	2020
Transactions:*				
Revenue		Joint ventures / Affiliates	**2,061,785**	1,692,606
Other operating income		Joint ventures	**141,503**	151,872
Finance income		Joint ventures	**54,754**	35,287
Financial charges on loan from related parties	30	Joint venture / Affiliates	**55,979**	47,467
Corporate social responsibility cost	28.3	Shareholder's subsidiary	**-**	52,500
Key management personnel compensation including director's remuneration**		-	**165,246**	32,537

** Other transactions with shareholders of the Company and its equity accounted investees are disclosed in note 32 and note 33 respectively.*

***This includes share based payments and provision for long term incentive plan for the key management personnel and directors for the year ended 31 December 2021.*

	Notes	*Relationships*	*As at*	
			31 Dec 2021	31 Dec 2020
Due from related parties				
Current:				
Hajr for Electricity Production Company	(a)	Joint venture	**166,859**	113,883
Al Mourjan for Electricity Production Company	(a)	Joint venture	**109,282**	144,910
Hassyan Energy Phase 1 P.S.C	(a)	Joint venture	**74,766**	149,158
Dhofar O&M Company	(a)	Joint venture	**61,695**	27,607
Shuaibah Water & Electricity Company	(a)	Joint venture	**45,026**	43,462
ACWA Power Solarreserve Redstone Solar TPP	(e)	Joint venture	**39,873**	-
ACWA Guc Isletme Ve Yonetim Sanayi Ve Ticaret	(a), (g)	Joint venture	**35,267**	-
Naqa Desalination Plant LLC	(a)	Joint venture	**32,688**	9,761
Rabigh Electricity Company	(a)	Joint venture	**28,709**	41,557
Shuqaiq Water and Electricity Company	(a)	Joint venture	**27,001**	47,181
UPC Renewables S.A	(a)	Joint venture	**26,952**	37,061
Jazan Integrated Gasification and Power Company	(f)	Joint venture	**23,237**	-
Noor Energy 1 P.S.C	(a)	Joint venture	**15,054**	13,653
Ad-Dhahirah Generating Company SAOC	(a)	Joint venture	**14,048**	21,780
Shuaibah Expansion Project Company	(a)	Joint venture	**11,363**	12,482
ACWA Power Solafrica Bokpoort CSP Power Plant Ltd	(a)	Joint venture	**8,604**	15,344
ACWA Power Oasis Three	(a)	Joint venture	**8,022**	7,810
Shinas Generating Company SAOC	(a)	Joint venture	**4,870**	16,872
Haya Power & Desalination Company	(a)	Joint venture	**3,055**	2,450
Shams Ad-Dhahira Generating Company SAOC	(d), (e)	Joint venture	**3,200**	315
Saudi Malaysia Water and Electricity Company	(d)	Joint venture	**395**	1,197
Risha for Solar Energy Projects	(a)	Joint venture	**204**	889
Other related parties		Joint venture	**40,486**	38,289
			780,656	745,661
Due from related parties				
Non-current:				
ACWA Guc Isletme Ve Yonetim Sanayi Ve Ticaret	(g)	Joint venture	**-**	25,046
			-	25,046

22 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	Notes	*Relationships*	*As at*	
			31 Dec 2021	31 Dec 2020
Due to related parties				
Non-current:				
ACWA Power Renewable Energy Holding Company	(b)	Joint venture	**760,873**	773,060
Water and Electricity Holding Company CJSC	(i)	Shareholder's subsidiary	**707,410**	677,966
Loans from minority shareholders of subsidiaries	(c)	-	**126,569**	126,813
			1,594,852	1,577,839
Current:				
ACWA Power Africa Holdings (Pty) Ltd	(h)	Joint venture	**17,953**	21,306
ACWA Guc Isletme Ve Yonetim Sanayi Ve Ticaret	(j)	Joint venture	**44,746**	-
Others		Affiliates	**20,786**	21,974
			83,485	43,280

(a) These balances mainly include amounts due from related parties to First National Holding Company ("NOMAC") (and its subsidiaries) for operation and maintenance services provided to the related parties under operation and maintenance contracts. In certain cases, the balance also includes advances provided to related parties that have no specific repayment date.

(b) During 2018, ACWA Renewable Energy Holdings Limited ("APREH") entered into a convertible loan agreement whereby amounts drawn down under such agreement was advanced to the ACWA Power Global Services ("APGS"), a fully owned subsidiary of the Company, through an intra-group shareholder advance agreement ("the agreement"). An amount of SR 1,361.2 million was advanced to APGS and bore a commission rate of 4.3% per annum for first 18 months and 3.4% per annum thereafter on the principal outstanding. On 31 December 2019, pursuant to the option available under the Agreement, a portion of loan amounting to SR 580.6 million was converted as sales consideration against the sale of 49% of the Group's shareholding in APREH. In addition, during 2020, the Group have agreed an additional consideration of SR 7.9 million as part of adjustments with respect to the sale of 49% of Group's shareholding in APREH.

The outstanding loan balance is repayable within 60 months from first utilization in the event of non-conversion. The debt is guaranteed by ACWA Power (i.e. recourse to ACWA Power).

(c) This includes:

- Loan payable to non-controlling shareholders of ACF Renewable Energy Limited amounting to SR 41.4 million (2020: SR 41.6 million). The loans are due for repayment in 2024 and carry profit rate at 5.75% per annum; and
- Loan payable to non-controlling shareholders of Qara Solar Energy Company amounting to SR 85.2 million (2020: SR 85.2 million). The loans are due for repayment in 2024 and carry profit rate at Libor + 1.3% per annum.

(d) The balance represents advance provided to related parties that has no specific repayment and bears no profit rate.

(e) This represents receivable on account of development fee and reimbursement of cost incurred on behalf of the equity accounted investee.

(f) The balance represents interest receivable from an equity accounted investee on account of shareholder loan. The shareholder loan is a long-term interests in the project, and classified within equity accounted investees.

(g) This represents amounts payable to NOMAC for operation and maintenance services provided to the project company under operation and maintenance contracts. During the year 2021, the Group has reversed an impairment loss of SR 4.9 million which was recognised in year 2020 (2020: provision of SR 28.5 million) upon partial recovery of balance. The balance as of 31 December 2021, represents the receivable related to O&M services provided during the year 2021.

(h) This represents amounts payable to an equity accounted investee in respect of project development cost.

22 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(i) During 2020, the Group declared a one-off dividend of SR 2,701.0 million. A portion of such declared dividend, payable to the Public Investment Fund of Saudi Arabia (the "Shareholder"), was converted into a long-term non-interest-bearing loan amounting to SR 901.0 million through a wholly owned subsidiary of the Shareholder. This loan may be adjusted, on behalf of the subsidiary of the Shareholder, against future investments in renewable projects made by the Company, based on certain conditions. The loan will be repaid or settled by 31 December 2030 unless the repayment or settlement period is mutually extended by both parties. The Group recorded this loan at the present value of expected cash repayments discounted using an appropriate rate applicable for long-term loans of a similar nature. The difference between the nominal value of the loan and its discounted value was recognised as other contribution from shareholder within share premium. During the year 2021, SR 29.4 million (2020: SR 9.7 million) finance charge was amortised on the outstanding loan balance.

(j) This represents advance received from equity accounted investee on account of operation and maintenance services to be rendered. This will be paid to an external supplier within next 12 months.

23 OTHER FINANCIAL LIABILITIES

23.1 Other financial liabilities

Other financial liabilities as reported in consolidated statement of financial position as of 31 December 2020 includes:

(a) SR 217.1 million (31 December 2020: SR 291.0 million) on account of financial liabilities assumed on loss of control in a subsidiary during 2018 (note 7.1.5).

(b) SR 5.2 million (31 December 2020: SR 11.2 million), liability with respect to put options written by the Group in respect of shares held by non-controlling interests in a consolidated subsidiary. The contractual obligation to purchase equity instruments was initially recognised as a financial liability and a corresponding amount has been recorded in equity in the consolidated statement of financial position at the present value of the redemption amount being SR 27.2 million (note 13.2).

(c) The Group has entered into a coal supply agreement (the "Ancillary Agreement") with a third party supplier, in relation to an independent power plant (IPP) owned by an equity accounted investee, where the Group has committed to cover the difference or take up the surplus between two agreed prices with the coal supplier during the IPP's period of operations. Pursuant to the agreement, for any difference between two agreed price formulas (i.e. reference under the coal supply agreement as opposed to the coal supplier's actual prices agreed on sourcing of such coal) the Group is obliged to pay or receive the difference when the coal is procured. The coal prices are determined with reference to coal price indices which act as a market reference for coal trading in Europe and Asia. Thus, the Ancillary Agreement has an embedded commodity swap (the "Derivative") that needs to be separated and carried at fair value.

On initial recognition, the Group has estimated a Derivative liability computed using the discounted cash flow method, with the corresponding impact in carrying value of the investment of the equity accounted investee of the Group. Subsequent to a directive from the off-taker, the plant is in process of converting its operation from the primary fuel source (coal) to natural gas. Based on management assessment the coal consumption in future will be very minimal. As a result, the Group has revised the expected consumption and recognised a liability of SR 171.4 million (SR 43.0 million non-current and SR 128.4 million current liabilities) in the consolidated statement of financial position as of 31 December 2021.

The fair value of the liability is sensitive to various factors including coal prices, actual quantity of coal consumption, and discount rate. The impact on the fair value of the liability due to independent changes in key assumptions are as follows. The actual impact on the financial statements would be the cumulative effect of different variables.

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

23 OTHER FINANCIAL LIABILITIES (CONTINUED)

23.2 Other liabilities

	Note	**As at 31 Dec 2021**	As at 31 Dec 2020
Liabilities in relation to long term spares agreement		**114,647**	130,339
Asset retirement obligations	23.2.1	**194,320**	130,464
Long term incentive plan	23.2.2	**60,995**	-
Lease liabilities		**38,991**	48,619
		408,953	309,422

23.2.1 The movement of asset retirement obligations is as follows:

	2021	2020
Balance at beginning of the year	**130,464**	81,231
Recognised during the year	**55,875**	41,906
Unwinding of interest	**7,981**	7,327
Balance at end of the year	**194,320**	130,464

23.2.2 During the year, the Board of Directors approved a cash based long term incentive plan (the "LTIP") which was granted to certain members of management. The LTIP covers a nine-year period in total effective from 1 January 2020 and comprises three separate performance periods of three years each. Cash awards will vest pursuant to the LTIP at the end of each performance period subject to the achievement of performance conditions. Accordingly, a provision of SR 60.9 million has been recognised within general and administration expenses representing the performance periods for 2020 (SR 29.3 million) and 2021 (SR 31.6 million) years.

24 REVENUE

	Notes	**2021**	2020
Services rendered			
Operation and maintenance		**1,839,692**	1,505,206
Development and construction management services		**653,478**	460,779
Others		**17,464**	26,169
Sale of electricity			
Capacity charges		**1,036,248**	1,048,140
Energy output		**393,165**	458,074
Finance lease income	8	**313,110**	258,870
Sale of water			
Capacity charges	24.1	**971,453**	969,958
Water output	24.1	**136,330**	101,915
		5,360,940	4,829,111

Refer note 34 for the geographical distribution of revenue.

24.1 Includes revenue from sale of steam of SR 395.9 million during the year (2020: SR 389.4 million).

24.2 In addition to the amounts mentioned in the above table, income in relation to management advisory services, and ancillary support services provided to equity accounted investees amounting to SR 141.5 million (2020: SR 151.9 million) has been presented as other operating income.

25 OPERATING COSTS

	Notes	**2021**	2020
Direct material cost		**663,908**	493,528
Depreciation	5.3	**579,457**	533,182
Operating and technical fee		**365,492**	363,566
Staff cost		**535,641**	515,306
Natural gas and fuel cost		**144,313**	229,487
Direct insurance cost		**85,946**	82,318
Peak liquidated damages		**-**	5,610
Other direct overheads		**85,797**	78,365
		2,460,554	2,301,362

26 GENERAL AND ADMINISTRATION EXPENSES

	Notes	**2021**	2020
Salaries and other employee benefits		**520,874**	438,399
Professional and legal fees		**141,442**	127,137
Provision for long term incentive plan	23.2.2	**60,995**	-
Provisions and write-offs	26.1	**52,736**	97,142
Depreciation expense	5.3	**28,618**	23,732
Communication and subscription costs		**14,601**	18,824
Travel expenses		**14,501**	14,732
Rent and utilities expenses		**13,463**	18,975
Amortisation of intangible assets	6.2	**12,851**	10,461
Directors' remuneration		**11,353**	7,847
Public relations cost		**8,779**	10,084
Repairs and maintenance expenses		**4,931**	4,128
Others		**55,625**	47,421
		940,769	818,882

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

- Trade receivables, related party balances and other assets amounting to SR 22.8 million (2020: SR 79.3 million); and
- Inventories amounting to SR 29.9 million (2020: SR 17.8 million).

27 OTHER INCOME, NET

	Notes	**2021**	2020
Finance income from shareholder loans given to joint ventures	22.1	**54,754**	35,287
Income earned on deposits		**17,584**	19,859
Gain on remeasurement of options		**6,075**	24,651
Insurance recoveries		**21,969**	59,193
(Loss) / gain on disposal of property, plant and equipment's		**(7,747)**	9,588
Others		**3,673**	7,030
		96,308	155,608

28 IMPAIRMENT LOSS AND OTHER EXPENSES, NET

	Notes	**2021**	2020
Impairments loss	28.1	**60,024**	137,485
Liquidated damages, net of recoveries	28.2	**-**	(8,934)
Corporate social responsibility	28.3	**16,458**	52,500
Share based payments expenses	28.4	**280,000**	-
		356,482	181,051

28.1 Impairments loss

	Notes	**2021**	2020
Impairment loss on property, plant and equipment	5	**-**	129,985
Impairment loss on goodwill	6.1	**60,024**	7,500
		60,024	137,485

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

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

Due to uncertainty around the renewal of PWPA (Main Plant) and the operation of the spot market, an impairment assessment was performed under IFRS to assess the recoverable amount. For these purposes, a third-party expert was engaged to determine the Project's recoverable amount.

The recoverable amount was assessed to be higher than the carrying amount of the asset and no impairment was recorded in the current year (2020: impairment of SR 130 million recorded). A pre-tax discount rate of 7.57% (2020: 7.60%) was used in assessing the present value of future cash flows. However, a change in discount rate by 1% will not cause the carrying amount to exceed its recoverable amount due to availability of sufficient headroom.

As the PWPA of Barka (Main Plant) has expired and Barka is not earning any revenues from the power plant, it may likely not be able to settle certain liabilities related to Barka's long term loan and other third-party service providers unless the power plant secures a bilateral contract in time. However, since Barka has already secured a WPA extension on its two RO Plants, it will engage with its project lenders and service providers to assess the best way forward for the outstanding liabilities.

28.2 Liquidated damages, net of recoveries

	2021	2020
Liquidated damages expense	-	-
Liquidated damages recovery	-	(8,934)
	-	(8,934)

This represents liquidated damages due to or paid to off taker in accordance with terms of power and water purchase agreements on account of delay in achievement of commercial operation. Liquidated damages presented in profit or loss are net of any liquidated damages negotiated with EPC contractor by the Group's subsidiaries.

28 IMPAIRMENT LOSS AND OTHER EXPENSES, NET (CONTINUED)

28.3 During the year 2021, the Group contributed SR 16.5 million in various countries including Saudi Arabia primarily to support education and related infrastructure.

During 2020, the Group's contribution amounting to SR 52.5 million to support national health efforts in Saudi Arabia to contain the impact of the Covid-19 pandemic. Funds were utilised to build an integrated mobile hospital with a 100-bed capacity in cooperation with a local construction company that is a wholly owned subsidiary of a shareholder. The new mobile hospital was fully resourced with the medical equipment and supplies required to treat Covid-19 cases.

28.4 On 30 March 2021, the Board of Directors approved an incentive plan comprising shares and cash benefits (the "Plan") for eligible employees payable upon a successful listing of the Company subject to other performance conditions. On 13 June 2021, the shareholders of the Company approved the Plan. The Plan was granted and vested to eligible employees on 28 September 2021. Accordingly, the Group recognised a share based payment expense, amounting to SR 280.0 million (SR 231.7 million, equivalent to 4,137,552 shares at IPO price of SR 56 per share and SR 48.3 million on account of equity settled and cash settled share based payments respectively), equivalent to the fair value of the Plan at grant date.

29 EXCHANGE LOSS, NET

	2021	2020
Realised exchange (loss) / gain	**(31,496)**	9,153
Unrealised exchange loss	**(15,007)**	(32,613)
	(46,503)	(23,460)

30 FINANCIAL CHARGES

	Notes	**2021**	2020
Financial charges on borrowings		**915,468**	940,105
Financial charges on letters of guarantee		**62,744**	45,689
Financial charges on loans from related parties	22.1	**55,979**	47,467
Other financial charges		**25,578**	35,187
		1,059,769	1,068,448

30.1 Other financial charges includes discount unwinding on long term receivables amounting to SR 14.4 million (2020: nil million).

31 EARNINGS PER SHARE

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

	31 Dec 2021	31 Dec 2020
Issued ordinary shares as at	**731,100**	645,763
Weighted average number of ordinary shares outstanding during the year ended	**664,701**	645,763

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

Net profit for the year attributable to equity holders of the Parent	**758,798**	882,568
Profit for the year from continuing operations attributable to equity holders of the Parent	**758,798**	866,843
Basic and diluted earnings per share to equity holders of the Parent (in SR)	**1.14**	1.37
Basic and diluted earnings per share for continuing operations to equity holders of the Parent (in SR)	**1.14**	1.34

32 DISCONTINUED OPERATION

32.1 ACWA Power CF Karad PV Park EAD

On 14 December 2019, the Group entered in to sale and purchase agreement with a third party buyer with respect to disposal of its entire shareholding in ACWA Power CF Karad PV Park ("Karad"). Legal formalities with respect to disposal were completed on 10 September 2020.

As at 10 September 2020, assets, liabilities and other reserves associated with Karad amounted to SR 499.6 million, SR 433.4 million and SR 1.9 million respectively. The Group recorded a loss of SR 21.9 million on this disposal which has been accounted for as assets held for sale in the consolidated statement of profit or loss.

Results of Karad for the year 2020 is as follows:

	2020
Revenue	63,004
Operating costs	(18,337)
General and administration expenses	(5,501)
Exchange loss, net	6,548
Financial charges, net	(20,936)
Tax credit	4,183
Profit for the year ended 31 December	28,961
Loss recognised on loss of control	(21,939)
Profit from discontinued operations including loss recognised on loss of control	7,022
Profit attributable to:	
Equity holders of the parent	2,949
Non-controlling interest	4,073
	7,022

33 CONTINGENCIES AND COMMITMENTS

As at 31 December 2021, the Group had outstanding contingent liabilities in the form of letters of guarantee, corporate guarantees issued in relation to bank facilities for project companies and performance guarantees amounting to SR 13.67 billion (31 Dec 2020: SR 11.34 billion). The amount also includes the Group's share of equity accounted investees' commitments.

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

	As at 31 Dec 2021	As at 31 Dec 2020
Performance/development securities and completion support Letters of Credit ("LCs")	**5,440,657**	5,104,362
Guarantees in relation to bridge loans and equity LCs	**4,988,118**	3,803,049
Guarantees on behalf of joint ventures and subsidiaries	**1,915,977**	1,082,764
Debt service reserve account ("DSRA") standby LCs	**1,193,726**	1,146,903
Bid bonds for projects under development stage	**136,018**	154,022
Guarantees to funded facilities of joint ventures	**-**	53,760
	13,674,496	11,344,860

In addition to commitments disclosed above, the Group has also committed to contribute SR 131.0 million towards the equity of an equity accounted investee during 2023.

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

33 CONTINGENCIES AND COMMITMENTS (CONTINUED)

In one of the Group's subsidiaries, "CEGCO", the fuel supplier ("Jordan Petrol Refinery PLC") has claimed an amount of SR 610.0 million (31 Dec 2020: SR 582.4 million) as interest on late payment of the monthly fuel invoices. The Fuel Supply Agreement ("FSA") with the Supplier stipulates that the Supplier shall be entitled to receive interest on late payment of the unpaid invoices after 45 days from invoice. However, the FSA in Article 13.3 further provides that CEGCO shall not be liable for non-performance under the FSA and shall not be in default to the extent such non-performance or default is caused by the off-taker ("NEPCO"). Given the delay in making the fuel payments to the Supplier are caused by the delay in receipt of the fuel revenues from NEPCO, contractually the Supplier has no basis to claim for any delay interest from CEGCO. Hence, the management and its independent legal counsel are of the view that as per the terms of the FSA signed between the Supplier and CEGCO, the Supplier has no contractual basis to claim these amounts. Accordingly, no provision has been made in these consolidated financial statements.

The Group also has a commitment to contribute SR 75.0 million towards corporate social responsibility initiatives in Uzbekistan during 2022.

In addition to above, the Group also has contingent assets and liabilities with respect to certain disputed matters, including claims by and against contractors and arbitrations involving a variety of issues. These contingencies arise in the ordinary course of business. It is not anticipated that any material adjustments to these consolidated financial statements will result from these contingencies.

34 OPERATING SEGMENTS

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

During the year ended 31 December 2020, the Group amended its reportable operating segments. In line with its continued focus on environment and sustainability, the Group continues to see increasing growth in the renewables part of its business. This has resulted in a change in the information provided regularly to the chief operating decision maker, to include discrete information on results from renewable power activities, as well as thermal and water desalination activities combined. This information is used to make decisions about resources to be allocated to each segment and to assess segmental performance.

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

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

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

34 OPERATING SEGMENTS (CONTINUED)

Key indicators by reportable segment

Revenue

	2021	2020
(i) Thermal and Water Desalination	**4,315,991**	3,986,292
(ii) Renewables	**1,027,485**	816,650
(iii) Others	**17,464**	26,169
Total revenue	**5,360,940**	4,829,111

Operating income before impairment and other expenses

	2021	2020
(i) Thermal and Water Desalination	**2,216,978**	2,056,847
(ii) Renewables	**522,678**	348,163
(iii) Others	**16,511**	25,625
Total*	**2,756,167**	2,430,635
Unallocated corporate operating income / (expenses)		
General and administration expenses	**(569,623)**	(422,344)
Provision reversal on project development cost	**-**	(80,867)
Depreciation and amortization	**(19,229)**	(23,598)
Provision for long term incentive plan	**(60,995)**	-
Provision reversal / (charge) on due from related party	**4,873**	(28,500)
Restructuring costs**	**-**	(9,403)
Other operating income	**82,284**	83,067
Total operating income before impairment and other expenses	**2,193,477**	1,948,990

Segment profit

	Notes	2021	2020
(i) Thermal and Water Desalination		**1,608,741**	1,512,906
(ii) Renewables		**133,690**	129,264
(iii) Others		**16,187**	25,819
Total*		**1,758,618**	1,667,989
Reconciliation to profit for the year from continuing operations			
General and administration expenses		**(569,623)**	(422,344)
Impairments in relation to subsidiaries	28.1	**(60,024)**	(137,485)
Impairments in relation to equity accounted investees, net	7.1.1, 7.1.3	**(62,969)**	(30,000)
Share based payments	28.4	**(280,000)**	-
Provision for long term incentive plan	23.2.2	**(60,995)**	-
Provision for zakat and tax on prior year assessments	20.3	**(13,399)**	(100,511)
Corporate social responsibility contribution	28.3	**(16,458)**	(52,500)
Provision reversal on project development cost	11.4	**-**	(80,867)
Provision reversal / (charge) on due from related party	22 (g)	**4,873**	(28,500)
Gain on remeasurement of options	27	**6,075**	24,651
Discounting impact on loan from shareholder subsidiary	22 (i)	**(29,444)**	(9,734)
Restructuring costs**		**-**	(9,403)
Depreciation and amortization		**(19,229)**	(23,598)
Other operating income		**82,284**	83,067
Other income		**67,548**	32,265
Financial charges and exchange loss, net		**(29,336)**	(13,281)
Zakat and tax charge		**(34,013)**	(17,160)
Profit for the year from continuing operations		**743,908**	882,589

34 OPERATING SEGMENTS (CONTINUED)

Key indicators by reportable segment (continued)

**The segment total operating income does not necessarily tally with the statement of profit or loss, as these are based on information reported to the Management Committee.*
***Costs relating to a restructuring of the Group's business effective 2020. Costs pertain to professional consultancy fees.*

Geographical concentration

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

	Revenue from continuing operations		Non-current assets	
	2021	2020	**31 Dec 2021**	31 Dec 2020
Kingdom of Saudi Arabia	**2,349,518**	2,253,549	**20,253,954**	16,542,250
Middle East and Asia	**2,477,011**	2,126,612	**6,382,012**	4,512,823
Africa	**534,411**	448,950	**9,404,418**	9,832,944
	5,360,940	4,829,111	**36,040,384**	30,888,017

Information about major customers

During the period, two customers (2020: three) individually accounted for more than 10% of the Group's revenues. The related revenue figures for these major customers, the identity of which may vary by period, were as follows:

	Revenue	
	2021	2020
Customer A	**1,166,491**	1,154,863
Customer B	**636,975**	608,561
Customer C	**-**	497,605

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

35 RISK MANAGEMENT

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

35.1 Credit risk

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

35 RISK MANAGEMENT (CONTINUED)

35.1 Credit risk (continued)

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

	Notes	**As at 31 Dec 2021**	As at 31 Dec 2020
Cash and cash equivalents		**5,172,921**	832,668
Net investment in finance lease	8	**12,748,295**	10,928,908
Trade accounts receivable	11	**1,318,916**	1,305,077
Due from related parties	22	**780,656**	770,707
Insurance receivables	11.3	**388,454**	516,748
Other financial assets		**32,104**	46,720
		20,441,346	14,400,828

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

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

Trade accounts receivables

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

	As at 31 Dec 2021	As at 31 Dec 2020
Hashemite Kingdom of Jordan (covered by government guarantee)	**519,546**	627,087
Sultanate of Oman (covered by government guarantee)	**72,684**	178,064
Morocco (covered by government letter of support)	**125,311**	165,958
Kingdom of Saudi Arabia ("KSA")	**328,109**	196,371
United Arab Emirates ("UAE") and others	**273,266**	137,597
	1,318,916	1,305,077

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

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

	As at 31 Dec 2021	As at 31 Dec 2020
Neither past due nor impaired	**461,616**	597,309
Past due 1-90 Days	**290,659**	135,774
More than 90 Days	**566,641**	571,994
	1,318,916	1,305,077

35 RISK MANAGEMENT (CONTINUED)

35.1 Credit risk (continued)

Management believes that the unimpaired amounts that are past due by more than 90 days are still collectible in full, based on past history and expected credit loss model which involves extensive analysis of credit risk, including customers' credit ratings if they are available.

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

	2021	2020
Opening balance at 1 January	**28,795**	31,657
Impairment loss / (reversal)	**724**	(2,862)
Closing balance at 31 December	**29,519**	28,795

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

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

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

Effective from 31 July 2021, ACWA Re will retain risk on certain reinsurance programs, with a total combined maximum exposure of up to SR 37.5 million during the policy period until 30 July 2022, with a sublimit of SR 9.4 million per incident or claim.

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

Due from related parties and other financial assets
Other financial assets includes dividend receivable, advances for investments, advances to employees and other receivables. Credit risk attached to related party balances is limited due to sound financial position of the related parties. There is no credit risk attached to advances for investments and advances to employees. Credit risk attached to other financial instruments is not considered significant and the Group expects to recover them fully at their stated carrying amounts.

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

35 RISK MANAGEMENT (CONTINUED)

35.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Group's reputation. Accordingly, the Group ensures that sufficient bank facilities are always available.

The Group's ratio of current assets to current liabilities ("current ratio") at 31 December 2020 was below one, mainly due to the reduction in current assets on account of the cash dividend paid in 2020 of SR 1,000.0 million combined with increase in current liabilities mainly due to the reclassification of a long-term loan amounting to SR 1,155.0 million, from non-current liabilities to current liabilities (refer to note 15.6). In addition, current liabilities increased due to the dividend payable balance of SR 800.0 million at year end. Excluding the loan balance, which will be reclassified to non-current liabilities in the next reporting period, and the dividend payable, the current ratio was above one.

As at 31 December 2021, the Group had SR 1,754.0 million remaining undrawn from its Revolving Corporate Murabaha Facility and other corporate revolver facilities.

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

				Contractual cash flows		
As at 31 Dec 2021	**Carrying Amount**	**Total**	**No fixed maturity**	**0-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities						
Short term facilities	**186,381**	**191,972**	**-**	**191,972**	**-**	**-**
Term financing and funding facilities	**23,815,229**	**35,993,352**	**-**	**1,977,277**	**14,434,465**	**19,581,610**
Due to related parties	**1,678,337**	**2,027,206**	**83,485**	**61,247**	**920,400**	**962,074**
Other financial liabilities	**4,036,552**	**4,075,130**	**3,865,149**	**128,358**	**11,511**	**70,112**
	29,716,499	**42,287,660**	**3,948,634**	**2,358,854**	**15,366,376**	**20,613,796**
Derivative financial liabilities						
Interest rate swaps and currency forwards used for hedging	**406,948**	**646,657**	**-**	**106,926**	**118,593**	**421,138**
As at 31 Dec 2020						
Non-derivative financial liabilities						
Short term facilities	364,847	375,792	-	375,792	-	-
Term financing and funding facilities	18,465,104	27,860,037	-	2,017,828	9,047,860	16,794,349
Due to related parties	1,621,119	1,990,784	50,607	57,703	920,400	962,074
Other financial liabilities	4,506,133	4,506,133	4,506,133	-	-	-
	24,957,203	34,732,746	4,556,740	2,451,323	9,968,260	17,756,423
Derivative financial liabilities						
Interest rate swaps and currency forwards used for hedging	710,373	938,709	-	104,387	394,943	439,379

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

35 RISK MANAGEMENT (CONTINUED)

35.2 Liquidity risk (continued)

Changes in liabilities arising from financing activities

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

	As at 1 Jan	*Cashflows*	*Exchange loss / unwinding of interest*	*Other movements*	*As at 31 Dec*
2021					
Financing and funding facilities	**19,984,747**	**4,001,856**	**15,007**	**-**	**24,001,610**
Dividends payable	**800,881**	**(905,924)**	**-**	**106,348**	**1,305**
Due to related parties	**1,621,119**	**27,774**	**29,444**	**-**	**1,678,337**
Other financial liabilities	**302,240**	**(142,060)**	**-**	**233,474**	**393,654**
Fair value of derivatives	**710,373**	**-**	**-**	**(348,965)**	**361,408**
2020					
Financing and funding facilities	20,196,391	(252,085)	32,613	7,828	19,984,747
Dividends payable	-	-	-	800,881	800,881
Due to related parties	880,166	948,420	-	(207,467)	1,621,119
Other financial liabilities	395,724	(116,807)	-	23,323	302,240
Fair value of derivatives	338,325	-	-	372,048	710,373

35.3 Market risk

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

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

Foreign currency risk

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

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

35 RISK MANAGEMENT (CONTINUED)

35.3 Market risk (continued)

Equivalent to thousands of Saudi Riyals	EUR	MAD	ZAR	JPY
As at 31 Dec 2020				
Borrowings and other financial liabilities	3,826,870	2,591,525	-	141,318
Net investment in finance lease	(3,874,007)	(3,001,992)	-	-
Net position	(47,137)	(410,467)	-	141,318
Impact of currency forwards	-	-	-	(53,898)
Net exposure	(47,137)	(410,467)	-	87,420

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

	Impact - (Profit) or loss	
	Strengthening	Weakening
For the year ended 31 Dec 2021		
EUR (5% movement)	**(1,870)**	**1,870**
MAD (5% movement)	**(30,001)**	**30,001**
JPY (5% movement)	**3,377**	**(3,377)**
ZAR (5% movement)	**12,542**	**(12,542)**
For the year ended 31 Dec 2020		
EUR (5% movement)	(2,357)	2,357
MAD (5% movement)	(20,523)	20,523
JPY (5% movement)	4,371	(4,371)

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

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

	As at 31 Dec 2021	As at 31 Dec 2020
Financial liabilities		
Fixed rate including interest free	**13,768,915**	14,661,145
Floating rate	**10,046,314**	4,958,755

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

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

35 RISK MANAGEMENT (CONTINUED)

35.3 Market risk (continued)

	Profit or loss		Equity	
	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
For the year ended 31 Dec 2021				
Variable rate financial liabilities	**(100,463)**	**100,463**	**(100,463)**	**100,463**
Interest rate swaps	**65,798**	**(65,798)**	**65,798**	**(65,798)**
Net sensitivity	**(34,665)**	**34,665**	**(34,665)**	**34,665**
For the year ended 31 Dec 2020				
Variable rate financial liabilities	(49,588)	49,588	(49,588)	49,588
Interest rate swaps	38,713	(38,713)	38,713	(38,713)
Net sensitivity	(10,875)	10,875	(10,875)	10,875

IBOR Reforms

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

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

The tables below show the Group's exposure to significant IBORs subject to reform that have yet to transition to RFRs as at the current year end and the prior year end:

	Floating rate financial liabilities	Derivatives notional
31 December 2021		
Consolidated entities	**10,046,314**	**6,611,973**
Equity accounted investees	**75,542,579**	**23,407,451**
31 December 2020		
Consolidated entities	4,958,755	3,925,177
Equity accounted investees	42,149,822	21,287,974

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

a. *Effective interest rate method and liability derecognition*

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

35 RISK MANAGEMENT (CONTINUED)

35.3 Market risk (continued)

Interest rate risk (continued):

IBOR Reforms (continued)

For changes that are not required by IBOR reform, the Group will apply judgement to determine whether they result in the financial instrument being derecognised. Therefore, as financial instruments transition from IBOR to RFRs, the Group will apply judgment to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Group will consider the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. Examples of changes that are economically equivalent include changing the reference interest rate from an IBOR to an RFR, changing the reset period for days between coupons to align with the RFR, adding a fallback to automatically transition to an RFR when the IBOR ceases, and adding a fixed credit adjustment spread based on that calculated by ISDA or which is implicit in market forward rates for the RFR.

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

b. Hedge Accounting

The Group applies the temporary reliefs provided by the IBOR reform Phase 1 amendments, which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. For the purpose of determining whether a forecast transaction is highly probable, the reliefs require it to be assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform. The reliefs end when the Group judges that the uncertainty arising from IBOR reform is no longer present for the hedging relationships referenced to IBORs. This applies when the hedged item has already transitioned from IBOR to an RFR and also to exposures that will transition via fallback to an RFR when certain LIBORs cease on 1 January 2022.

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

36 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

36 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

		Fair value			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
As at 31 Dec 2021					
Financial liabilities					
Fair value of derivatives used for hedging	**361,408**	**-**	**361,408**	**-**	**361,408**
Long-term financing and funding facilities	**23,815,229**	**3,619,044**	**20,810,769**	**-**	**24,429,813**
Other financial liabilities	**393,654**	**-**	**-**	**393,654**	**393,654**
As at 31 Dec 2020					
Financial liabilities					
Fair value of derivatives used for hedging	710,373	-	710,373	-	710,373
Long-term financing and funding facilities	19,619,900	3,648,439	15,462,487	-	19,110,926
Other financial liabilities	302,240	-	-	302,240	302,240

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

Valuation technique and significant unobservable inputs

Type	**Valuation technique**	**Significant unobservable input**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Derivatives used for hedging* Bank borrowings **	Discounted cash flows: the valuation model considers the present value of expected payments or receipts discounted using the risk adjusted discount rate or the market discount rate applicable for a recent comparable transaction.	Not applicable	Not applicable
Other derivatives*	Other derivatives represent options that are valued using the valuation models wherein fair values are determined through valuation techniques based on discounted cash flows and include a discount for lack of marketability and project specific factors representing the amounts that the Group has determined that market participants would take into account when pricing these instruments.	Contracted capacities and risk adjusted discount rate	The estimated fair value would increase or decrease if: • the actual availabilities are different to contracted capacities; or • the risk adjusted discount rate were higher or lower.

* The instruments were measured at fair value in consolidated statement of financial position.
** The fair value of these instruments were measured for disclosure purpose only.

37 FINANCIAL INDICATORS USED IN FINANCIAL COMMUNICATION

The purpose of this note is to present certain financial indicators, if not disclosed already, used by the Group as well as their reconciliation with the aggregates of the consolidated financial statements.

37.1 Financial information of material joint ventures (project companies) owned by the Group's equity accounted investees

Name of Project Company	Equity accounted investee having ownership in the Project Company (note 7)	Non-current assets	Cash and cash equivalents	Other current assets	Short-term borrowings	Other current liabilities	Long-term borrowings	Other non-current liabilities	Revenue	Net profit / (loss)
31 December 2021										
Jubail Water and Power Company	SGA Marafiq	**7,682,463**	**130,548**	**320,741**	**(597,606)**	**(319,736)**	**(5,010,613)**	**(203,843)**	**1,103,729**	**325,256**
Shuaibah Water & Electricity Company	SAMAWEC	**5,667,102**	**173,608**	**224,448**	**(543,765)**	**(170,864)**	**(2,228,232)**	**(574,496)**	**1,089,771**	**394,041**
Shuaibah Expansion Project Company	SAMAWEC	**592,638**	**6,013**	**29,935**	**(45,917)**	**(30,079)**	**(247,788)**	**(106,775)**	**154,366**	**32,435**
Shuqaiq Water and Electricity Company	SIWEC	**4,883,871**	**6,902**	**184,953**	**(266,659)**	**(181,280)**	**(2,564,923)**	**(593,369)**	**781,537**	**234,242**
Hajr for Electricity Production Company	QIC	**8,635,071**	**79,554**	**211,141**	**(286,338)**	**(381,903)**	**(5,194,463)**	**(647,117)**	**994,680**	**76,162**
31 December 2020										
Jubail Water and Power Company	SGA Marafiq	8,264,444	133,938	412,637	(555,272)	(404,594)	(5,608,219)	(486,511)	1,121,073	337,700
Shuaibah Water & Electricity Company	SAMAWEC	5,933,677	154,903	189,584	(433,559)	(198,957)	(2,772,127)	(689,045)	1,051,478	297,603
Shuaibah Expansion Project Company	SAMAWEC	621,199	9,605	28,136	(43,036)	(30,136)	(293,243)	(129,841)	152,964	28,138
Shuqaiq Water and Electricity Company	SIWEC	5,089,424	4,457	175,525	(312,986)	(64,980)	(2,813,351)	(919,025)	777,459	180,830
Hajr for Electricity Production Company	QIC	8,926,424	196,993	137,392	(287,367)	(466,136)	(5,470,494)	(811,067)	999,845	26,159

38 OTHER SIGNIFICANT DEVELOPMENTS DURING THE YEAR

38.1 In response to novel Coronavirus ("COVID-19"), which has caused global economic disruption, the Group has implemented active prevention programs at its sites and contingency plans in order to minimize the risks related to COVID-19, safeguard the continuity of business operations and to ensure the health and safety of its employees.

During the year, management assessed the overall impact of Covid-19 on the Group's operations and business aspects, and considered a range of factors including effects on supply chain, operating capacity/generation of its plants, additional costs in supply chain, and the health and safety of employees. Based on this assessment, no significant adjustments were required in these consolidated financial statements for the year ended 31 December 2021. However, in view of the ongoing uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and/or liabilities in future periods. Management will continue to assess the impact based on prospective developments which could affect the Group's future financial results, cash flows and financial position.

39 SUBSEQUENT EVENTS

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

40 COMPARATIVE FIGURES

Certain figures for the prior periods have been reclassified to conform to the presentation in the current year. Summary of reclassifications are as follows:

Particulars	As previously reported	Reclassifications	As reported in these financial statements
Non-current assets			
Due from related parties	86,658	(61,612)	25,046
Non-current liabilities			
Equity accounted investees	1,182,959	61,612	1,244,571
Other financial liabilities	290,990	11,250	302,240
Current liabilities			
Accounts payable, accruals and other financial liabilities	4,116,726	(11,250)	4,105,476

41 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 12 Shaban 1443H, corresponding to 15 March 2022G.