Abu Dhabi National Energy Company PJSC
(“TAQA”)

PROFORMA FINANCIAL INFORMATION AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

Abu Dhabi National Energy Company PJSC (“TAQA”)

REPORT OF THE BOARD OF DIRECTORS

31 DECEMBER 2021

REPORT OF THE BOARD OF DIRECTORS
For the year ended 31 December 2021

On behalf of the Board of Directors of Abu Dhabi National Energy Company PJSC ("TAQA", the "Company" or the "Group"), I am pleased to present the Company's audited financial statements for the year ended 31 December 2021. This report references comparative proforma financial and operational information for the prior-year period as if the transaction between TAQA and Abu Dhabi Power Corporation ("ADPower") took place on 1 January 2020 (see *"Unaudited Proforma Financial Information – Basis of Preparation"*). This enables a more meaningful like-for-like comparison with prior periods.

In 2021, TAQA delivered a very strong performance underpinned by our contracted and regulated utilities businesses and boosted by the results of our Oil & Gas segment, which reflected a strong recovery in commodity prices to pre-pandemic levels and beyond. Our utilities businesses reliably supply customers with power and water through an portfolio of 17 generation assets with 20.6 GWac and 859 MIGD of gross installed capacity as well as nearly 100 thousand kilometres of transmission and distribution networks. Our international upstream and midstream oil and gas operations, currently under strategic review, benefit from over 300 million barrels of oil equivalent in proved plus probable reserves and a total natural gas storage capacity of 4.7 billion cubic meters (equivalent to 53 terawatt hours).

Financial highlights:

Our 2021 results demonstrate the strength of our financial profile and cash flow generation abilities, allowing the Company to materially reduce balance sheet debt throughout the year.

- Group revenues of AED 45.7 billion were 11% higher than the prior-year period (2020: AED 41.2 billion), primarily due to higher commodity prices within the Oil & Gas segment.
- Adjusted EBITDA was AED 19.7 billion, up 23% (2020: AED 16.0 billion), mainly reflecting higher revenues and improved income from associates, partially offset by higher expenses.
- Net income (TAQA-share) increased to AED 6.0 billion (2020: AED 2.8 billion), which reflected a greater contribution from the Oil & Gas segment and the fact that a AED 1.5-billion post-tax impairment charge was booked in the previous year.
- Capital expenditure was AED 4.7 billion, an increase of 26% (2020: AED 3.7 billion) driven by expenditure in Transmission & Distribution, our largest segment.
- Strong free cash flows of AED 17.8 billion, further improving liquidity following the full repayment of corporate credit facilities in the first half of the year.
- Gross debt levels were reduced to AED 65.0 billion (2020: AED 76.0 billion), further improving the Group's credit metrics.
- Total liquidity increased markedly to AED 21.9 billion by year-end (2020: AED 16.5 billion) including AED 8.4 billion in cash and cash equivalents (2020: AED 8.3 billion), and AED 13.5 billion of undrawn credit facilities (2020: AED 8.2 billion).

Segmental highlights:

- Transmission & Distribution regulated asset value of AED 77.4 billion, a 3% decrease (2020: AED 80.1 billion) on regulatory depreciation outpacing new investments and other pre-set regulatory factors.
- Transmission & Distribution revenues of AED 25.9 billion, 5% higher (2020: AED 24.7 billion) and Adjusted EBITDA of AED 8.4 billion, 6% higher (2020: AED 7.9 billion)
- Generation revenues of AED 12.3 billion, unchanged on the prior-year period (2020: AED 12.3 billion) and Adjusted EBITDA of AED 7.7 billion, also flat to the prior-year period (2020: AED 7.7 billion)
- Oil & Gas revenues of AED 7.4 billion, 78% higher (2020: AED 4.2 billion) and Adjusted EBITDA of AED 4.2 billion, 5.7x that of the prior-year period (2020: AED 0.7 billion)

Operational highlights:

Our utilities businesses maintained high generation and network availabilities, ensuring a secure and reliable supply of power and water throughout the year.

- Transmission average power and water network availability of 98.4%, marginally lower versus the prior-year period (2020: 98.5%)
- Generation global technical availability of 92.3% was lower versus the prior period (2020: 93.9%) mainly due to planned and unplanned maintenance within the UAE fleet.
- Oil & Gas average production volumes were 122.4 mboepd, a 4% increase (2020: 118.0 mboepd) driven by higher production in Europe, in particular the United Kingdom.
- Construction remains underway for low carbon power and water generation projects in the UAE with a combined capacity of 3.9 GWac and 200 MIGD.

Health, Safety, Security and Environment (HSSE):
A fundamental part of TAQA's business, HSSE indicators were unnaturally suppressed in the 2020 comparison year period due to COVID-19 related precautions taken across our businesses. These precautions, which were partially lifted in 2021, included focusing on essential operations and reducing manpower and contractor activities, whilst maintaining minimum safe operating levels during the height of the pandemic.

- One work-related fatality across the Group (2020: zero fatalities)
- Recorded injury rates (RIR) of 0.55 incidents/million hours (2020: 0.41 incidents/million hours)
- Lost time injuries (LTI) numbered 11 (2020: 9)
- Reportable spills numbered 37 (2020: 32)

Key corporate developments:

In March 2021, the Company disclosed its 2030 Strategy and immediately began making progress toward delivering on its various ambitions: to be a leader in low carbon power and water; drive efficiency; grow domestically and internationally; and protect the Company's financial strength.

In May 2021, the Group successfully completed a US$1.5 billion 7-year and 30-year dual-tranche debt refinancing exercise at favourable rates. In June and July 2021, the credit rating agencies affirmed the Company's strong standalone and final credit ratings (Aa3 and AA- by Moody's and Fitch with stable outlook).

Throughout the year, Abu Dhabi Energy Services Co. (ADES), a Super ESCO and wholly-owned subsidiary of the Group pursuing demand-side management initiatives, signed several memoranda of understanding with significant real estate owners, including UAE University (UAEU) and Abu Dhabi Health Services Company (SEHA). These initiatives seek to retrofit government and commercial buildings and facilities by identifying, sourcing and funding solutions that deliver tangible reductions in water and electricity consumption, increasing resource-use efficiency.

In July and August 2021, the Group announced new agreements with key players across several industrial sectors to study the feasibility of significant green hydrogen projects. These include an agreement with Emirates Steel to explore the production and use of green hydrogen in the manufacture of 'green steel'. A similar agreement with Abu Dhabi Ports will see the Company explore a green hydrogen to liquid ammonia project for use by shipping lines in place of bunker fuel or for export from Abu Dhabi Ports via specialized gas carriers.

In September 2021, and as part of the Group's focus on its core utilities business, a strategic review of the Oil & Gas segment was announced, exploring various options ranging from retention to divestment in part or in whole.

In October 2021, the Company won a tender to develop a gas-fired co-generation plant for Saudi Aramco producing almost 1 GW of power and over 1,000 tons of steam an hour. This will include a material stake in the O&M company as the Company looks to further build up operatorship and maintenance capabilities, part of the company's 2030 strategy.

In early December 2021, TAQA announced a new strategic partnership with ADNOC and Mubadala to create a global champion in renewables and green hydrogen. As the largest shareholder in Masdar's renewables platform, the proposed transaction would bolster the Company's position within the renewables space. Upon completion, the strategic partnership will launch with over 23GW of current, committed and exclusive renewable energy capacity, with ambition to grow to well over 50GW by 2030. The partnership will also see TAQA take a minority stake in a new green hydrogen platform that will leverage ADNOC's leading role in hydrogen, with its global trading capabilities, infrastructure and logistics network.

Lastly, in mid-December 2021, TAQA announced a US$3.6 billion strategic project to link ADNOC's offshore production operations to TAQA's onshore grid through the development and operation of a high voltage, direct current subsea transmission system. This would be a first-of-its kind network and is expected to significantly reduce the carbon footprint of ADNOC's offshore operations.

Key corporate governance events:

Changes to the Board of Directors:
With the approval of the amendment of articles of association of the Company on 18 March 2021, the shareholders of the Company increased the Board of Directors' strength from 7 Board members to 9 Board members. Mr. Mansour Almulla and Mr. Hamad Al Hammadi were elected as the two new board members for a term until April 2023.

In July 2021 the Board approved the appointment of Mr. Jorgen Kildahl as an advisor to the Board.

Changes to the organisation structure:
In July 2021, the Board approved certain changes to the executive management team to support TAQA's long-term strategy and growth. Key changes included elimination of the role of Deputy CEO, creation of two new roles, namely that of Chief Business Development Officer and Chief Human Resources Officer, separation of M&A and Strategy functions and the creation of a new role of Director of Sustainability within the Strategy team.

Changes to the Executive Management:
In July 2021, the Board approved the appointment of Mr. Chris George as Executive Director, M&A and Mr. Nabil Almessabi as the Chief Human Resources Officer of the Company.

Looking ahead:

TAQA has continued to make great progress in 2021, firmly emerging as the recognized low carbon power and water champion of Abu Dhabi and beyond. The Group's 2030 Strategy showcases a deep commitment to decarbonization and growth. The significant transactions and projects already announced will, upon completion, significantly help the Group achieve its strategic goals and targets. In its pursuit of growth and sustainable shareholder returns, the Group is extremely well supported by its robust balance sheet, strong cash flows and enviable position amongst the largest listed integrated utilities companies in the EMEA region.

Mohamed Hassan Alsuwaidi
Chairman of the Board
Abu Dhabi National Energy Company PJSC (TAQA)

Abu Dhabi National Energy Company PJSC
(“TAQA”)

UNAUDITED PROFORMA FINANCIAL INFORMATION

31 DECEMBER 2021

BASIS OF PREPARATION

The unaudited pro forma consolidated financial information (“pro forma financial information”) illustrates the effects on the unaudited consolidated statement of profit or loss of the transaction whereby Abu Dhabi Power Corporation (“ADPower”) contributed the majority of its power and water generation, transmission and distribution assets (“Acquired assets”) to Abu Dhabi National Energy Company PJSC (“TAQA”). Further details of the transaction are detailed within note 1 of TAQA’s consolidated financial statements for the year ended 31 December 2021.

The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of profit or loss for the twelve-month period ended 31 December 2020. This statement is prepared as if the transaction has taken place as at 1 January 2020.

The purpose of the unaudited pro forma financial information is to show the material effects that the transaction would have had on the historical consolidated statement of profit or loss as if Abu Dhabi National Energy Company PJSC and its subsidiaries (together referred to as the “Group”) had already existed in the structure created by the transaction at 1 July 2020. They are not representative of the financial situation and performance that could have been observed if the indicated business combination had been undertaken at an earlier date.

The presentation of the unaudited pro forma financial information of the Group is based on certain pro forma assumptions and has been prepared for illustrative purposes only and, because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent and may not give a true picture of the financial performance of the Group.

The unaudited pro forma financial information has been compiled based on the accounting policies adopted by the Group for the preparation of the 31 December 2021 audited consolidated financial statements. Any impact due to changes in the accounting policy and adjustment have been reflected in prior comparative periods. The unaudited pro forma financial information does not take into consideration the effects of expected synergies or costs incurred to achieve these synergies as a result of the transaction. The unaudited pro forma financial information gives no indication of the results and future financial situation of the Group.

UNAUDITED PROFORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2021 (Unaudited)

	Year ended 31 December	
	2021 Actual AED million	2020 Proforma AED million
REVENUES		
Revenue from generation of power and water	**12,337**	12,314
Revenue from transmission and distribution of power and water	**25,928**	24,659
Revenue from oil and gas	**7,425**	4,178
	45,690	41,151
COST OF SALES		
Operating expenses	**(24,006)**	(23,332)
Depreciation, depletion and amortisation	**(11,119)**	(9,606)
Impairment losses	**-**	(2,004)
	(35,125)	(34,942)
GROSS PROFIT	**10,565**	6,209
General and administrative expenses	**(2,257)**	(1,920)
Finance costs	**(3,094)**	(3,271)
Net foreign exchange (loss) gain	**(75)**	241
Interest income	**123**	31
Other income	**1,116**	250
Share of results of associates and joint ventures	**313**	105
Bargain purchase gain	**-**	570
PROFIT BEFORE TAX	**6,691**	2,215
Income tax (expense) credit	**(696)**	797
PROFIT FOR THE YEAR	**5,995**	3,012
Attributable to:		
Equity holders of the parent	**5,960**	2,788
Non-controlling interests	**35**	224
	5,995	**3,012**

Abu Dhabi National Energy Company PJSC
(“TAQA”)

AUDITOR’S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABU DHABI NATIONAL ENERGY COMPANY PJSC

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Abu Dhabi National Energy Company PJSC (the "Company") and its subsidiaries (together referred to as the "Group") ("TAQA"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABU DHABI NATIONAL ENERGY COMPANY PJSC (continued)

Key Audit Matter (continued)

Key audit matter	**How our audit addressed the key audit matter**
Impairment of intangible assets with indefinite useful lives	
The Group has AED 4,755 million of intangible assets with indefinite useful lives as disclosed in Note 14. The Group includes certain Distribution companies in the United Arab Emirates which have license agreements with the Department of Energy ("DOE"). These licenses can only be revoked by DOE after a 25 year notice period. As no notice has been served , these licenses are considered to be intangible assets with indefinite useful lives. In accordance with IAS 36 Impairment of Assets ("IAS 36"), an entity is required to test intangible assets with indefinite useful lives for impairment at least annually irrespective of whether there is any indication of impairment. An impairment is recognized in the consolidated statement of financial position when the recoverable amount is less than the carrying amount in accordance with IAS 36. The determination of the recoverable amount is based on discounted future cash flows. We considered the impairment of intangible assets with indefinite useful lives to be a key audit matter, given the method for determining the recoverable amount and the significance of the balance in the Group's consolidated financial statements. In addition, the recoverable amounts are based on the use of key assumptions, estimates or assessments made by management, in particular future cash flow projections, the estimate of the discount rates and long-term growth rates. Refer to Note 14 in the consolidated financial statements for more details relating to this matter.	We assessed the design of relevant controls over the process of determining the allowance for impairment of intangible assets with indefinite useful lives and determined if they had been appropriately implemented. These controls included, inter alia, the following: • Controls over the accuracy and completeness of the impairment assessment models; and • Controls over Management's annual preparation of the impairment assessment, including calculations performed and estimates applied. In addition, we also performed the following substantive audit procedures: ▪ Engaged our internal valuation specialists to assess the appropriateness of the impairment model for each license agreement; ▪ Evaluated whether the impairment model used by management to calculate the value in use of each cash-generating unit complies with the requirements stipulated in IAS 36; ▪ Assessed the impairment assessment models provided by management for each license agreement to determine whether they are reasonable and supportable; ▪ Assessed the discount rates and Weighted Average Cost of Capital calculated by management and used in the impairment assessment models; ▪ Challenged the growth rates and the completeness and reasonableness of other key cash flow assumptions used in the impairment models; ▪ Performed sensitivity analysis over the key estimates applied by management to ascertain the extent of change in those assumptions that either individually or collectively would be required for an additional impairment change; ▪ Assessed the mathematical accuracy of the impairment models; ▪ Agreed the results of the impairment models to the amounts reported in the consolidated financial statements; and ▪ Assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABU DHABI NATIONAL ENERGY COMPANY PJSC (continued)

Key Audit Matter (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Revenue from transmission and distribution of power and water</td></tr>
<tr><td>The Group has recognised revenue of AED 25,928 million from transmission and distribution of power and water for the year ended 31 December 2021, as disclosed in Note 3 to the consolidated financial statements.

Revenue is subject to Maximum Allowed Revenue ("MAR") for electricity, potable and recycled water calculated in accordance with a formula as defined in the License and Regulatory Control mechanisms document issued by the Department of Energy (DoE). Other operating revenue in respect of sales of power and water for the year is based on the difference between MAR and revenue billed to customers for the supply and distribution of water and electricity.

We focused on this area as the other operating revenue calculations are subject to significant judgements, interpretations and assumptions in respect of the definition of notified items, the determination of certain allowable deductions, performance indicators and derogation charges.

The MAR calculation is also subject to change from time to time when Regulatory Control mechanisms provided by the DOE are amended or as clarifications are received from the DOE.

Accordingly, the computation of the other operating revenue for the year ended 31 December 2021 is considered to be a key audit matter.

The critical accounting estimates made and judgements applied by management are disclosed in Note 3 and further details about the other operating revenue are disclosed in Note 3 to the consolidated financial statements.</td><td>We assessed the design of relevant controls over the process of determining the other operating revenue and determined if they had been appropriately implemented. These controls included, inter alia, the following:

▪ Manual controls over the recognition of other operating revenue; and
▪ Controls over the accuracy and completeness of the other operating revenue calculation.

In addition, we also performed the following substantive audit procedures:

▪ Reperformance of management's calculation of other operating revenue;
▪ Agreed the inputs used by management to those stipulated in Regulatory Control 1 (RC 1) and Recycled Water First Regulatory Control (RW 1) files issued by the DoE;
▪ Agreed the adjustments in the Price Control Return to actual amounts;
▪ Evaluated the report of management's expert on the revenue drivers and agreed details in the report to schedules used in the revenue analysis;
▪ Agreed the pass-through charges to invoices and supporting schedules;
▪ Examined the relevant communications with DOE;
▪ Agreed the regulated and unregulated revenue for sales of water and electricity to the revenue calculation used in the other operating revenue; and
▪ Assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.</td></tr>
</table>

Other Information

The Board of Directors' and management are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report, and the Annual Report 2021, which will be made available to us after the auditor's report date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report for 2021, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and the applicable provisions of the articles of association of the Company and the UAE Federal Law No. (2) of 2015, and for such internal control as management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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 risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 disclosure 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABU DHABI NATIONAL ENERGY COMPANY PJSC (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the UAE Federal Law No. (2) of 2015 (as amended), we report that for the year ended 31 December 2021:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended);
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account of the Group;
- The Group has not purchased or invested in any shares during the financial year ended 31 December 2021;
- Note 6 to the consolidated financial statements of the Group discloses social contributions made during the financial year ended 31 December 2021;
- Note 29 to the consolidated financial statements discloses the material related party transactions, balances, and the terms under which they were conducted; and
- Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2021.

Further, as required by the Resolution of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the procedures performed and information provided to us, nothing has come to our attention that causes us to believe that the Group has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the consolidated financial statements as at 31 December 2021:

- Law of establishment; and
- Relevant provisions of the applicable laws, resolutions and circulars organising the Group's operations.

Deloitte & Touche (M.E.)

Obada Alkowatly
Registration No. 1056
10 February 2022
Abu Dhabi
United Arab Emirates

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2021

	Notes	*31 December* **2021** **AED million**	*2020* *AED million*
REVENUES			
Revenue from generation of power and water	3.1	**12,337**	6,381
Revenue from transmission and distribution of power and water	3.2	**25,928**	15,380
Revenue from oil and gas	3.3	**7,425**	2,224
		45,690	23,985
COST OF SALES			
Operating expenses	4	**(24,006)**	(12,666)
Depreciation, depletion and amortisation	5	**(11,119)**	(5,617)
		(35,125)	(18,283)
GROSS PROFIT		**10,565**	5,702
General and administrative expenses	6	**(2,257)**	(1,294)
Finance costs	7	**(3,094)**	(1,581)
Net foreign exchange (loss) gain		**(75)**	73
Interest income		**123**	31
Other income	8	**1,116**	203
Share of results of associates and joint ventures	15	**313**	55
Bargain purchase gain		**-**	570
PROFIT BEFORE TAX		**6,691**	3,759
Income tax (expense) credit	9	**(696)**	258
PROFIT FOR THE YEAR		**5,995**	4,017
Attributable to:			
Equity holders of the parent		**5,960**	3,808
Non-controlling interests		**35**	209
PROFIT FOR THE YEAR		**5,995**	4,017
Basic and diluted earnings per share attributable to equity holders of the parent (AED)	10	**0.05**	0.04

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	31 December 2021 AED million	31 December 2020 AED million
PROFIT FOR THE YEAR	**5,995**	4,017
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to income statement in subsequent periods:		
Changes in fair values of derivative instruments in cash flow hedges	**1,732**	955
Exchange differences arising on translation of overseas operations	**(13)**	19
	1,719	974
Items not to be reclassified to income statement in subsequent periods:		
Remeasurement (loss) gain on defined benefit plans	**(4)**	3
	(4)	3
NET OTHER COMPREHENSIVE INCOME FOR THE YEAR	**1,715**	977
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**7,710**	4,994
Attributable to:		
Equity holders of the parent	**6,996**	4,423
Non-controlling interests	**714**	571
	7,710	4,994

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	***31 December 2021 AED million***	*31 December 2020 AED million*
ASSETS			
Non-current assets			
Property, plant and equipment	12	**122,397**	125,949
Operating financial assets	13	**9,047**	9,740
Intangible assets	14	**17,974**	19,232
Investment in and loans to associates and joint ventures	15	**1,683**	2,429
Deferred tax assets	9	**5,598**	5,622
Derivative financial instruments	31	**72**	68
Other assets	16	**924**	673
		157,695	163,713
Current assets			
Inventories	17	**3,518**	3,599
Amounts due from related parties	29	**1,946**	2,609
Operating financial assets	13	**1,275**	1,197
Accounts receivable, prepayments and other receivables	18	**6,534**	6,703
Income tax prepaid		**446**	538
Derivative financial instruments	31	**11**	49
Cash and bank balances	19	**8,772**	8,519
		22,502	23,214
TOTAL ASSETS		**180,197**	186,927
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	20	**112,434**	112,434
Merger reserve	21	**(56,443)**	(56,443)
Statutory reserve	21	**977**	381
Retained earnings		**7,284**	4,925
Foreign currency translation reserve		**6**	19
Cumulative changes in fair value of derivatives in cash flow hedges		**1,646**	593
		65,904	61,909
Non-controlling interests	22	**6,943**	6,880
Loans from non-controlling interest shareholders in subsidiaries	23	**355**	466
Total non-controlling interests, including loans		**7,298**	7,346
TOTAL EQUITY		**73,202**	69,255

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
As at 31 December 2021

	Notes	***31 December 2021 AED million***	*31 December 2020 AED million*
Non-current liabilities			
Interest bearing loans and borrowings	24	**61,369**	66,198
Islamic loans	25	**92**	780
Deferred tax liabilities	9	**1,304**	1,312
Asset retirement obligations	26	**16,873**	15,905
Derivative financial instruments	31	**2,719**	4,415
Other liabilities	27	**1,249**	1,421
		83,606	90,031
Current liabilities			
Accounts payable, accruals and other liabilities	28	**16,228**	14,918
Interest bearing loans and borrowings	24	**2,843**	8,856
Islamic loans	25	**661**	173
Amounts due to related parties	29	**2,208**	2,203
Bank overdrafts	19	**31**	66
Income tax payable		**543**	587
Derivative financial instruments	31	**875**	838
		23,389	27,641
TOTAL LIABILITIES		**106,995**	117,672
TOTAL EQUITY AND LIABILITIES		**180,197**	186,927

To the best of our knowledge, the financial information included in these consolidated financial statements fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented therein. The consolidated financial statements were approved by the Board of Directors on 10 February 2022 and signed on its behalf by:

CHAIRMAN OF THE BOARD OF DIRECTORS

CHAIRMAN OF THE AUDIT COMMITTEE

CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

CHIEF FINANCIAL OFFICER

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Attributable to equity holders of the parent												
	Share capital AED million	*Proposed increase in share capital AED million*	*Merger reserve AED million*	*Statutory reserves AED million*	*Legal reserves AED million*	*Retained earnings AED million*	*Proposed dividends AED million*	*Foreign currency translation reserve AED million*	*Interest free loan from shareholders AED million*	*Cumulative changes in fair value of derivatives AED million*	***Total AED million***	*Non-controlling interests & loans AED million*	***Total equity AED million***
Balance at 1 January 2020	5,992	2,113	-	2,996	2,996	3,182	2,805	-	22,896	-	42,980	-	42,980
Profit for the year	-	-	-	-	-	3,808	-	-	-	-	3,808	209	4,017
Other comprehensive income for the year	-	-	-	-	-	3	-	19	-	593	615	362	977
Total comprehensive income for the year	-	-	-	-	-	3,811	-	19	-	593	4,423	571	4,994
Dividends (note 35)	-	-	-	-	-	(10,484)	-	-	8,797	-	(1,687)	(299)	(1,986)
Capital optimisation	(5,992)	(2,113)	-	(2,996)	(2,996)	8,797	(2,805)	-	8,105	-	-	-	-
Transfer to reserves	-	-	-	381	-	(381)	-	-	-	-	-	-	-
Repayment of loans	-	-	-	-	-	-	-	-	(3,209)	-	(3,209)	(104)	(3,313)
Acquisition of subsidiaries (note 1)	112,434	-	(56,443)	-	-	-	-	-	(36,589)	-	19,402	7,178	26,580
Balance at 31 December 2020	**112,434**	**-**	**(56,443)**	**381**	**-**	**4,925**	**-**	**19**	**-**	**593**	**61,909**	**7,346**	**69,255**
Balance at 1 January 2021	**112,434**	**-**	**(56,443)**	**381**	**-**	**4,925**	**-**	**19**	**-**	**593**	**61,909**	**7,346**	**69,255**
Profit for the year	-	-	-	-	-	5,960	-	-	-	-	5,960	35	5,995
Other comprehensive income for the year	-	-	-	-	-	(4)	-	(13)	-	1,053	1,036	679	1,715
Total comprehensive income for the year	-	-	-	-	-	5,956	-	(13)	-	1,053	6,996	714	7,710
Dividends (note 35)	-	-	-	-	-	(2,980)	-	-	-	-	(2,980)	(705)	(3,685)
Group structure modifications	-	-	-	-	-	(21)	-	-	-	-	(21)	21	-
Transfer to reserves	-	-	-	596	-	(596)	-	-	-	-	-	-	-
Repayment of loans	-	-	-	-	-	-	-	-	-	-	-	(78)	(78)
Balance at 31 December 2021	**112,434**	**-**	**(56,443)**	**977**	**-**	**7,284**	**-**	**6**	**-**	**1,646**	**65,904**	**7,298**	**73,202**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	***31 December 2021 AED million***	*31 December 2020 AED million*
OPERATING ACTIVITIES			
Profit before tax		**6,691**	3,759
Adjustments for:			
Depreciation, depletion and amortisation	5	**11,119**	5,617
Finance costs	7	**3,094**	1,581
Share of results of associates and joint ventures	15	**(313)**	(55)
Other movements		**31**	289
(Gain) loss on sale of land, oil and gas and other assets	8	**(256)**	11
Interest income		**(123)**	(31)
Asset retirement obligation relief deed income		**(486)**	-
Revenue from operating financial assets	13	**(1,576)**	(884)
Bargain purchase gain		**-**	(570)
Working capital changes:			
Inventories		**(234)**	299
Accounts receivables and prepayments		**(33)**	1,468
Amounts due from related parties		**663**	(761)
Amounts due to related parties		**5**	836
Accounts payable, accruals and other liabilities		**579**	(1,750)
Income tax (paid) received		**(268)**	62
Asset retirement obligation payments	26	**(586)**	(136)
Cash received from operating financial assets	13	**1,986**	978
Net cash generated from operating activities		**20,293**	10,713
INVESTING ACTIVITIES			
Acquisition of subsidiaries - cash and cash equivalents in acquired entities	1	**-**	7,458
Purchases of property, plant and equipment		**(3,851)**	(2,250)
Purchases of intangible assets	14	**(2)**	(11)
Receipts from associates and joint ventures		**1,068**	13
Interest received		**123**	31
Proceeds from sale of non-core assets		**86**	1
Other movements		**101**	(29)
Advance to a related party		**-**	(148)
Net cash (used in) generated from investing activities		**(2,475)**	5,065

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

CONSOLIDATED STATEMENT OF CASH FLOWS continued
For the year ended 31 December 2021

	Notes	***31 December 2021 AED million***	*31 December 2020 AED million*
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received	24	**5,504**	1,709
Repayments of interest-bearing loans and borrowings	24	**(15,587)**	(5,072)
Repayments of Islamic loans	25	**(173)**	(80)
Payments of lease liabilities		**(139)**	(93)
Interest paid		**(3,360)**	(1,745)
Dividend paid to non-controlling interest shareholders		**(697)**	(340)
Dividend paid to shareholders		**(2,980)**	(1,687)
Repayment of loans to non-controlling interest shareholders		**(78)**	(104)
Net cash used in financing activities		**(17,510)**	(7,412)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**308**	8,366
Net foreign exchange difference		**(20)**	(133)
Cash and cash equivalents at 1 January	19	**8,321**	220
Restricted cash movement	19	**(187)**	(132)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	19	**8,422**	8,321

Significant non-cash transactions:

In the year ended 31 December 2021, assets with a value of AED 955 million were transferred to Al Ain Distribution Company PJSC. This amount has not been reflected in the 'Purchases of property, plant and equipment' in the consolidated statement of cash flows, however the amount has been recorded within 'Property, plant and equipment' on the consolidated statement of financial position and note 12.

Issuance of shares by TAQA for acquisition of ADPC Perimeter Assets (note 1) was a non-cash consideration and therefore not reflected in the consolidated statement of cash flows for year ended 31 December 2020.

1 CORPORATE INFORMATION

Abu Dhabi National Energy Company PJSC ("TAQA" or the "Company", and together with its subsidiaries the "Group") was established on 21 June 2005 pursuant to the provisions of Emiri Decree number 16/2005 as a public joint stock company with Abu Dhabi Water and Electricity Authority ("ADWEA") as its founding shareholder.

In February 2018, Law No. 11 of 2018 on the establishment of the Department of Energy (DOE) was published. Pursuant to the law, all of ADWEA's assets, rights and obligations were transferred to the Department of Energy and the Department of Energy became their legal successor holding 75.1% shares in TAQA. The Department of Energy is responsible for the control, supervision and regulation of the energy sector in the Emirate of Abu Dhabi, including the Emirate's energy strategy.

In January 2019, by virtue of Law No. 3 of 2019, the shareholding held by the Department of Energy was transferred to Abu Dhabi Power Corporation (ADPC). As such, TAQA is now a subsidiary of ADPC. ADPC is a 100% owned by Abu Dhabi Development Holding Company ("ADQ").

TAQA owns a number of strategic power generation, water desalination, transmission and distribution assets in its domestic market in the UAE and operates internationally across the energy value chain from upstream and midstream oil and gas businesses through to power generation. TAQA's registered head office is at 25th Floor, Al Maqam Tower, Abu Dhabi Global Market Square, PO Box 55224, Abu Dhabi, United Arab Emirates.

On 29 April 2020, the shareholders of the Company approved a proposed "Transaction" in accordance with the terms of the share purchase agreement entered into between TAQA and ADPC, whereby ADPC contributed the majority of its power and water generation, transmission and distribution assets ("Perimeter Assets") to TAQA. This was effected through a newly established limited liability company, Al Maqam Energy Holding LLC ("Al Maqam") wholly owned by ADPC. The following are the Perimeter Assets forming part of the transaction, which became effective on 1 July 2020;

(a) a 100% stake in Abu Dhabi Distribution Company PJSC (ADDC);
(b) a 100% stake in Al Ain Distribution Company PJSC (AADC);
(c) a 100% stake in Abu Dhabi Transmission & Despatch Company PJSC (TransCo);
(d) a 100% stake in Butinah Power Holding Company PJSC, which holds ADPCs interest in the Shuweihat S3 project (BPHC);
(e) a 100% stake in Al Mirfa Power Company PJSC, which holds ADPCs interest in the Al Ain and Madinat Zayed generation assets (AMPC);
(f) a 75% stake in Al Mirfa Power Holding Company PJSC, which holds the Mirfa project (MPHC);
(g) a 100% stake in Sweihan Energy Holding Company PJSC, which holds ADPCs interest in the Noor Abu Dhabi PV project (SEHC)
(h) a 10% stake in eight Abu Dhabi Independent Water and Power Producers ("IWPPs") holding companies (of which the remaining 90% stake is currently held by TAQA), being Emirates Power Company PJSC (relating to Taweelah A2), Shuweihat Power Company PJSC (relating to Shuweihat S1), Arabian United Power Company PJSC (relating to Umm Al Nar), Taweelah United Power Company PJSC (relating to Taweelah B), Union Power Holding Company PJSC (relating to Fujairah F1), Gulf Power Company PJSC (relating to Taweelah A1), Fujairah Water and Electricity Company PJSC (relating to Fujairah F2) and Al Ruwais Power Holding Company PJSC (relating to Shuweihat S2);
(i) a 33.34% stake in Taweelah RO Holding Company LLC (TROHC), which holds an interest in the Taweelah reverse osmosis project;
(j) a 66.66% stake in Fujairah Energy Holding Company LLC, which holds an interest in Fujairah Power Company (Fujairah F3); and
(k) a 66.66% stake in Dhafrah Solar Energy Holding Company LLC, which holds an interest in the Al Dhafra Solar PV2 Project.

1 CORPORATE INFORMATION continued

TransCo is responsible for the planning, construction, operation and maintenance of the transmission network used to transmit water and electricity from power and water generators to the distribution networks operated by ADDC and AADC and, where required, to other Emirates in the United Arab Emirates. TransCo also manages the Load Despatch Centre (LDC), which determines the despatch of electricity across the grid. This activity is not part of the Perimeter Assets and will be transferred to Emirates Water and Electricity Company PJSC, a wholly-owned subsidiary of ADPC.

ADDC is the sole distributor of water and electricity in Abu Dhabi and the surrounding areas and AADC is the sole distributor of water and electricity in Al Ain and its surrounding areas. TransCo, ADDC and AADC are all regulated and licensed by the DOE.

As part of the Transaction, ADPC and TAQA also agreed to terminate agreements entered into between them effective as of 31 December 2016 (including the underlying lease agreements, contracts, letters and documents) in relation to the plots of land intended to be used for certain future IWPPs in Abu Dhabi (the “Framework Agreement”). Therefore, the consideration transferred by TAQA to ADPC has been adjusted to include the fair value of these plots of land. The termination of the Framework Agreement has no impact on TAQA’s existing operations. At Transaction closing, ADPC transferred the entire issued share capital of Al Maqam to TAQA.

The consideration for transferring of the Perimeter Assets was satisfied by the issuance of a convertible instrument (the “Convertible Instrument”) from TAQA to ADPC and termination of the Framework Agreement. At Transaction closing, the Convertible Instrument was converted into 106,367,950,000 ordinary shares of par value AED 1 each in the capital of TAQA. Following the transaction closing on 1 July 2020, ADPC's ownership represents 98.60% of the entire issued share capital of TAQA.

Common Control Transaction and Reverse Acquisition

Since the ultimate controlling party of the combining entities before and after the Transaction remain the same (i.e., ADPC), the Transaction is a business combination involving entities under common control. Although, common control transactions are scoped out of “IFRS 3 - Business Combinations”, based on the guidance contained in “IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors”, management has a policy choice to account for the common control transaction under acquisition accounting principles contained in IFRS 3 or at the predecessor accounting principles, using book values. The management chose to apply IFRS 3 acquisition accounting for this common control transaction.

IFRS 3 requires one of the combining entities to be identified as the accounting acquirer which is the entity that obtains control of the acquiree, and in some cases, the accounting acquirer may not be the same as the legal acquirer. The overall transaction is deemed to have substance, given different businesses are coming together and the external minority shareholders of TAQA will get diluted. The newly established company Al Maqam cannot be the acquirer, as it does not have substance and will not constitute a business. IFRS 3 provides guidance on the considerations that are relevant for identifying the acquirer. Whilst most considerations may not be relevant for the perspective of transactions under common control, as per the standard, the acquirer is usually the combining entity whose relative size is significantly greater than that of the other combining entities. In this Transaction, TransCo was determined to be the accounting acquirer (or the legal acquiree) given its relative size within the combining entities and TAQA was determined to be the legal acquirer (or the accounting acquiree) resulting in a reverse acquisition.

The principles of reverse acquisition were used to reflect the acquisition of the Company by TransCo, effective 1 July 2020. As a result, the information presented in the financial statements in the comparative period are those of the accounting acquirer, TransCo for the first six months of 2020 and the Group from 1 July 2020. However, comparatives presented in the statement of financial position as at 31 December 2020 are those of the Group. Furthermore, the number of shares as required under IFRS 3 is that of TAQA (as legal acquirer) and not TransCo and therefore the share capital in the statement of changes in equity is that of TAQA. This resulted in an adjustment within equity of AED 56.4 billion. Refer to note 21 for further details.

1 CORPORATE INFORMATION continued

1.1 Consideration transferred

The acquisition date fair value of the equity of the accounting acquirer, TransCo is used to determine the consideration for the combination. At the date of merger TransCo had 50,000 outstanding issued shares represented 59.5% of the value of the combined entity. TransCo, as the accounting acquirer, issued hypothetical shares to the shareholders of TAQA and the Perimeter Assets that represented 40.5 % of the value of the combined entity. To this end, TransCo issued 34,047 hypothetical shares as the purchase consideration for the acquisition of TAQA. The fair value of TransCo shares at the date of merger was AED 1,118,570.53 per share.

The following table summarizes the acquisition date fair value of the consideration transferred:

Fair Valuation	**% Ownership**	**Amount (AED million)**
Fair Valuation of TransCo – Accounting Acquirer	59.5%	55,929
Fair Valuation of Perimeter Assets – Accounting Acquirees	36.2%	34,020
Fair Valuation of TAQA – Accounting Acquiree	4.3%	4,064
Combined Fair Value	**100%**	**94,013**

TransCo Shares	**% Ownership**	**No. of Shares**
TransCo outstanding shares pre-transaction	59.5%	50,000
Shares to be issued to Perimeter Assets to achieve post-merger capital structure	36.2%	30,414
Shares to be issued to TAQA to achieve post-merger capital structure	4.3%	3,634
Capital structure of TransCo post-merger (Reverse acquisition)	**100%**	**84,048**

Share swap ratio – 1,118,570.53 New TAQA ordinary shares for each share of TransCo

Consideration transferred for the reverse acquisition (34,048 new shares issued at AED 1,118,570.53 per share)	**38,084**
Less: Non-cash distribution of land	**(18,682)**
Net consideration transferred for the reverse acquisition	**19,402**

1.2 Acquisition-related costs

The acquisition-related costs of the transaction were AED 134 million covering legal fees, valuation and due diligence costs.

1.3 Consideration and purchase price allocation

The consideration paid to effect the business combination was based on the report of an external appraisal of the businesses taken as a whole.

1 CORPORATE INFORMATION continued

1.3 Consideration and purchase price allocation continued

	Attributed Fair Value as at 1 July 2020
	AED million
ASSETS	
Non-current assets	
Property plant and equipment	**85,640**
Operating financial assets	**9,528**
Intangible assets	**20,841**
Investments in associates and joint ventures	**1,479**
Advance and loans to associates	**892**
Deferred tax assets	**6,258**
Other assets	**203**
	124,841
Current assets	
Inventories	**3,802**
Operating financial assets	**1,154**
Amounts due from related parties	**3,095**
Accounts receivables and prepayments	**8,418**
Cash and short-term deposits	**7,458**
	23,927
TOTAL ASSETS ACQUIRED	**148,768**
LIABILITIES	
Non-current liabilities	
Interest bearing loans and borrowings	**71,998**
Islamic loans	**819**
Deferred tax liabilities	**1,306**
Asset retirement obligations	**16,032**
Other liabilities	**6,108**
	96,263
Current liabilities	
Accounts payable, accruals and other liabilities	**14,596**
Interest bearing loans	**6,454**
Islamic loans	**168**
Amounts due to related parties	**4,067**
Bank overdrafts	**70**
	25,355
TOTAL LIABILITIES ACQUIRED	**121,618**
Fair value of identifiable net assets acquired	**27,150**
Less: Non-controlling interest	**(7,178)**
TAQA share of net assets acquired	**19,972**
Bargain purchase on acquisition	**(570)**
Net consideration transferred for the reverse acquisition	**19,402**

1 CORPORATE INFORMATION continued

1.3 Consideration and purchase price allocation continued

The non-controlling interests in TAQA has been recognised at its proportionate share of the acquired net identifiable assets. As such, the non-controlling interest represents share in net assets of TAQA attributable to owners of non-controlling interest.

The fair values of assets and liabilities acquired are based on the below approaches:

a) *Property, plant and equipment (PP&E)*

The fair value of PP&E for all generation and distribution assets were established based on the depreciated replacement cost (DRC) approach. The DRC approach involves establishing the new replacement cost of the underlying assets, and then adjusting this value to reflect physical, functional and economic obsolescence.

Oil and gas related PP&E were fair valued based on the income approach. The income approach uses a discounted cash flow model as the basis of the valuation. The future cashflows were based on managements business plan for the related entities using a proved and probable ("2P") reserves base and a commodity price forecast as of the valuation date.

b) *Intangible assets*

The fair value of the intangible assets was based on multiperiod excess earnings method approach. The excess earnings method estimates the value of an intangible asset as the present value of the cash flows attributable to the subject intangible asset after excluding the proportion of the cash flows that are attributable to other assets required to generate the cash flows.

The valuation of identifiable intangible assets was performed by an independent professional appraiser. Based on the appraisal report, the following items were included in the purchase price allocation:

- Power (& water) purchase agreements;
- Power & water distribution licences; and
- Reacquired connection rights.

c) *Operating financial assets*

Based on IFRIC 12, the international generation companies recognise operating financial assets, due to unconditional contractual right to receive cash in return for constructing, operating and maintaining power plant from the Government as a part of Power Purchase Agreement. The fair value of the operating financial assets is based on the income approach. In accordance with the income approach using a discounted cash flow method as the basis of the valuation.

1.4 Revenue and profit contributed by the accounting acquirees

The acquired business contributed revenues of AED 22,974 million and net income of AED 1,235 million for the period from 1 July to 31 December 2020.

If the acquisition had occurred on 1 January 2020, consolidated pro forma revenue and net income for the year ended 31 December 2020 would have been AED 41,151 million and AED 3,012 million respectively.

1 CORPORATE INFORMATION continued

1.5 Cash and cash equivalents contributed by the accounting acquirees

On 1 July 2020 the acquired business contributed net cash and cash equivalents of AED 7,458 million.

1.6 Accounts receivables contributed by the accounting acquirees

On 1 July 2020 the acquired business includes accounts receivables with a fair value of AED 8,418 million and a gross contractual value of AED 9,447 million.

1.7 Interest bearing loans and borrowings

On 1 July 2020, the acquired business included a portfolio of Medium Term Notes, Bonds and Islamic loans. The fair value attributable to these instruments included within interest bearing loans and borrowings was AED 38,535 million, being the fair value of the debt instruments as at 1 July 2020 based on the quoted market prices at that date. On 1 July 2020, the associated face value of this debt (net of discount and transaction costs) is AED 33,744 million.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements of TAQA have been prepared on the historical cost basis except for assets and liabilities measured at fair value in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the applicable requirements of the UAE Federal Law No. (2) of 2015.

These consolidated financial statements have been presented in United Arab Emirates Dirhams (AED). All values are rounded to the nearest million (AED million) except where otherwise indicated.

As at 31 December 2021, retained earnings of the Group are AED 7,284 million (2020: AED 4,925 million). As at 31 December 2021, the current liabilities of the Group exceed its current assets by AED 887 million (2020: AED 4,427 million). The consolidated financial statements have been prepared on a going concern basis. The Group has sufficient short to medium term liquidity through the Group's undrawn committed borrowing facilities (note 19) to meet ongoing commitments and therefore it is concluded that adequate support is available to evidence that the going concern assumption is appropriate for the preparation of the 2021 consolidated financial statements.

The Covid-19 pandemic has caused an unprecedented global crisis with the measures necessary to contain the virus triggering a global economic downturn. Despite the pandemic's outbreak in early 2020, the Group has faced no significant disruptions to business and has proactively managed and put in place mitigating measures to limit the impact on the Group's operations whilst ensuring the highest standards of health, safety and asset reliability are maintained.

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements incorporate the financial statements of TAQA and entities controlled by TAQA - its subsidiaries (together referred to as the "Group"), made up to 31 December 2021. Control is achieved when the Group:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects 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 listed above. When the Group has less than a majority of the voting rights of an investee, it considers that 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 its voting rights in an investee are sufficient to give it power, including:

- the size of its holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by it, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that it 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 it loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the period are included in income statement from the date the Group gains control until the date when it ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income/(loss) are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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 owners of the Group.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 - Income taxes and IAS 19 - Employee benefits respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations under common control, which have substance for the combining entities, are also accounted for using the acquisition method explained above.

Fair value measurement

The Group measures certain financial instruments, such as, derivatives, and certain non-financial assets, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The group categorises assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within Level 1 for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modification to observable related market data or the Group's assumption about pricing by market participants.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition

Revenue from contracts with customers is recognised when or as the Group satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control usually coincides with title passing to the customer and the customer taking physical possession.

When, or as, a performance obligation is satisfied, the Group recognises as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised.

The different revenue streams of the Group and the timing of revenue recognition in respect of each revenue stream are mentioned below:

a) Revenue from transmission and distribution of power and water

The Group has a transmission system that consists of various transmission lines and transformers that link power stations to the distribution system. The transmission network primarily transports bulk power and water to the distribution networks. The Group also provides infrastructure services for the transmission system network.

The Group earns revenue from licensed and unlicensed activities, using certain assets that are shared between these activities, and other assets that are solely dedicated to unlicensed activities.

Licensed activities represent operations and transactions relating to the transmission of power and water within the Emirate of Abu Dhabi, which are charged to ADDC and AADC (both are Group companies). These transactions are eliminated as intra-group transactions and not reported in these consolidated financial statements post the effective date of the merger transaction, i.e. 1 July 2020.

Unlicensed activities represent operations and transactions relating to transmission of power and water to Federal Electricity and Water Authority and Sharjah Electricity and Water Authority, which are charged to Emirates Water and Electricity Company (EWEC).

Transmission use of system charges from shared assets (licensed activities)

Revenue from Transmission Use of System (TUOS) charges is calculated in accordance with the formula in the licensed activities document issued by the DOE, under the licenses issued to the Company by DOE for the transmission of water and electricity from generation and desalination plants to the distribution companies and comprise the costs for the provision of shared transmission network services at delivery points to the distribution companies. Specifically, the system charges for the transmission of water and electricity are based on the RC1 which covers the period 2019 to 2021.

Revenue from TUOS charges is recognised upon the delivery of electricity and water.

As per the terms of the License revenue from TUOS charges cannot exceed the maximum allowed electricity and water revenue calculated in accordance with a formula as defined in the License and price control as regulated by the DOE in accordance with the License and correspondence relating to Regulatory Control (RC).

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued

a) *Revenue from transmission and distribution of power and water* continued

System charges from solely dedicated assets (unlicensed activities)

The service charges for the transmission of water and electricity to other emirates from solely dedicated assets are based on the specific transmission charge calculated with reference to the costs associated with operating relevant dedicated assets. Such revenue is also recognised upon the delivery of electricity and water.

Revenue from supply and distribution of power and water

The Group also earns revenue from supply and distribution of power and water in the region of Abu Dhabi. Revenue is subject to Maximum Allowed Revenue ("MAR") calculated in accordance with a formula as defined in the License document issued by DOE.

Revenue earned from supply business includes charges recoverable from customers for the supply of power and water within the Group's distribution. Revenue is recognised at the point in time when the units of power and water are supplied to customers and includes an estimate of the value of the units supplied to customers between the date of the last meter reading and the reporting date. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur based on accumulated historical experience of the Group.

When the Group satisfies a performance obligation by transferring a promised good or service, the Group has earned a right to consideration from the customer and, therefore, has a contract asset in the form of account receivable.

Revenue from connection and meter installation fees

Revenue from connection and meter installation fees includes income earned from customers for installation of meters and other related equipment. These charges are recognised in profit or loss when the connection is activated.

Revenue from water coupons and prepaid cards

Revenue from prepaid cards represents charges received from the customers for the sale of water coupons and prepaid cards. These charges are recognised in the statement of profit or loss at the time when units of water are distributed to the customers against these prepaid cards.

Other operating revenue

Other operating revenue in respect of sale of power and water for the period are based on the difference between MAR and revenue billed to customers for the supply and distribution of water and electricity.

Revenue is recognised at the point in time when the units of power and water are supplied to customers and includes an estimate of the value of the units supplied to customers between the date of the last meter reading and the reporting date.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued

b) Revenue from generation of power and water

The Group earns revenue from sale of power and water. The revenue recognition of the Group's power and water business is as follows:

- Where the Group determines that the Power and Water Purchase Agreement (PWPA)/Power Purchase Agreement (PPA) meets the financial asset model requirements for service concession arrangements (explained under significant accounting policy on 'Service concessions'), consideration receivable is allocated by reference to the relative fair values of the services delivered.

- Operating revenue is recognised as the service is provided and finance revenue is recognised using the effective interest rate method on the financial asset.

- Where the Group determines that the PWPA/PPA contains an operating lease, capacity payments are recognised as operating lease rental revenue on a systematic basis to the extent that capacity has been made available to the offtaker during the period. Those payments, which are not included as capacity payments (e.g. fuel revenue), are recognised as revenue in accordance with the contractual terms of the PWPA/PPA.

- Energy and water payments are recognised as revenue at the point in time when the contracted power and water capacity is provided to the offtaker.

- Fuel revenue represents reimbursements from the offtakers in the power and water subsidiaries at market prices for fuel consumed in power generation in accordance with the terms of the power and water purchase agreements and the power purchase agreements. Fuel revenue is recognised as and when fuel is consumed in the production of power and water.

c) Revenue from oil and gas

Revenue from the sale of oil and gas is recognised at the point in time when control of the product is transferred to the customer, which is generally when the product is physically transferred into a vessel, pipe or other delivery mechanism and the customer accepts the product.

The Group's sales of oil and gas are priced based on market prices and where necessary adjusted for a quality differential based on the American Petroleum Institute (API) gravity of the oil and gas sold.

Lifting or offtake arrangements for oil and gas produced by certain of the Group's jointly owned assets are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative production entitlement and cumulative sales attributable to each participant at a reporting date represents 'underlift' or 'overlift'. Underlift and overlift are valued at market value and included within current assets and current liabilities respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

Gas storage

The revenue from gas storage is recognised over time as the service is provided and accepted by customers.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Government grants

Grants that compensate the Group for the cost of an asset are initially recognised as a deferred government grant at fair value when there is reasonable assurance that a grant will be received and the Group will comply with the conditions associated with the grant. Subsequently, these grants are recognised in profit or loss on a systematic basis over the useful life of the associated asset.

Taxes

a) Current income tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

b) Deferred income tax

Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates as at the balance sheet date that are anticipated to apply to taxable income in the years in which temporary differences are anticipated to be recovered or settled. Changes to these balances are recognised in profit or loss or in other comprehensive income/(loss) in the period they occur.

The Group recognises the financial statement impact of a tax filing position when it is probable, based on the technical merits, that the position will be sustained upon audit. The Group assesses possible outcomes and their associated probabilities. If the Group determines payment is probable, it measures the tax provision at the best estimate of the amount of tax payable.

The carrying amount of deferred income 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 income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currency translation

For the purpose of these consolidated financial statements, the UAE Dirhams (AED) is the presentation currency of the Group.

In individual subsidiaries, joint ventures and associates, transactions in foreign currencies are initially recorded in the functional currency of those entities at the spot exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot exchange rate at the reporting date. Any resulting exchange differences are included in the profit or loss, unless hedge accounting is applied. Non-monetary assets and liabilities, other than those measured at fair value are not retranslated subsequent to initial recognition.

In these consolidated financial statements, the assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their income statements are translated at the weighted average exchange rates on a monthly basis. The exchange differences arising on the translation are recognised in other comprehensive income/(loss) and accumulated in the foreign currency translation reserve within equity. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results, assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting.

Under the equity method, an investment is carried on the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the entity, less distributions received and less any impairment in value of the investment. Loans advanced to equity-accounted entities that have the characteristics of equity financing are also included in the investment on the Group's statement of financial position. The Group's statement of profit or loss reflects the Group's share of the results after tax of the equity-accounted entity, adjusted to account for depreciation, amortisation and any impairment of the equity-accounted entity's assets based on their fair values at the date of acquisition. The Group's statement of comprehensive income includes the Group's share of the equity-accounted entity's comprehensive income/(loss). The Group's share of amounts recognised directly in equity by an equity-accounted entity is recognised directly in the Group's statement of changes in equity.

Unrealised gains on transactions between the Group and its equity-accounted entities are eliminated to the extent of the Group's interest in the equity-accounted entity.

The Group assesses investments in equity-accounted entities for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication of impairment exists, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs of disposal (FVLCD) and value in use (VIU). If the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Interests in joint operations

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

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

Certain of the Group's activities in the oil and gas segment are conducted through joint operations where the partners have a direct ownership interest in and jointly control the underlying assets of the joint operation. The Group accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other partners, income from the sale or use of its share of the joint operation's output, together with its share of the expenses incurred by the joint operation, and any expenses it incurs in relation to its interest in the joint operation.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

a) *Group as a lessee - 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

b) *Group as a lessee - 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. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Leases continued

b) *Group as a lessee - Lease liabilities* continued

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

c) Group as a lessor - Finance leases

Leases where the Group transfers substantially all the risks and benefits of ownership of the asset are classified as financial leases. The amounts due from the lessee are recorded in the consolidated statement of financial position as financial assets and are carried at the amount of the net investment in the lease after making provision for expected credit losses.

d) Group as a lessor - Operating leases

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The useful lives of intangible assets are assessed to be either finite or indefinite. Amortisation for intangible assets with finite lives is calculated on a straight-line basis as follows:

• Tolling agreement	1 year
• Computer software	3 years
• Power (& water) purchase agreements	1 – 22 years
• Reacquired connection rights	1 – 8 years
• Power & water distribution licences	Indefinite

The expected useful lives of intangible assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the intangible asset is derecognised.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to definite is made on a prospective basis.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Oil and natural gas exploration, evaluation and development expenditure

a) Exploration & evaluation costs - capitalisation

Pre-license costs and geological and geophysical exploration costs incurred prior to obtaining the rights to explore are recognised in profit or loss when incurred. Exploration licences are recognised as an exploration and evaluation ("E&E") asset. The cost of that licence includes the directly attributable costs of its acquisition. Examples of such costs may include non-refundable taxes and professional and legal costs incurred in obtaining the licence. Costs incurred after the rights to explore have been obtained, such as geological and geophysical costs, drilling costs, appraisal and development study costs and other directly attributable costs of exploration and evaluation activity, including technical and administrative costs for each exploration asset, are capitalised as intangible E&E assets. E&E costs are not amortised prior to the conclusion of appraisal activities.

At completion of appraisal activities if technical feasibility is demonstrated and commercial reserves are discovered then, following development sanction, the carrying value of the relevant E&E asset is reclassified as a development and production ("D&P") asset. This category reclassification is only performed after the carrying value of the relevant E&E asset has been assessed for impairment, and where appropriate, its carrying value adjusted. If commercial reserves are not discovered at the completion of appraisal activity of each asset and it is not expected to derive any future economic benefits, the E&E asset is written off to profit or loss.

b) Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

Property, plant and equipment

a) Property, plant and equipment - general

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The present value of the expected cost for the decommissioning obligation of an asset at the end of its useful life is included in the cost of the respective asset if the recognition criteria for a provision are met. Depreciation is calculated so as to write off the cost of property, plant and equipment over the expected useful economic lives of the assets concerned. If significant parts of an item of property, plant and equipment have different useful lives, these significant parts are accounted for as separate items (major components) of property, plant and equipment. The estimated useful lives of assets as follows:

- Buildings, equipment and plant and machinery - 3 to 40 years (Depreciation: Straight line basis)
- Plant spares - 5 to 40 years (Depreciation: Straight line basis)
- Right of use assets – 1 to 5 years / Lower of useful life and lease term (Depreciation: Straight line basis)
- Oil and gas properties - Unit of production (Depreciation: Unit of production basis)

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date, with the effect of any changes in estimate accounted for a prospective basis.

The cost of spare parts held as essential for the continuity of operations and which are designated as strategic spares are depreciated on a straight line basis over their estimated operating life. Spare parts used for normal repairs and maintenance are expensed when issued.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment continued

a) *Property, plant and equipment – general* continued

An item of property, plant and equipment 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 in the period the asset is derecognised.

b) *Property, plant and equipment - oil and gas properties*

Oil and gas properties in the development and production phase ("D&P" assets) and other related assets are stated at cost, less accumulated depreciation and accumulated impairment losses (net of reversal of previously recognised impairment losses, if any). The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the estimate of the decommissioning obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and gas properties are depreciated on a unit-of-production basis over the proved and probable ("2P") reserves of the field concerned. The unit-of-production rate for the amortisation of field development costs takes into account expenditures incurred to date, together with estimated future development expenditure. Depreciation on oil and gas properties does not commence until the commencement of production from the property.

c) *Property, plant and equipment - major maintenance and repairs*

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the group, the expenditure is capitalised. Where an asset or part of an asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced asset (or asset part) which is immediately written off.

Inspection costs associated with major maintenance programs are capitalised when the recognition criteria are met and amortised over the period to the next inspection. Day to day servicing and maintenance costs are expensed as incurred in profit or loss.

d) *Property, plant and equipment - capital work in progress*

Capital work in progress is included in property, plant and equipment at cost on the basis of the percentage completed at the reporting date. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the above policies when construction of the asset is completed and commissioned.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of non-financial assets

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

In assessing VIU, 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 the case of VIU calculations, assumptions are also made regarding the cash flows from each asset's ultimate disposal. In determining FVLCD, recent appropriate 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 subsidiaries or other available fair value indicators. Impairment losses are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine 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 cash-generating unit's recoverable amount. 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 exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

For the purpose of E&E asset impairment testing, cash generating units are grouped at the operating segment level. An impairment test performed in the E&E phase therefore involves grouping all E&E assets within the relevant segment with the development & production (D&P) assets belonging to the same segment. The combined segment carrying amount is compared to the combined segment recoverable amount and any resulting impairment loss identified within the E&E asset is written off to profit or loss. The recoverable amount of the segment is determined as the higher of its FVLCD and its VIU.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories of oil and oil products, which represent production from oil and gas facilities of the Group which are tanked at storage facilities awaiting sale, are valued at market value.

All other items of inventory are valued at the lower of cost, determined on the basis of weighted average cost, and net realisable value. Costs are those expenses incurred in bringing each item to its present location and condition. 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.

Deferred income

This represents the value of property, plant and equipment received as a grant and is recognised as income over the period necessary to match with the related costs of property, plant and equipment which are subject to compensation.

Customer and meter deposits

Customer and meter deposits from electricity and water customers are recognised as liability when they are received and are normally settled at the time of disconnecting the customer from the Group's distribution network.

Service concessions

The Group accounts for service concession arrangements under IFRIC 12 when the following conditions are met:

- the grantor (usually a government entity) controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor (usually a government entity) controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement.

In view of the above, concession infrastructure that does not meet the requirements of IFRIC 12 is presented as property, plant and equipment. Under IFRIC 12, the operator's rights over the plant operated under concession arrangements are accounted for based on the party primarily responsible for payment:

- the "intangible asset model" is applied when users have primary responsibility to pay for the concession services; and
- the "financial asset model" is applied when the grantor has the primary responsibility to pay the operator for the concession services.

Where the grantor guarantees the amounts that will be paid over the term of the contract (e.g. via a guaranteed internal rate of return), the financial asset model is used to account for the concession infrastructure, since the grantor is primarily responsible for payment. The financial asset model is used to account for Build, Operate and Transfer (BOT) contracts entered into with the grantor. The Group recognises financial assets from service concession arrangements in the statement of financial position as operating financial assets at amortised cost.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

a) <u>Financial assets</u>

Initial recognition and measurement

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

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

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred and the time of recognition of deferred day one profit or loss is determined individually. It is either amortised over life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

a) *Financial assets* continued

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

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

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 - Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

a) Financial assets continued

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The detailed accounting treatment of derivatives is described in the accounting policy of derivative financial instrument and hedging activities. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Cash and short-term deposits

Cash and short-term deposits in statement of financial position comprise of cash at banks and on hand and short term deposits with an original maturity of three months or less. For the purpose of statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

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 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:
    - the Group has transferred substantially all the risks and rewards of the asset, or
    - 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 it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

a) Financial assets continued

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. The Group measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which the counter-party has an investment grade credit rating or credit risk has not increased significantly since their initial recognition, in which case 12-month ECL is measured. 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 reporting date

The Group uses a provision matrix to calculate ECLs for financial assets. The provision rates are calculated based on estimates including the probability of default (PD) and the loss incurred in default positions (LGD). These estimates are allocated by assessing the counterparty credit ratings. The Group calibrates the matrix to adjust the provision rates with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are projected to change then the historical default rates are adjusted. At every reporting date, the counterparty credit ratings are updated and changes in the forward-looking estimates are analysed. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

The Group employs statistical models to analyse the data collected and generate estimates of PD of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Group.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

a) *Financial assets* continued

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, and all the efforts for collection of the receivables are exhausted. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the consolidated profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the PD, loss given default (LGD) (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the PD and LGD is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

b) *Financial liabilities*

Initial recognition and measurement

At initial recognition, the Group measures a financial liability not classified as FVTPL, at its fair value minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial liability. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at amortised cost
- Financial liabilities at FVTPL

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

b) Financial liabilities continued

Financial liabilities subsequently measured at amortised cost

The Group measures financial liabilities that are not held-for-trading and are not designated as at FVTPL at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the finance costs in the statement of profit or loss.

Financial liabilities subsequently measured at FVTPL

The Group measures financial liabilities that are classified as held for trading, i.e. if they are incurred for the purpose of repurchasing in the near term, at FVTPL. This category also includes derivative financial instruments, including separated embedded derivatives, entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Financial guarantee contracts and loan commitments issued by the Group are also designated by the Group as financial liabilities at FVTPL. Gains or losses on financial liabilities at FVTPL are recognised in profit or loss.

Derecognition

The Group derecognises financial liabilities when the obligation is discharged, cancelled or expires. Any difference between carrying value of financial liability extinguished and the consideration paid is recognised in profit or loss.

c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

d) Derivative financial instruments and hedge accounting

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 31.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Hedge accounting

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

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

Hedge accounting continued

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of profit or loss relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the consolidated statement of comprehensive income and accumulated under the heading of changes in fair values of derivative instruments in cash flow hedges. The gain or loss relating to the ineffective portion is recognised immediately in statement of profit or loss, and is included in the other income line item.

Amounts previously recognised in other comprehensive income/(loss) and accumulated in equity are reclassified to the profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of profit or loss as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income/(loss) and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income/(loss) and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Employees benefits

a) Annual leave and leave passage

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

b) End of service benefits

Defined contribution plans

The Group provides end of service benefits to certain employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. With respect to its UAE national employees, the Group makes contributions to the Abu Dhabi Retirement Pensions and Benefits Fund calculated as a percentage of the employees' salaries. Where the Group's obligations are limited to these contributions made to pension and benefit funds, these contributions are expensed on a monthly basis and paid when due.

Defined benefit plans

The cost of defined benefit pension plans and other post employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. The cost of providing benefits under defined benefit plans is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income/(loss) in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Provisions

a) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Provisions continued

b) Asset retirement obligations (ARO) / decommissioning liability

Certain subsidiaries have legal obligations in respect of site restoration and abandonment of their power generation and water desalination assets and oil and gas properties at the end of their useful lives (decommissioning costs). The Group records a provision for the site restoration and abandonment based upon estimated costs at the end of their useful lives. Accordingly, a corresponding asset is recognised in property, plant and equipment. Decommissioning costs are recorded at the present value of expected costs to settle the obligations using estimated cash flows and are recognised as part of the cost of each specific asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The accretion is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs of the asset retirement obligation are reviewed annually and adjusted as appropriate. Changes to provisions based on revised costs estimates or discount rate applied charges are added to or deducted from the cost of the relevant asset.

c) Production bonuses

Under the terms of the relevant production sharing arrangements, the Group's European (TAQA Bratani and TAQA Energy) and North American (TAQA North) oil and gas assets are entitled to its participating share in hydrocarbon production based on the Group's working interest. The Group's oil assets in the Kurdistan region of Iraq (TAQA Atrush) are entitled to its participating interest in the crude oil production based on the Group's participating interest.

For the Group's investment in TAQA Atrush, the production sharing contract contains a legal obligation for production bonuses to be paid to the Kurdistan Regional Government when certain production targets are achieved. The Group records a provision for these bonuses when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. This is assessed based on the Group's share of proved and probable reserves under the production sharing contract.

Contingencies

From time to time, the Group receives claims in the ordinary course of business. Liabilities and contingencies in connection with these matters are periodically assessed based upon the latest information available, usually with the assistance of lawyers and other specialists. A liability is accrued only if an adverse outcome is more likely than not and the amount of the loss can be reasonably estimated. If one of these conditions is not met, the claim is disclosed as a contingent liability, if material. The actual outcome of a claim may differ from the estimated liability and consequently may affect the financial performance and position of the Group.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements in applying accounting policies

The management has made the following judgements, which have the most significant effect on the amounts recognised in these consolidated financial statements:

Revenue recognition - Connection and supply of water and electricity

Significant judgement was exercised in determining whether the connection and supply of water/electricity are considered to be two distinct performance obligations as that can have a considerable impact on how the related revenue is recognised. Management considered the detailed criteria of IFRS 15 Revenue from Contracts with Customers along with a variety of factors including, but not limited to, the connection and supply agreements, tariffs charged, etc.

In light of the facts and circumstances, management believes that connection and supply are two distinct performance obligations, hence revenue should be recognised as and when each one of the obligations are satisfied. For connection fees, the obligation is fulfilled once the connection is complete after which the Group has the right to receive consideration in full. As a result, revenue related to connection charges is recognised upon initiation of the connection at a point in time. Since the obligation of supply of water/electricity is fulfilled as the product/service is provided, related revenue is also recognized at a point in time upon supply. Conversely if the connection and supply were considered to be one performance obligation, the related connection charges would be deferred over the useful life of the assets installed to provide the connection.

Power and Water Purchase Agreements

a) Service concession agreements

Some of the Group's foreign subsidiaries have entered into Power Purchase Agreements ("PPA") with offtakers in countries where they are operating. Management has determined these arrangements to be service concession arrangements under IFRIC 12 - Service Concession Arrangements by applying the requirements of the interpretation to the facts and circumstances in each location. The Group's domestic (United Arab Emirates) subsidiaries have also entered into long term Power and Water Purchase Agreements ("PWPA") and PPAs with EWEC. Based on the terms of the PWPAs/PPAs, management has determined that EWEC does not control any residual interest in the respective plants at the end of the term of the PWPAs/PPAs and therefore does not consider the PWPAs/PPAs to fall within the scope of IFRIC Interpretation 12 Service Concession Arrangements.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Significant judgements in applying accounting policies continued

Power and Water Purchase Agreements continued

b) Operating lease commitments - Subsidiaries as lessor

As mentioned above, the Group's domestic subsidiaries have entered into PWPAs/PPAs. Under the PWPAs/PPAs, the subsidiaries receive payment for the provision of power and water capacity, whether or not the offtaker EWEC requests power or water output ("capacity payments"), and for the variable costs of production ("energy and water payments"). The Group has determined the PWPAs/PPAs are lease arrangements as management considers that the Group retains the principal risks and rewards of ownership of the plants, based on management's estimate of the useful life and residual value of the assets, and so accounts for the PWPAs/PPAs as operating leases. An estimate of the useful life of the asset and residual value is made and reviewed annually. The effects of changes in useful life are recognised prospectively, over the remaining life of the asset. When there are amendments to the PWPAs/PPAs, management reconsiders whether the Group continues to retain the principal risks and rewards of ownership of the plants.

Equity or liability classification

Interest free loans are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement and criteria of IAS 32. Unsecured amounts without defined interests and repayment terms are treated as equity contribution.

Capitalisation of project costs

a) Transmission network

In determining the timing of recording of assets and commencing the depreciation, management has considered the principles laid down in IAS 16 - Property, Plant and Equipment, the time of the completion of the commissioning and the time when the asset is ready for its intended use i.e. it is probable that economic benefits will flow to the Group and assets are operational and under the use of the Group.

Project costs, related to the transmission network of the Group, capitalised under capital work in progress are transferred to the relevant category of property, plant and equipment when the following criteria are met:

a) the distribution network is connected to the transmission network,
b) the project capitalisation form is approved by the asset management directorate, and
c) the provisional acceptance certificate is issued to the contractor.

Any revision in the engineer's estimates are adjusted prospectively with the recorded project costs. The Group recognises funded transmission and despatch projects once the respective work is completed, all the regulatory approvals are obtained from the Regulation and Supervision Bureau, the transmission and despatch asset transfer agreements are signed and the transmission and despatch assets are made available for use. The Group signed a Memorandum of Understanding (MOU) with the transferor in prior years. The MOU states that the transferor bears the risks and title to transmission and despatch project construction assets until successful completion of the commissioning of the respective stage. Accordingly, management has determined that the transfer of these transmission and despatch project construction assets have not taken place in accordance with the accounting policies of the Group, MOU's and asset transfer agreement.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Significant judgements in applying accounting policies continued

Capitalisation of project costs continued

b) Major development projects - Distribution assets

In determining the timing of recording of these distribution assets which are received from various developers and commencing the depreciation, management has considered the principles laid down in IAS 16, the time of completion of commissioning and the time when the assets are ready for its intended use i.e. it is probable that economic benefits flow to the Group given its exclusive distribution license and the distribution assets are operational and under the use of the Group.

During the year, management has considered the detailed criteria of IAS 16 and reviewed the transfer agreements and the correspondences with developers and consultants of these projects to obtain the justification for their recognition in the Group's consolidated financial statements. Management believes that these distribution assets meet the conditions mentioned in IAS in terms of capitalising these distribution assets and consequently depreciating them from the date when these distribution assets were available for use.

Capitalisation of staff costs

Management determines whether the Group will recognise an asset from the staff costs incurred to fulfil a project if such costs meet all the following criteria:

a) the costs relate directly to a project that the Group can specifically identify;
b) the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and
c) the costs are expected to be recovered.

Such staff costs will be amortised on a systematic basis over the useful life of the asset recognised.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Significant judgements in applying accounting policies continued

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see policy for financial assets sections in Note 2.2). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group’s continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Accounting acquirer

One of the most important steps in a business combination is to identify the acquirer in the transaction. From an accounting perspective the legal acquirer may not always be the accounting acquirer. In a business combination effected primarily by exchanging equity interests, the acquirer is usually the entity that issues its equity interests. However, in some business combinations, commonly called 'reverse acquisitions', the issuing entity is the acquiree.

As per IFRS 3, several factors determine accounting acquirer - the relative voting rights in the combined entity after the business combination, the existence of a large minority voting interest in the combined entity if no other owner or organised group of owners has a significant voting interest, the composition of the governing body of the combined entity, the composition of the senior management of the combined entity, the terms of the exchange of equity interests and relative size (measured in, for example, assets, revenues or profit) of each combining entity.

In the Transaction between TAQA and ADPC entities, the Group made an assessment of accounting acquirer as per IFRS 3 qualitative and quantitative factors and determined that the acquiring entity for accounting purposes is TransCo given its relative size within the combined Group.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Key sources of estimation uncertainty

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

Impairment testing of non-financial assets

Management determines at each reporting date whether there are any indicators of impairment relating to the Group's property, plant and equipment and intangible assets including exploration and evaluation assets, power (and water) purchase agreements and distribution licenses. A broad range of internal and external factors are considered as part of the indicator review process.

The Group's impairment testing for non-financial assets is based on calculating the recoverable amount of each cash generating unit or group of cash generating units being tested. Recoverable amount is the higher of value in use (VIU) and fair value less costs of disposal (FVLCD). VIU for relevant cash generating units is derived from projected cash flows as approved by management and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. FVLCD for relevant cash generating units is generally derived from discounted cash flow models using market based inputs and assumptions. Recoverable amount is most sensitive to commodity price assumptions, regulatory framework regimes, foreign exchange rate assumptions, inflation and discount rates used in the cash flow models.

Estimation of oil and gas reserves

Oil and gas reserves and resources used for accounting purposes are estimated using internationally accepted methods and standards. The Group's annual oil and gas reserves and resources review process includes an external audit process conducted by appropriately qualified parties. All reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In general, changes in the technical maturity of hydrocarbon reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions. Changes in oil and gas reserves are an important indication of impairment or reversal of impairment and may result in subsequent impairment charges or reversals as well as affecting the unit-of-production depreciation charge in the profit or loss.

Provision for decommissioning

Decommissioning costs will be incurred by the Group at the end of the operating life of certain of the Group's facilities and properties. The ultimate decommissioning costs or asset retirement obligations are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at production sites. The expected timing of expenditure can also change, for example in response to changes in laws and regulations or their interpretation, and/or due to changes in commodity prices. The provision is most sensitive to commodity price assumptions, foreign exchange rate assumptions, inflation and discount rates used in the cash flow models.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Key sources of estimation uncertainty continued

Allowance for expected credit losses

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

a) An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
b) Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
c) An actual or expected significant deterioration in the operating results of the debtor;
d) Significant increases in credit risk on other financial instruments of the same debtor;
e) An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Allowance for slow moving and obsolete inventories

Management assess loss (if any) on items of inventory on account of slow moving and obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a future consumption of the item. Based on the factors, management has identified inventory items as slow moving and obsolete to calculate the allowance for slow moving and obsolete inventories.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived based on quoted prices from active markets, their fair value is determined using valuation techniques including discounted cash flows models. 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 consideration 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.

Income taxes

The Group recognises the net future tax benefit to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant assumptions related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Key sources of estimation uncertainty continued

Useful lives of property, plant and equipment

Management determines the estimated useful lives of property, plant and equipment. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge is adjusted where management believes that the useful lives differ from previous estimates.

Other operating revenue – Transmission & Distribution

Other operating revenue for sales of water and electricity is calculated as the difference between its Maximum Allowed Revenue (MAR) determined in its Regulatory Control 1 (issued by the DoE) and revenue relating to supply and distribution of water and electricity from its customers. Accordingly, the Group recognised this revenue for supply and distribution of water and electricity based on those rights and rewards that are confirmed during the period.

Unbilled revenue

The Group estimates the amount of unbilled consumption individually for each customer account based on historical meter readings. Unbilled consumption is calculated based on the average consumption for the period between the date of the last meter reading and the year end.

Fair value of identifiable assets and liabilities

As detailed in note 1 of the consolidated financial statements 31 December 2020, the identifiable assets acquired and the liabilities assumed in business combination are recognised at their fair value. In estimating the fair value of an asset or a liability, the Group engaged third party qualified valuation experts to perform the valuation. The underlying assumptions and estimates in assessing the fair values are detailed within note 12, 14 and 32.3.

2.4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS 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.

- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (effective from 1 January 2021).

These amendments had no material impact on the consolidated financial statements of the Group for the current and prior years but may affect the accounting for future transactions or arrangements.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.5 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS BUT NOT YET EFFECTIVE

The Group has not early adopted the following standards, interpretations or amendments that have been issued but not yet effective. These are not expected to have any material impact on the Group’s consolidated financial statements.

- IFRS 17 Insurance Contracts (effective from January 1, 2023).
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not yet decided).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective from January 1, 2023).
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (effective from January 1, 2022).
- Amendments to IAS 16 Property, Plant and Equipment related to proceeds before intended use (effective from January 1, 2022).
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts—Cost of Fulfilling a Contract (effective from January 1, 2022).
- Annual Improvements to IFRS Standards 2018-2020: The Annual Improvements include amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective from January 1, 2022), IFRS 9 Financial Instruments (effective from January 1, 2022), IFRS 16 Leases (effective date not yet decided) and IAS 41 Agriculture (effective from January 1, 2022).
- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (effective from 1 January 2023)
- Definition of Accounting Estimates (Amendments to IAS 8) (effective from 1 January 2023)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) (effective from 1 January 2023)

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the consolidated financial statement of the Group.

3 REVENUE

3.1 Revenue from generation of power and water

	31 December	
	2021	*2020*
	AED million	*AED million*
Operating lease revenue	**6,191**	3,562
Revenue from operating financial assets (note 13)	**1,576**	884
Sale of power	**518**	233
Energy payments and other related revenue	**1,662**	902
Reimbursement of coal and other fuel costs *	**1,913**	658
Others	**477**	142
	------	-------
	12,337	6,381
	====	====

*Fuel revenue represents reimbursements from the offtakers of the power and water subsidiaries for fuel consumed in power generation in accordance with the terms of the power and water purchase agreements and the power purchase agreements.

All revenue from generation of power and water is recognised at a point in time, with the exception of revenue from operating financial assets.

3 REVENUE continued

3.2 Revenue from transmission and distribution of power and water

	31 December **2021** **AED million**	*2020* *AED million*
TUOS and connection charges for licensed activities	-	1,997
TUOS charges for unlicensed activities	**1,046**	1,011
Revenue from supply and distribution of power and water	**13,186**	6,963
Distribution connection and meter installation fees	**388**	453
Water coupons	**90**	49
Other operating revenue	**11,218**	4,907
	25,928	15,380

Other operating revenue for sales of water and electricity is calculated as the difference between its Maximum Allowed Revenue ("MAR") determined in its Regulatory Control 1 ("RC1") license (issued by the DoE) and revenue relating to supply and distribution of water and electricity from its customers. Accordingly, the Group recognised this revenue relating to supply and distribution of water and electricity based on those rights and rewards that are confirmed during the period.

All revenue from transmission and distribution of power and water is recognised at a point in time.

3.3 Revenue from oil and gas

	31 December **2021** **AED million**	*2020* *AED million*
Gross oil and gas revenue	**7,270**	2,004
Less: royalties	**(306)**	(102)
	6,964	1,902
Gas storage revenue	**207**	193
Net processing income	**198**	109
Others	**56**	20
	7,425	2,224

All revenue from oil and gas is recognised at a point in time, with the exception of gas storage revenue which is recognised over time.

4 OPERATING EXPENSES

	31 December	
	2021	*2020*
	AED million	*AED million*
Salaries and related expenses	**1,914**	1,025
Repairs, maintenance and consumables used	**3,013**	1,561
Bulk supply tariff (note 29)	**14,447**	7,106
Fuel expenses	**2,179**	805
Charges by operating and maintenance contractors	**1,177**	716
Oil and gas operating costs	**828**	1,171
Transportation costs	**325**	155
Exploration and evaluation assets written off	**-**	21
Others	**123**	106
	24,006	12,666

5 DEPRECIATION, DEPLETION AND AMORTISATION

	31 December	
	2021	*2020*
	AED million	*AED million*
Depreciation of property, plant and equipment and depletion of oil and gas assets (note 12)	**9,773**	4,917
Amortisation of intangible assets (note 14)	**1,346**	700
	11,119	5,617

6 GENERAL AND ADMINISTRATIVE EXPENSES

	31 December	
	2021	*2020*
	AED million	*AED million*
Salaries and related expenses	**1,488**	845
Professional fees and business development expenses	**541**	266
IT and communications	**169**	117
Corporate social contributions	**2**	1
Others	**553**	272
	2,753	1,501
Cost recoveries from JV partners	**(496)**	(207)
	2,257	1,294

7 FINANCE COSTS

	31 December 2021 AED million	31 December 2020 AED million
Finance costs relating to bonds and global medium term notes	**1,101**	540
Finance costs relating to interest bearing loans and borrowings and Islamic loans	**878**	446
Interest expense on interest rate swaps	**622**	359
Asset retirement obligations accretion expense (note 26)	**454**	228
Lease liability interest	**39**	8
	3,094	1,581

8 OTHER INCOME

	31 December 2021 AED million	31 December 2020 AED million
Deferred income - grant released	**29**	29
Gain (loss) on sale of land, oil and gas and other assets	**256**	(11)
Asset retirement obligation relief deed income	**486**	-
Other	**345**	185
	1,116	203

9 INCOME TAX

The major components of income tax expense (credit) for the years ended 31 December 2021 and 2020 are:

	31 December 2021 AED million	31 December 2020 AED million
Consolidated profit or loss		
Current income tax:		
Current income tax charge	**889**	86
Adjustment in respect to income tax of previous years	**(283)**	(26)
Deferred income tax:		
Relating to origination and reversal of temporary differences	**(74)**	(332)
Adjustment in respect to deferred tax of previous years	**164**	14
Income tax expense (credit) reported in the consolidated profit or loss	**696**	(258)

9 INCOME TAX continued

The reconciliation between tax expense (credit) and the product of accounting profit multiplied by the applicable statutory tax rate for the years ended 31 December 2021 and 2020 is as follows:

	31 December	
	2021	*2020*
	AED million	*AED million*
Profit before tax	**6,691**	3,759
Non-taxable profit (including income in non-taxable jurisdictions)	**(3,521)**	(2,460)
	------	-------
Total taxable profit	**3,170**	1,299
	====	====
Applicable tax charge at statutory rates – weighted average of 28% (2020: 26%)	**879**	340
Adjustment in respect to income tax of previous years	**(283)**	(26)
Adjustment in respect to deferred income tax of previous years	**164**	14
Deferred tax recognition due to changes in estimates	**(545)**	(533)
Withholding taxes	**15**	13
Tax incentives	**(50)**	(10)
Special production taxes on upstream activities	**(37)**	(47)
Tax effect on non deductible expenses	**524**	(164)
Other	**29**	155
	------	-------
Income tax expense (credit) reported in the profit or loss	**696**	(258)
	====	====

Adjustments relating to prior years are a result of reassessments of prior year taxes in entities within taxable jurisdictions that were acquired as at 1 July 2020.

Deferred tax
Deferred income tax at 31 December relates to the following:

	Consolidated statement of financial position		*Consolidated profit or loss*	
	2021	*2020*	***2021***	*2020*
	AED million	*AED million*	***AED million***	*AED million*
Deferred tax assets:				
Temporary difference on property, plant and equipment	**1,125**	460	**(586)**	(394)
Temporary difference arising on asset retirement obligations	**3,081**	3,339	**188**	(102)
Tax losses	**144**	284	**184**	43
Others	**1,248**	1,539	**302**	121
	-------	-------	-------	-------
	5,598	5,622	**88**	(332)
	====	====	====	====
Deferred tax liabilities:				
Temporary difference on property, plant and equipment	**1,358**	1,299	**(24)**	(4)
Others	**(54)**	13	**26**	18
	-------	-------	-------	-------
	1,304	1,312	**2**	14
	====	====	====	====

Based on the latest available forecast of future profits, the Group has determined AED 4,014 million of tax losses (2020: AED 6,729 million) are unlikely to be utilised in the foreseeable future. Hence, no deferred tax benefit has been recognised, though these losses remain available for offset against future taxable profits. Unutilised tax losses of AED 198 million (2020: 217 million) will expire in the next five year period.

10 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Basic earnings per share amounts are calculated by dividing earnings for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the earnings attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive instruments.

The following reflects the profit and share data used in the earnings per share computations:

	31 December	
	2021	*2020*
Profit for the year attributable to equity holders of the parent (*AED million*)	**5,960**	3,808
Weighted average number of ordinary shares issued (million)	1**12,434**	97,955
Basic earnings per share (AED)	**0.05**	0.04

In accordance with the requirements of IFRS 3, the basic earnings per share in these consolidated financial statements, following the reverse acquisition (note 1), for the comparative period have been restated. The basic earnings per share for the comparative period have been calculated by dividing TransCo's profit attributable to ordinary shareholders in comparative periods by TransCo's historical weighted average number of ordinary shares that were outstanding, multiplied by the exchange ratio for TransCo established by the business combination agreement.

No figure for diluted earnings per share has been presented as the Group has not issued any instruments which would have an impact on earnings per share when exercised.

11 OPERATING SEGMENT INFORMATION

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer (CEO) of TAQA.

For this purpose, the Group is organised into business units based on their geography, products and services, and has three reportable operating segments as follows:

- Power and Water Generation Segment
- Power and Water Transmission & Distribution Segment
- Oil and Gas Segment

Power and Water Generation Segment
This segment is engaged in generation of electricity and production of desalinated water for supply in UAE and generation of electricity in Morocco, India, Ghana, Saudi Arabia and the United States.

Power and Water Transmission & Distribution Segment
This segment is engaged in transmission and distribution of water and electricity from the generation and desalination plants in the UAE.

Oil and Gas Segment
This segment is engaged in Upstream and Midstream oil and gas activities in Canada and Netherlands and Upstream oil and gas activities in United Kingdom and Kurdistan, Iraq.

Several operating segments have been aggregated to form the above reportable operating segments which are provided below:

Power and Water Generation – UAE Power and Water Generation – Others	Generation
Power and Water Transmission & Distribution – UAE	Transmission & Distribution
Oil and Gas – North America Oil and Gas – Europe Oil and Gas – Iraq	Oil & Gas

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on 'profit or loss for the period' as detailed in the following table. Group financing cost and income except for the subsidiaries with project financing arrangements and interest income is managed on a group basis and is not allocated to operating segments.

The majority of the Group's revenues, profits, and assets relate to its operations in the United Arab Emirates.

Investment in certain associates with activities other than power and water generation and oil and gas and available for sale investments are managed on a group basis and are therefore not allocated to operating segments.

Interest bearing loans and borrowings and Islamic loans except for the subsidiaries with project financing arrangements are managed on a group basis and are not allocated to operating segments.

Prior period comparative operating segment information for revenues and profit represents TransCo for the first six months of 2020 and the Group from 1 July 2020.

11 OPERATING SEGMENT INFORMATION continued

The following tables present revenue and profit information for the Group's operating segments:

	Generation AED million	*Transmission & Distribution AED million*	*Oil & Gas AED million*	*Adjustments, eliminations & unallocated AED million*	*Consolidated AED million*
Year ended 31 December 2021:					
Revenue from external customers	**12,337**	**25,928**	**7,425**	**-**	**45,690**
Operating expenses	**(4,675)**	**(16,278)**	**(3,077)**	**24**	**(24,006)**
Depreciation, depletion and amortisation	**(4,828)**	**(4,120)**	**(2,202)**	**31**	**(11,119)**
Gross profit	**2,834**	**5,530**	**2,146**	**55**	**10,565**
General and administrative expenses	**(298)**	**(1,288)**	**(175)**	**(496)**	**(2,257)**
Finance costs	**(1,821)**	**(4)**	**(441)**	**(828)**	**(3,094)**
Share of results of associates and joint ventures	**322**	**-**	**-**	**(9)**	**313**
Other income (loss)	**86**	**219**	**922**	**(111)**	**1,116**
Net foreign exchange (loss) gain	**(114)**	**-**	**(2)**	**41**	**(75)**
Interest income	**19**	**3**	**1**	**100**	**123**
Income tax expense	**(350)**	**-**	**(238)**	**(108)**	**(696)**
Profit (loss) for the year	**678**	**4,460**	**2,213**	**(1,356)**	**5,995**
Non-controlling interests	**(35)**	**-**	**-**	**-**	**(35)**
Profit (loss) for the year Attributable to equity holders of the parent	**643**	**4,460**	**2,213**	**(1,356)**	**5,960**

	Generation AED million	*Transmission & Distribution AED million*	*Oil & Gas AED million*	*Adjustments, eliminations & unallocated AED million*	*Consolidated AED million*
Year ended 31 December 2020:					
Revenue from external customers	6,381	15,380	2,224	-	23,985
Operating expenses	(2,122)	(8,610)	(1,894)	(40)	(12,666)
Depreciation, depletion and amortisation	(2,333)	(2,967)	(340)	23	(5,617)
Gross profit (loss)	1,926	3,803	(10)	(17)	5,702
General and administrative expenses	(246)	(713)	(107)	(228)	(1,294)
Finance costs	(983)	-	(204)	(394)	(1,581)
Bargain purchase gain	-	-	-	570	570
Share of results of associates and joint ventures	70	-	-	(15)	55
Other income	55	122	38	(12)	203
Net foreign exchange gain (loss)	178	-	(68)	(37)	73
Interest income	-	-	-	31	31
Income tax (expense) credit	(189)	-	455	(8)	258
Profit (loss) for the year	811	3,212	104	(110)	4,017
Non-controlling interests	(209)	-	-	-	(209)
Profit (loss) for the year Attributable to equity holders of the parent	602	3,212	104	(110)	3,808

11 OPERATING SEGMENT INFORMATION continued

The following table presents segment assets and liabilities of the Group's operating segments:

	Generation AED million	*Transmission & Distribution AED million*	*Oil & Gas AED million*	*Adjustments, eliminations & unallocated AED million*	*Consolidated AED million*
At 31 December 2021					
Property, plant and equipment	**33,691**	**83,335**	**5,468**	**(97)**	**122,397**
Operating financial assets	**10,322**	**-**	**-**	**-**	**10,322**
Investment in associates, joint ventures and related balances	**1,279**	**-**	**-**	**404**	**1,683**
Intangible assets	**13,186**	**4,755**	**33**	**-**	**17,974**
Deferred tax assets	**63**	**-**	**5,535**	**-**	**5,598**
Other assets	**9,160**	**4,667**	**2,471**	**5,925**	**22,223**
Segment assets	**67,701**	**92,757**	**13,507**	**6,232**	**180,197**
Segment liabilities	**43,863**	**14,538**	**16,981**	**31,613**	**106,995**
Other disclosures at 31 December 2021					
Additions-property, plant and equipment	**229**	**3,489**	**1,010**	**8**	**4,736**
Additions-intangible assets	**-**	**-**	**2**	**-**	**2**

	Generation AED million	*Transmission & Distribution AED million*	*Oil & Gas AED million*	*Adjustments, eliminations & unallocated AED million*	*Consolidated AED million*
At 31 December 2020					
Property, plant and equipment	36,633	83,944	5,507	(135)	125,949
Operating financial assets	10,937	-	-	-	10,937
Investment in associates, joint ventures and related balances	2,015	-	-	414	2,429
Intangible assets	14,470	4,755	7	-	19,232
Deferred tax assets	63	-	5,434	125	5,622
Other assets	9,160	11,224	1,375	999	22,758
Segment assets	73,278	99,923	12,323	1,403	186,927
Segment liabilities	48,482	14,754	15,660	38,776	117,672
Other disclosures at 31 December 2020					
Additions-property, plant and equipment	104	1,908	142	-	2,154
Additions-intangible assets	-	-	11	-	11

11 OPERATING SEGMENT INFORMATION continued

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

	UAE AED million	*North America AED million*	*Europe AED million*	*Africa AED million*	*Others AED million*	*Total AED million*
2021						
Revenue	**34,190**	**2,892**	**4,379**	**3,252**	**977**	**45,690**
Non-current assets	**135,462**	**3,750**	**1,849**	**8,812**	**469**	**150,342**
2020						
Revenue	19,946	1,017	1,246	1,496	280	23,985
Non-current assets	140,192	3,500	1,515	9,503	884	155,594

Non-current assets for this purpose consist of property, plant and equipment, operating financial assets, intangible assets and other assets.

Other information
The Group has one major customer that contributed more than 10% towards the Group's revenue during the year ended 31 December, as presented in the following table:

	Generation AED million	*Transmission & Distribution AED million*	*Oil & Gas AED million*	*Adjustments, eliminations & unallocated AED million*	*Consolidated AED million*
2021					
Customer 1	**8,257**	**1,046**	**-**	**-**	**9,303**
	8,257	**1,046**	**-**	**-**	**9,303**
2020					
Customer 1	4,553	1,011	-	-	5,564
	4,553	1,011	-	-	5,564

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings, equipment and plant and machinery AED million	*Oil and gas assets AED million*	*Capital spares AED million*	*Capital work in progress AED million*	*Right of use assets AED million*	*Total AED million*
2021						
Cost:						
At 1 January 2021	**178,487**	**18,677**	**258**	**12,575**	**519**	**210,516**
Additions	**1,659**	**988**	**6**	**2,083**	**213**	**4,949**
Revision of ARO	**333**	**1,620**	**-**	**-**	**-**	**1,953**
Disposals of assets	**(153)**	**(2,294)**	**-**	**-**	**(22)**	**(2,469)**
Transfers	**4,985**	**6**	**5**	**(4,992)**	**-**	**4**
Exchange adjustment	**(683)**	**(221)**	**(31)**	**4**	**(2)**	**(933)**
At 31 December 2021	**184,628**	**18,776**	**238**	**9,670**	**708**	**214,020**
Depreciation and depletion:						
At 1 January 2021	**69,669**	**14,608**	**107**	**-**	**183**	**84,567**
Charge for the year (note 5)	**7,218**	**2,385**	**18**	**-**	**152**	**9,773**
Disposals of assets	**(107)**	**(2,102)**	**-**	**-**	**(18)**	**(2,227)**
Exchange adjustment	**(306)**	**(183)**	**-**	**-**	**(1)**	**(490)**
At 31 December 2021	**76,474**	**14,708**	**125**	**-**	**316**	**91,623**
Net carrying amount:						
At 31 December 2021	**108,154**	**4,068**	**113**	**9,670**	**392**	**122,397**
2020						
Cost:						
At 1 January 2020	61,251	-	258	4,817	42	66,368
Acquisition of subsidiaries (note 1)	114,898	18,378	-	7,758	119	141,153
Additions	2,005	142	-	-	358	2,505
Revision of ARO	-	145	-	-	-	145
Disposals of assets	-	12	-	-	-	12
Exchange adjustment	333	-	-	-	-	333
At 31 December 2020	178,487	18,677	258	12,575	519	210,516
Depreciation and depletion:						
At 1 January 2020	23,390	-	98	-	7	23,495
Acquisition of subsidiaries (note 1)	41,070	14,402	9	-	32	55,513
Charge for the year (note 5)	4,567	206	-	-	144	4,917
Exchange adjustment	642	-	-	-	-	642
At 31 December 2020	69,669	14,608	107	-	183	84,567
Net carrying amount:						
At 31 December 2020	108,818	4,069	151	12,575	336	125,949

12 PROPERTY, PLANT AND EQUIPMENT continued

Property, plant and equipment with a carrying amount of AED 33,491 million (2020: AED 36,374 million) are pledged as security for the related loans.

Oil and gas assets - impairment approach and key assumptions
The calculation of recoverable amount for oil and gas assets is based upon the following key assumptions:

- Reserve and resource volumes;
- Inflation rates;
- Cash flows relating to gas storage;
- Discount rates;
- Foreign exchange rates; and
- Commodity prices.

It is management's view that the impairment calculations are not materially sensitive to reasonable possible changes in the assumptions. In the impairment calculations, assumptions are also made regarding the cash flows from each asset's ultimate disposal.

Reserve and resource volumes
Reserve and resource volumes form the basis of the production profiles within the discounted cash flow models. The Group's annual oil and gas reserves (proved, probable and possible) and resources review process includes an external audit process conducted by appropriately qualified parties. Where significant, the contingent resources within a segment are also reviewed and reported on. The data generated for each field and location takes into consideration the development plans approved by senior management and reasonable assumptions that an external party would apply in appraising the assets.

Inflation rates
Estimates are obtained from published indices for the countries from which products and services are originated, as well as data relating to specific commodities. Forecast figures are used if data is publicly available. The Company assumed inflation rates ranging from 2% to 5% in perpetuity (2020: 2% to 5%).

Cash flows relating to gas storage
Cash flows relating to gas storage are based on assumptions on delivery capacity, injection capacity, working volumes and expected availability. The assumptions are supported by non-binding expressions of interests on demand for working volumes.

Discount rates
Discount rates used reflect the estimated weighted average cost of capital rates for potential acquirer group companies developed for each of the locations. The assets are valued on a FVLCD methodology and therefore post-tax discount rates ranging from 4.3% to 17.0% (2020: 4.3% to 17.0%), were used to calculate the recoverable amounts at the reporting date.

12 PROPERTY, PLANT AND EQUIPMENT continued

Oil and gas assets - impairment approach and key assumptions continued

Foreign exchange rates and commodity prices
A summary of the 2021 key assumptions are provided below:

	2022	*2023*	*2024*	*2025*	*2026*
Commodity prices					
WTI (US$/bbl) [(1)]	69	65	62	60	57
AECO (US$/mmbtu) [(1)]	3.00	2.50	2.30	2.20	2.20
Brent (US$/bbl) [(1)]	72	68	65	63	60
Summer/Winter gas spread (Euro/MWh)	1.88	1.99	1.83	1.65	1.71
Foreign exchange rates					
US$/CAD$	0.81	0.81	0.81	0.81	0.81
US$/Euro	1.22	1.22	1.22	1.22	1.22
US$/GBP	1.39	1.43	1.43	1.43	1.43

[(1)] Prices are escalated at 2% thereafter.

Power and water assets - impairment approach and key assumptions
The recoverable amount for power and water assets is based on FVLCD. In determining FVLCD, a discounted cash flow valuation model was used, incorporating market based assumptions. The key assumptions for FVLCD calculations are outlined below together with the approach management has taken in determining the value to ascribe to each. Management believes it is appropriate to use cash flow forecasts over such periods due to the long term power and water purchase agreements associated with the facilities.

The calculation of FVLCD for power and water generation assets is most sensitive to the following assumptions:

- Future cash flows throughout the term of the current PWPAs;
- Inflation rates; and
- Discount rates.

Future cash flows throughout the term of the current PWPAs
The Group's expected future cash flows have been estimated based on work performed by an internal expert. In doing so, management has considered key trends in the relevant power and water sectors and the recovery of the residual values.

Inflation rates
Estimates are obtained from published indices for the countries from which products and services are originated. Forecast figures are used if data is publicly available. The Company assumed inflation rates ranging from 1% to 5% in perpetuity (2020: 1% to 5%).

Discount rates
Discount rates used represent the current market assessment of the risks specific to the assets, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The assets are valued using a FVLCD methodology, future cash flows are discounted using post-tax rates ranging from 3.9% to 8.3% (2020: 3.9% to 8.3%).

13 OPERATING FINANCIAL ASSETS

The movement in operating financial assets is as follows:

	31 December **2021** **AED million**	*2020* *AED million*
At 1 January	**10,937**	-
Acquisition of subsidiaries (note 1)	**-**	10,682
Recognised during the year (note 3.1)	**1,576**	884
Consideration received during the year	**(1,986)**	(978)
Exchange gains recognised in the consolidated income statement	**(205)**	349
	------	-------
	10,322	10,937
	====	====

Analysed in the consolidated statement of financial position as follows:

	31 December **2021** **AED million**	*2020* *AED million*
Non-current portion	**9,047**	9,740
Current portion	**1,275**	1,197
	------	-------
	10,322	10,937
	====	====

TAQA manages three concession contracts as defined by IFRIC 12, mainly covering electricity generation. The foreign subsidiaries, namely TAQA Morocco (formerly Jorf Lasfar Energy Company SCA (JLEC)), TAQA Neyveli Power Company Pvt Ltd (Neyveli) and Takoradi International Company (Takoradi), have entered into power purchase agreements (PPA) with offtakers in the countries where they are operating. Under the PPA the foreign subsidiaries undertake to make available, and the offtakers undertake to purchase, the available net capacity of the plant for a period of time in accordance with various agreed terms and conditions as specified in the PPA as follows:

TAQA Morocco:
The subsidiary had the right of possession for the site and the plant units (units 1 to 4) for a period of 30 years ending in September 2027. On 24 January, 2020 TAQA Morocco with Office National de l'Electricité ("ONE") signed an extension to the PPA for a further 17 years from 2027 to 2044. At the end of the PPA, the ownership of the site and the plants will be transferred to the offtaker.

During 2009, ONE and TAQA Morocco signed a strategic partnership agreement to extend the capacity of the plant by constructing two new units (units 5&6) with an approximate gross capacity of 350 MW each. In June 2014, the two new units were completed and a 30 year PPA ending 2044 was entered into.

Neyveli:
The subsidiary has a 30 year PPA with the offtaker ending in December 2032. On the expiry date of the PPA, the offtaker has the option to acquire the plant at a price equal to 50% of the terminal value as defined in the PPA.

Takoradi:
The subsidiary had originally signed a 25 year PPA with the offtaker ending in March 2024. On expiry date of the PPA, the plant is to be transferred to the offtaker at a nominal amount. The expansion project has increased the existing 220 MW capacity to 330 MW. As a result of the expansion, the PPA term has been extended to 2039.

Operating financial assets with a carrying amount of AED 10,049 million (2020: 10,665 million) are pledged as security for the related borrowings in the subsidiaries.

An expected credit loss (ECL) provision of AED 211 million (2020: 211 million) is recognised against the operating financial assets.

14 INTANGIBLE ASSETS

	Exploration and evaluation assets AED million	*Distribution licences AED million*	*Power (and water) purchase agreements AED million*	*Connection rights AED million*	*Tolling agreement and other AED million*	*Total AED million*
2021						
Cost:						
At 1 January 2021	**4**	**4,755**	**14,170**	**843**	**982**	**20,754**
Additions	**1**	-	-	-	**1**	**2**
Other	**(12)**	-	-	-	**(7)**	**(19)**
Exchange adjustment	**11**	-	-	-	-	**11**
At 31 December 2021	**4**	**4,755**	**14,170**	**843**	**976**	**20,748**
Amortisation:						
At 1 January 2021	-	-	**511**	**148**	**735**	**1,394**
Amortisation for the year (note 5)	-	-	**1,021**	**313**	**66**	**1,400**
Intercompany eliminations	-	-	-	**(54)**	-	**(54)**
Exchange adjustment	-	-	-	-	-	-
At 31 December 2021	-	-	**1,532**	**407**	**801**	**2,740**
Fair value adjustment on effective fair value hedges (note 31.2 (iv))	-	-	-	-	**(34)**	**(34)**
Net carrying amount:						
At 31 December 2021	**4**	**4,755**	**12,638**	**436**	**141**	**17,974**

	Exploration and evaluation assets AED million	*Distribution licences AED million*	*Power (and water) purchase agreements AED million*	*Connection rights AED million*	*Tolling agreement and other AED million*	*Total AED million*
2020						
Cost:						
At 1 January 2020	-	-	-	-	-	-
Acquisition of subsidiaries (note 1)	24	4,755	14,849	1,767	1,099	22,494
Additions	-	-	-	-	11	11
Inter-company eliminations	-	-	-	(1,638)	-	(1,638)
Other	-	-	(679)	714	(128)	(93)
Derecognised during the year (note 4)	(21)	-	-	-	-	(21)
Exchange adjustment	1	-	-	-	-	1
At 31 December 2020	4	4,755	14,170	843	982	20,754
Amortisation:						
At 1 January 2020	-	-	-	-	-	-
Acquisition of subsidiaries (note 1)	-	-	-	552	948	1,500
Amortisation for the year (note 5)	-	-	511	154	35	700
Intercompany eliminations	-	-	-	(604)	-	(604)
Other	-	-	-	45	(248)	(203)
At 31 December 2020	-	-	511	147	735	1,393
Fair value adjustment on effective fair value hedges (note 31.2 (iv))	-	-	-	-	-	-
Acquisition of subsidiaries (note 1)	-	-	-	-	(129)	(129)
Net carrying amount:						
At 31 December 2020	4	4,755	13,659	696	118	19,232

14 INTANGIBLE ASSETS continued

Distribution licenses
The Distribution companies (DisCos) in the UAE have licence agreements with the DoE. These licenses commenced in 1999 and gave the DisCos the exclusive right to distribute power and water throughout the Emirate of Abu Dhabi. These licenses can only be revoked after a 25 year notice period. As a result, the licenses are considered as an indefinite lived intangible asset and is subject to an annual impairment test. The key assumption for the impairment calculations are detailed below and are not materially sensitive.

- *Contributory Asset Charges*

The cash flow derived based on the after-tax earnings before interest and tax (EBIT) represents a return on all the tangible and intangible assets required to support the distribution companies. As such, in order to calculate the net residual income stream derived from the license intangible, post-tax contributory asset charges were taken for fixed assets, net working capital and assembled workforce applied to generate future income streams. These estimates used were based on current market assessments of expected returns on net working capital and fixed assets of 3.0% and 5.0% respectively (2020: 3.0% and 5.0% respectively). The return on assembled workforce were considered to be consistent with that of the overall businesses at 5.7% (2020: 5.7%).

- *Inflation rates*

Estimates are obtained from published indices for the countries from which products and services are originated. Forecast figures are used if data is publicly available. The Company assumed long term growth rate of 2.0% (2020: 2.0%).

- *Discount rates*

Discount rates used represent the current market assessment of the risks specific to the assets, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The post-tax rate used was 6.2% (2020: 6.7%).

Power (and water) purchase agreements (P(W)PAs)
All the I(W)PP assets in the UAE has separate P(W)PAs in place with EWEC with an average term of 25 years. Under the respective P(W)PA, each asset is entitled to sell electricity and water (as applicable) generated by the facility to EWEC at the agreed contractual prices and ADWEA is obliged to make capacity payments for both electricity and water as defined in the respective contracts. The key assumptions for the power and water asset VIU calculations are outlined in note 12 together with the approach management has taken in determining the value to ascribe to each.

Connection rights
The intangible assets arose from the transfer, made by a number of the Group’s subsidiaries, of certain assets to a related party in accordance with the terms of individual agreements and represent the acquisition cost of the right of connection to the transmission systems at the connection sites for a period of 1 to 8 years. The connection rights cost are being amortised on a straight line basis over the same period, being the expected period of benefit.

Tolling agreement
The Group has a fuel conversion services, capacity and ancillary services purchase agreement ("Tolling Agreement") relating to the acquisition of BE Red Oak Holding LLC. Under the terms of the Tolling Agreement, the Group is entitled to the economic rights (revenue from sale of electricity, capacity payments and any other ancillary services) of a power plant located in New Jersey, USA and the Group is obligated to supply the fuel and also make certain fixed and variable payments to the operator. The tolling agreement cost is being amortised on a straight line basis over the term of the agreement.

The fair value of the contract is based on estimated forward commodity prices, estimated correlation of commodity prices, volatility factors, and other typical option valuation parameters over the term of the tolling contract.

15 INVESTMENT IN AND LOANS TO ASSOCIATES AND JOINT VENTURES

The Group has the following investments:

	Country of incorporation and operation	*Ownership* ***2021***	*2020*
Associates			
Massar Solutions PJSC (note i)	UAE	**49.0%**	49.0%
Jubail Energy Company (note ii)	Saudi Arabia	**25.0%**	25.0%
Sohar Aluminium Company LLC (note iii)	Oman	**40.0%**	40.0%
Joint Venture			
LWP Lessee LLC (note iv)	USA	**50.0%**	50.0%
Taweelah RO Holding Company LLC (note v)	UAE	**33.0%**	33.0%
Fujairah Energy Holding Company LLC (note vi)	UAE	**67.0%**	67.0%
Dhafrah Solar Energy Holding Company LLC (note vii)	UAE	**67.0%**	67.0%
Tanajib Cogeneration Holding Company Limited (note viii)	UAE	**49.0%**	49.0%

(i) Massar Solution PJSC (formerly Al Wathba Company for Central Services PJSC) is mainly involved in the leasing and management of vehicles and equipment.

(ii) Jubail Energy Company ("Jubail") is involved in the generation of electricity.

(iii) Sohar Aluminium Company LLC ("Sohar") is involved in the construction, ownership and operation of an aluminium smelter and an associated combined cycle power plant.

(iv) LWP Lessee LLC ("Lakefield") is involved in wind power.

(v) Taweelah RO Holding Company LLC is involved in the production of desalinated water.

(vi) Fujairah Energy Holding Company LLC is involved in the generation of electricity. Despite 67% ownership, TAQA recognises it's investment in this entity as a joint venture. Through the entity's Articles of Association and Board structure, all shareholders have equal and joint ability to direct the relevant activities of this entity.

(vii) Dhafrah Solar Energy Holding Company LLC is involved in solar power generation. Despite 67% ownership, TAQA recognises it's investment in this entity as a joint venture. Through the entity's Articles of Association and Board structure, all shareholders have equal and joint ability to direct the relevant activities of this entity.

(viii) Tanajib Cogeneration Holding Company Limited is involved in the generation of electricity and water desalination.

15 INVESTMENT IN AND LOANS TO ASSOCIATES AND JOINT VENTURES continued

Summary information for associates and joint ventures:

	Massar Solutions(i) AED million	*Jubail Energy(ii) AED million*	*Sohar Aluminium(iii) AED million*	*LWP Lessee(iv) AED million*	*Taweelah RO(v) AED million*	*Fujairah Energy(vi) AED million*	*Dhafrah Solar(vii) AED million*
Year ended 31 December 2021:							
Revenue	**352**	**41**	**3,306**	**140**	**26**	**3**	**-**
Profit for the year	**5**	**19**	**776**	**13**	**23**	**-**	**-**
As at 31 December 2021:							
Non-current assets	**531**	**197**	**4,178**	**7**	**2,503**	**2,957**	**795**
Current assets	**446**	**93**	**1,558**	**101**	**56**	**71**	**724**
Non-current liabilities	**(66)**	**(126)**	**(2,653)**	**(65)**	**(2,239)**	**(2,786)**	**(1,266)**
Current liabilities	**(203)**	**(8)**	**(850)**	**(10)**	**(16)**	**(173)**	**(234)**
Net assets of Associate/JV	**708**	**156**	**2,233**	**33**	**304**	**69**	**19**
TAQA share of net assets	**346**	**39**	**893**	**16**	**100**	**46**	**13**
Equity accounting adjustments	**58**	**9**	**(155)**	**128**	**-**	**-**	**(13)**
Classified as loans/advances	**-**	**-**	**-**	**-**	**(100)**	**(46)**	**-**
TAQA carrying amount of investment	**404**	**48**	**738**	**144**	**-**	**-**	**-**

	Massar Solutions(i) AED million	*Jubail Energy(ii) AED million*	*Sohar Aluminium(iii) AED million*	*LWP Lessee(iv) AED million*	*Taweelah RO(v) AED million*	*Fujairah Energy(vi) AED million*	*Dhafrah Solar(vii) AED million*
Year ended 31 December 2020:							
Revenue	329	41	2,356	160	-	-	-
Profit for the year	30	27	216	31	-	-	-
As at 31 December 2020:							
Non-current assets	598	247	4,506	9	1,637	914	-
Current assets	350	88	1,126	101	65	91	196
Non-current liabilities	(87)	(188)	(737)	(57)	(1,602)	(537)	(196)
Current liabilities	(132)	(11)	(2,271)	(6)	(10)	(64)	-
Net assets of Associate/JV	729	136	2,624	47	90	404	-
TAQA share of net assets	357	34	1,050	23	29	270	-
Equity accounting adjustments	57	15	(277)	128	-	-	-
Classified as loans/advances	-	-	-	-	(29)	(270)	-
TAQA carrying amount of investment	414	49	773	151	-	-	-

Tanajib Cogeneration Holding Company Limited *(viii)* financial information is immaterial at 31 December 2021 and thus not disclosed above.

15 INVESTMENT IN AND LOANS TO ASSOCIATES AND JOINT VENTURES continued

The Group's associates and joint venture are accounted for using the equity method and the reporting dates of the associates are identical to TAQA. The following table analyses the carrying amount and share of profit and other comprehensive income of TAQA's associates and joint venture.

	31 December	
	2021	*2020*
	AED million	*AED million*
Carrying amount of investments	**1,334**	1,387
Group's share of the associates' and joint venture:		
Profit for the year	**313**	55
Other comprehensive income	**-**	-
Total comprehensive income	**313**	55

In order for the associates and joint ventures to reduce its exposure to interest rates fluctuations on loans from banks, the a number of the entities have entered into an interest rate arrangements with counter-party banks for a notional amount that mirrors the draw down and repayment schedule of the loans.

The Group has the following loans to associates and joint ventures:

	31 December	
	2021	*2020*
	AED million	*AED million*
Mezzanine loan – non-current	**-**	395
Advance – non – current	**349**	647
	349	1,042

The balances above mainly arise from the loans and advances made to Sohar Aluminium Company LLC, Taweelah RO Holding Company LLC and Fujairah Energy Holding Company LLC. Sohar Aluminium Company LLC repaid their loans in full during the year ended 31 December 2021.

An ECL provision of nil (2020: AED 4 million) is recognised against the loans to Sohar Aluminium Company LLC.

16 OTHER ASSETS

	31 December	
	2021	*2020*
	AED million	*AED million*
Deposit receivable	**74**	75
Advances to contractors	**308**	521
Asset retirement obligation relief deed receivable	**486**	-
Others	**56**	77
	924	673

17 INVENTORIES

	31 December 2021 AED million	*2020 AED million*
Fuel and crude oil	**1,750**	1,611
Spare parts and consumables	**2,989**	2,960
	4,739	4,571
Provision for slow moving and obsolete items	**(1,221)**	(972)
	3,518	3,599

The cost of inventories recognised as an expense in the consolidated income statement is AED 889 million (2020: AED 911 million).

Inventories with a carrying amount of AED 2,629 million (2020: AED 3,154 million) are pledged as security for loans of the UAE domestic subsidiaries and certain foreign subsidiaries in the power business. Movements in the provision for slow moving and obsolete items are as follows:

	31 December 2021 AED million	*2020 AED million*
At 1 January	**972**	62
Acquisition of subsidiaries (note 1)	-	807
Provision for the year	**249**	103
At 31 December	**1,221**	972

18 ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2021 AED million	*2020 AED million*
Net trade receivables (note (i))	**4,504**	4,692
Accrued revenue	**1,064**	707
Crude stock underlift	**337**	86
Deposits	**76**	414
Advances to suppliers	**52**	97
Prepaid expenses	**407**	442
Other receivables	**94**	265
	6,534	6,703

18 ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES continued

(i) Trade receivables

As at 31 December 2021, trade receivables at nominal value of AED 766 million (2020: AED 1,005 million) were impaired and provided for under the ECL mechanism. Trade receivables are non-interest bearing and are recoverable within 30 - 90 working days. Movements in the provision for impairment of receivables are as follows:

	31 December	
	2021	*2020*
	AED million	*AED million*
At 1 January	**1,005**	-
Acquisition of subsidiaries (note 1)	**-**	1,029
Reversals for the year	**(239)**	(24)
	------	-------
At 31 December	**766**	1,005
	====	====

As at 31 December, the ageing analysis of trade receivables is as follows:

			Past due			
	Total	*Not past due*	*30 – 60 days*	*60 – 90 days*	*90 – 120 days*	*>120 days*
	AED million	*AED million*	*AED million*	*AED million*	*AED million*	*AED million*
2021						
Net trade receivables	**4,504**	**1,769**	**760**	**573**	**500**	**902**
Expected credit loss provision	**766**	**333**	**27**	**31**	**27**	**348**
2020						
Net trade receivables	4,692	2,363	82	43	7	2,197
Expected credit loss provision	1,005	2	20	26	37	920

Subsequent to the balance sheet date, the Group collected AED 7 million (2020: AED 1 million) of balances past due for more than 120 days. Trade receivables net of provisions are expected, on the basis of past experience, to be fully recoverable.

19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts:

	31 December	
	2021	*2020*
	AED million	*AED million*
Cash at banks and on hand	**5,063**	7,340
Short term deposits	**3,709**	1,179
	------	-------
Total cash and short term deposits	**8,772**	8,519
Restricted cash	**(319)**	(132)
Bank overdrafts	**(31)**	(66)
	------	-------
Net cash and cash equivalents	**8,422**	8,321
	====	====

Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Bank overdrafts carry interest at floating rates and are secured by guarantees from certain shareholders of the subsidiaries.

19 CASH AND CASH EQUIVALENTS continued

At 31 December 2021, the Group had available AED 13,486 million (2020: AED 8,154 million) of undrawn committed borrowing facilities in respect of which all conditions precedent have been met.

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by Central Bank of respective countries. Accordingly, management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the banks, the management of the Company have booked an ECL provision of AED 2 million (2020: AED 2 million) is recognised against cash and cash equivalents.

20 SHARE CAPITAL

The Transaction between TAQA and ADPC (note 1) was effected by the issuance of 106,367,950,000 ordinary shares of AED 1 by TAQA to the existing shareholders of ADPC. The newly issued shares added to the existing share capital of TAQA (i.e. 6,066,300,000 shares) constitutes the share capital of the legal entity / acquirer after the merger, i.e. the Combined Entity. The table below represents the effect of the transaction on the share capital of the Group as of the date of the transaction:

	Shares	***%***
Number of shares issued by TAQA to ADPC	106,367,950,000	95
Initial share capital of TAQA	6,066,300,000	5
Total shares of TAQA post combination	**112,434,250,000**	**100**

	31 December	
	2021	*2020*
	AED million	*AED million*
Share capital	**112,434**	112,434

21 OTHER EQUITY

	31 December	
	2021	*2020*
	AED million	*AED million*
Statutory reserve *(i)*	**977**	381
Merger reserve *(ii)*	**(56,443)**	(56,443)

(i) Statutory reserve

As required by the UAE Federal Law No. 2 of 2015 and Article 34 of the Articles of Association of TAQA, 10% of the profit for the year is transferred to a statutory reserve. The Company may resolve to discontinue such transfers when the reserve equals 50% of the share capital. The reserve is not available for distribution. Prior to the completion of the transaction, a capital optimisation programme was completed which saw the settlement of the statutory reserve.

21 OTHER EQUITY continued

(ii) Merger reserve

In accordance with IFRS 3 and per the principles of reverse acquisition, the equity structure appearing in these consolidated financial statements reflects the capital structure (number of shares) of the legal acquirer (TAQA), including the shares issued by TAQA to ADPC to effect the business combination (note 1). This results in the creation of a 'Merger reserve' as at 1 July 2020, being the difference between the capital structure of the legal acquirer (TAQA) and the capital structure of the accounting acquirer (TransCo). The Merger reserve has been computed as follows:

	AED million
Capital structure of the accounting acquirer	
- TransCo outstanding shares pre-transaction	**-**
- Consideration transferred for the reverse acquisition	**38,654**
	38,654
Less: Capital structure of the legal acquirer	**(112,434)**
Less: Non cash distribution of land	**(18,682)**
Less: Bargain purchase gain on acquisition	**(570)**
Plus: Interest free loan from shareholder	**36,589**
	(56,443)

The purchase consideration computed from the perspective of the accounting acquirer (TransCo) considered the plots of land under the Framework Agreement (note 1) to be acquired by the Group and distributed to the shareholders of the Group as a non-cash distribution in accordance with the requirements of IFRS 3.

22 NON-CONTROLLING INTERESTS

Financial information of subsidiaries that have material non-controlling interests are provided below:

	Country of incorporation and operation	*Proportion of equity interests held by non-controlling interests* **2021**	*2020*
Gulf Total Tractebel Power Company PJSC	UAE	**40.0%**	40.0%
Arabian Power Company PJSC	UAE	**40.0%**	40.0%
Shuweihat CMS International Power Company PJSC	UAE	**40.0%**	40.0%
Taweelah Asia Power Company PJSC	UAE	**40.0%**	40.0%
Emirates SembCorp Water and Power Company PJSC	UAE	**40.0%**	40.0%
Fujairah Asia Power Company PJSC	UAE	**40.0%**	40.0%
Ruwais Power Company PJSC	UAE	**40.0%**	40.0%
Emirates CMS Power Company PJSC	UAE	**40.0%**	40.0%
Sweihan PV Power Company PJSC	UAE	**40.0%**	40.0%
Shuweihat Asia Power Company PJSC	UAE	**40.0%**	40.0%
Mirfa International Power and Water Company PJSC	UAE	**40.0%**	40.0%

All of the Group’s subsidiaries that have material non-controlling interest are similar in nature. These all relate to the Group’s UAE power and water subsidiaries, in which the Group have an effective 60% share. 40% is owned by various international utility companies. Therefore, the following disclosures have been provided on an aggregated basis.

	31 December **2021** ***AED million***	*2020* *AED million*
Revenue	**8,220**	4,553
(Loss) profit	**(5)**	383
Other comprehensive income	**1,684**	903
Total comprehensive income	**1,679**	1,286
(Loss) profit allocated to non-controlling interests	**(2)**	153
Other comprehensive income allocated to non-controlling interests	**674**	361
Cash flows from operating activities	**6,703**	3,371
Cash flows used in investing activities	**(228)**	(103)
Cash flows used in financing activities	**(6,190)**	(3,011)
Net increase in cash and cash equivalents	**285**	257
Dividends paid to non-controlling interests	**(629)**	(268)
Non-current assets	**48,092**	52,245
Current assets	**5,654**	5,982
Non-current liabilities	**32,623**	36,250
Current liabilities	**4,632**	5,450
Total equity	**16,491**	16,527
Equity attributable to parent	**10,225**	10,294
Equity attributable to non-controlling interests	**6,266**	6,233

23 LOANS FROM NON-CONTROLLING INTEREST SHAREHOLDERS IN SUBSIDIARIES

	31 December **2021** **AED million**	*2020* *AED million*
S2 Offshore Holding Company	**40**	72
Fujairah F2 CV	-	4
Shuweihat Asia Power Investment B.V.	**51**	58
M Power Holding Company	**127**	180
Sweihan Solar Holding Company	**137**	152
	355	466

The above loans are interest free, with no repayment terms and are unsecured and are subject to terms of repayment as resolved by the Board of Directors of the subsidiaries. Accordingly they have been treated as equity within NCI.

24 INTEREST BEARING LOANS AND BORROWINGS

	31 December **2021** **AED million**	*2020* *AED million*
Abu Dhabi National Energy Company Global Medium Term notes (note i)	**26,293**	27,859
Revolving credit facilities (note ii)	**-**	5,133
Abu Dhabi National Energy Company bonds (note iii)	**4,372**	4,429
Other subsidiaries' bonds (note iv)	**6,242**	6,458
Term loans (note v)	**27,305**	31,175
	64,212	75,054

Analysed in the consolidated statement of financial position as follows:

	31 December **2021** **AED million**	*2020* *AED million*
Non-current portion	**61,369**	66,198
Current portion	**2,843**	8,856
	64,212	75,054

The Group's interest bearing loans and borrowings (before purchase price allocation fair value adjustments and deducting prepaid finance costs) are repayable as follows:

	31 December **2021** **AED million**	*2020* *AED million*
Within 1 year	**2,744**	8,580
Between 1 – 2 years	**7,577**	3,885
Between 2 – 3 years	**6,350**	7,209
Between 3 – 4 years	**5,348**	11,556
Between 4 – 5 years	**6,013**	5,742
After 5 years	**36,040**	36,729
	64,072	73,701

24 INTEREST BEARING LOANS AND BORROWINGS continued

Changes in liabilities arising from financing activities

	1 January 2021 AED million	*Cash flows (note i) AED million*	*Other (note ii) AED million*	*31 December 2021 AED million*
2021				
Current:				
Interest bearing loans and borrowings	**8,856**	**(9,536)**	**3,523**	**2,843**
Islamic loans	**173**	**(173)**	**661**	**661**
Lease liabilities	**217**	**(139)**	**60**	**138**
	9,246	**(9,848)**	**4,244**	**3,642**
Non-current:				
Interest bearing loans and borrowings	**66,198**	**(547)**	**(4,282)**	**61,369**
Islamic loans	**780**	**-**	**(688)**	**92**
Lease liabilities	**361**	**-**	**27**	**388**
	67,339	**(547)**	**(4,943)**	**61,849**
	76,585	**(10,395)**	**(699)**	**65,491**

	1 January 2020 AED million	*Cash flows (note i) AED million*	*Other (note ii) AED million*	*Acquisition of subsidiaries (note iii) AED million*	*31 December 2020 AED million*
2020					
Current:					
Interest bearing loans and borrowings	-	(5,072)	7,474	6,454	8,856
Islamic loans	-	(80)	85	168	173
Lease liabilities	16	(93)	110	184	217
	16	(5,245)	7,669	6,806	9,246
Non-current:					
Interest bearing loans and borrowings	-	1,709	(7,509)	71,998	66,198
Islamic loans	-	-	(39)	819	780
Lease liabilities	21	-	(9)	349	361
	21	1,709	(7,557)	73,166	67,339
	37	(3,536)	112	79,972	76,585

(i) The cash flows relates to the net movements in interest bearing loans and borrowings and Islamic loans as detailed in the cash flow statement.

(ii) This includes reclassifications between non-current and current, prepaid finance cost accruals and payments, foreign exchange differences and fair value adjustments.

(iii) Please refer to note 1 of the consolidated financial statements for details of the transaction.

24 INTEREST BEARING LOANS AND BORROWINGS continued

(i) Abu Dhabi National Energy Company Global Medium Term Notes

Abu Dhabi National Energy Company global medium term notes are recorded at amortised cost using effective interest rates and are direct, unconditional, and unsecured obligations of TAQA. The following table summarises the terms of the notes payable net of discount/premium and transaction costs:

	Issue rate %	*Effective interest rate %*	*Repayment date*	***2021 AED million***	*2020 AED million*
Current liabilities					
US $500,000,000	99.66%	3.87%	June 2021	-	1,857
US $250,000,000	102.48%	3.16%	June 2021	-	934
US $750,000,000	99.52%	6.00%	December 2021	-	2,881
				-	5,672
Non-current liabilities					
US $1,250,000,000	99.40%	3.75%	January 2023	**3,780**	4,797
Euro 180,000,000	97.62%	3.10%	May 2024	**799**	873
US $750,000,000	99.37%	4.02%	May 2024	**2,897**	2,955
US $750,000,000	99.95%	4.38%	April 2025	**2,977**	3,043
US $500,000,000	99.00%	4.60%	June 2026	**1,984**	2,027
US $500,000,000	104.60%	3.84%	June 2026	**2,053**	2,091
US $750,000,000	99.80%	2.03%	April 2028	**2,739**	-
US $1,000,000,000	99.96%	4.88%	April 2030	**4,277**	4,349
US $500,000,000	100.00%	4.00%	October 2049	**2,044**	2,052
US $750,000,000	100.00%	3.40%	April 2051	**2,743**	-
				26,293	22,187
				26,293	27,859

The term notes liability is stated net of transaction costs amounting to AED 56 million (2020: AED 37 million), which are amortised over the repayment period using the effective interest rate method.

(ii) Revolving credit facilities

The following table summarises drawn revolving credit facilities net of transaction costs:

	2021 AED million	*2020 AED million*
Non-current liabilities		
US $3.5 billion facility	**-**	5,133

The revolving credit facility is a US$ 3.5 billion, multicurrency revolving credit facility with a syndicate of 13 banks. Amounts borrowed under revolving credit facility carry interest of LIBOR or EURIBOR plus a margin. Repayments amounting to AED 5,133 million have been made during the year ended 31 December 2021 (2020: AED 1,837 million repaid). The facility expires in December 2024.

Prepaid transaction costs relating to the facility amounted to AED 54 million as at 31 December 2021 (2020: AED 74 million). As at 31 December 2021 this amount is recorded within prepaid expenses in current assets. As at 31 December 2020, the liability is stated net of transaction costs. This cost is amortized in the consolidated statement of profit or loss over the term of the facility using the effective interest rate method.

24 INTEREST BEARING LOANS AND BORROWINGS continued

(iii) Abu Dhabi National Energy Company bonds

The bonds are recorded at amortised cost using effective interest rates and are direct, unconditional, and unsecured obligations of the Company. Interest on the US dollar bonds is payable semi-annually. Accrued interest is included under accruals and other liabilities. The following table summarises the bonds net of discount and transaction costs:

	Issue rate %	*Effective interest rate %*	*Repayment date*	***2021 AED million***	*2020 AED million*
Non-current liabilities					
US $1,500,000,000	99.05%	6.60%	October 2036	**4,372**	4,429

The bonds liability is stated net of transaction costs amounting to AED 32 million (2020: AED 33 million), which are amortised over the repayment period using the effective interest rate method.

(iv) Other subsidiaries' bonds

The bonds are recorded at amortised cost using the effective interest rate and are secured by a number of security documents including the subsidiaries contractual rights, cash deposits, other assets and guarantees. Interest on the bonds is payable semi-annually. The following table summarises the bonds net of discount and transaction costs:

	Issue rate %	*Effective interest rate %*	*Repayment date*	***2021 AED million***	*2020 AED million*
Non-current liabilities					
Emirates Sembcorp Water & Power Company US $400,000,000	4.45%	4.79%	February 2029 to August 2035	**1,598**	1,608
Ruwais Power Company US $825,000,000	6.0%	6.18%	August 2036	**3,724**	3,772
TAQA Morocco MAD 2,700,000,000	3.75%	3.82%	March 2038	**920**	1,078
				6,242	6,458

The bonds liability is stated net of transaction costs amounting to AED 117 million (2020: AED 124 million), which are amortised over the repayment period using the effective interest rate method.

24 INTEREST BEARING LOANS AND BORROWINGS continued

(v) Term loans

All term loans are shown at amortised cost and carry an effective interest rate of LIBOR plus the margin stated unless noted otherwise.

	Currency	*Effective interest rate %*	*Repayment date*	***2021 AED million***	*2020 AED million*
Current liabilities					
Gulf Tractebel Power Company PJSC[1]	USD	+0.80%	2022	**236**	233
Shuweihat CMS International Power Company PJSC[1]	USD	+1.75%	2022	**-**	370
Arabian Power Company PJSC[1]	USD	+1.65%	2022	**287**	269
Taweelah Asia Power Company PJSC					
Term loan (1)[1]	USD	+ 1.00%	2022	**270**	246
Term loan (2)[1]	USD	+ 0.83%	2022	**351**	326
Emirates SembCorp Water and Power Company PJSC[2]	USD	+ 0.85%- 1.20%	2022	**206**	196
Fujairah Asia Power Company PJSC					
Term loan (1)[1]	USD	+ 0.75%	2022	**168**	155
Term loan (2)[1]	USD	+ 0.50%	2022	**221**	234
Ruwais Power Company PJSC[1]	USD	+1.90% - 2.35%	2022	**254**	234
TAQA Morocco[2]	MAD	5.78%	2022	**100**	104
Jorf Lasfar Energy Company 5&6 S.A.[3]	Multi Currency	+4.34% - 5.60%	2022	**294**	321
Takoradi International Company[4]	USD	+4.25% - 4.35%	2022	**81**	105
Sweihan PV Power Company PJSC[1]	USD	+1.2%	2022	**76**	79
Shuweihat Asia Power Company PJSC[1]	USD	+1.56% -2.5%	2022	**161**	159
Mirfa International Power and Water Company PJSC[1]	USD	+1.10% -3.15%	2022	**95**	153
				2,800	3,184
Non-current liabilities					
Abu Dhabi National Energy Company PJSC	USD	+1.00%	2022	**-**	735
Gulf Tractebel Power Company PJSC[1]	USD	+0.80% - 0.95%	2029	**1,782**	2,017
Arabian Power Company PJSC[1]	USD	+1.65%	2023	**309**	593
Taweelah Asia Power Company PJSC					
Term loan (1)[1]	USD	+ 1.00%	2025	**765**	1,023
Term loan (2)[1]	USD	+ 0.83%	2025	**993**	1,351
Emirates SembCorp Water and Power Company PJSC[1]	USD	+0.85% - 1.20%	2029	**1,696**	1,910
Fujairah Asia Power Company PJSC					
Term loan (1)[1]	USD	+ 0.75%	2030	**1,843**	2,011
Term loan (2)[1]	USD	+ 0.50%	2030	**2,748**	2,963
Ruwais Power Company PJSC[1]	USD	+1.90% - 2.50%	2031	**3,448**	3,699
TAQA Morocco[2]	MAD	5.78%	2034	**484**	483
Jorf Lasfar Energy Company 5&6 S.A.[3]	Multi Currency	+4.34% - 5.60%	2028	**1,383**	1,753
Takoradi International Company[4]	USD	+4.25% - 4.35%	2027	**510**	590
Sweihan PV Power Company PJSC[1]	USD	+1.2%	2042	**2,079**	2,157
Shuweihat Asia Power Company PJSC[1]	USD	+1.56% -2.5%	2034	**2,895**	3,052
Mirfa International Power and Water Company PJSC[1]	USD	+1.10% -3.15%	2039	**3,570**	3,654
				24,505	27,991
				27,305	31,175

The term loans liability is stated net of transaction costs amounting to AED 115 million (2020: AED 130 million), which are amortised over the repayment period using the effective interest rate method.

1. The loans are secured, subject to various covenants and there are requirements to enter into interest rate swap agreements (note 31).
2. The loans are secured by a number of security documents.
3. The loan is secured and there are requirements to enter into interest rate swap agreements as well as foreign exchange swap agreements (note 31).
4. The loan is secured and there are requirements to enter into interest rate swap agreements (note 31).

25 ISLAMIC LOANS

Islamic loans are with respect to the following subsidiaries:

	31 December **2021** **AED million**	*2020* *AED million*
Shuweihat CMS International Power Company PJSC	**-**	93
Arabian Power Company PJSC	**176**	255
Abu Dhabi National Energy Company PJSC	**577**	605
	------	-------
	753	953
	====	====

Analysed in the consolidated statement of financial position as follows:

	31 December **2021** **AED million**	*2020* *AED million*
Non-current portion	**92**	780
Current portion	**661**	173
	------	-------
	753	953
	====	====

The Group's Islamic loans (before purchase price allocation fair value adjustments and deducting prepaid finance) are repayable as follows:

	31 December **2021** **AED million**	*2020* *AED million*
Within 1 year	**660**	172
Between 1 – 2 years	**92**	772
	------	-------
	752	944
	====	====

All Islamic loans carry an effective rental rate of LIBOR plus the margin stated unless noted otherwise.

	Currency	*Effective rental rate %*	*Repayment date*	***2021 AED million***	*2020 AED million*
Current liabilities					
Shuweihat CMS International Power Company[1]	USD	+1.75%	2022	**-**	93
Arabian Power Company PJSC[1]	USD	+1.65%	2022	**84**	80
Abu Dhabi National Energy Company PJSC[2]	MYR	4.71%	2022	**577**	-
				-----	-----
				661	173
Non-current liabilities					
Abu Dhabi National Energy Company PJSC[2]	MYR	4.71%	2022	-	605
Arabian Power Company PJSC[1]	USD	+1.65%	2023	**92**	175
				-----	------
				92	780
				753	953
				====	====

The Islamic loans liability is stated net of transaction costs amounting to AED nil (2020: AED 1 million), which are amortised over the repayment period using the effective rental rate method.

1. The loans are secured and there are requirements to enter into rental rate swap agreements (note 31).
2. The Group has entered into a cross currency swap arrangement to hedge the exposure of fluctuating currency rates (note 31).

26 ASSET RETIREMENT OBLIGATIONS

As part of the land lease agreements between ADPC and the Group's domestic subsidiaries, the subsidiaries have a legal obligation to remove the power and water desalination plants at the end of the plants' useful lives, or before if the subsidiaries became unable to continue their operations to that date, and to restore the land. The subsidiaries shall at their sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavation and return the surface to grade of the designated areas. The fair value of the ARO liability has been calculated using an expected present value technique. This technique reflects assumptions such as costs, plant useful life, inflation and profit margin that third parties would consider to assume the settlement of the obligation.

In addition, the Group's foreign subsidiaries involved in the oil and gas sector make provision for the future cost of decommissioning oil and gas properties and facilities at the end of their economic lives. The economic life and the timing of the decommissioning liabilities are dependent on Government legislation, commodity prices and the future production profiles of the respective assets. In addition, the costs of decommissioning are subject to inflationary/ deflationary pressures in the cost of third party service provision.

	31 December	
	2021	*2020*
	AED million	*AED million*
At 1 January	**16,078**	-
Acquisition of subsidiaries (note i)	-	16,408
Utilised during the year	**(583)**	(136)
Provided during the year	**(18)**	(2)
Accretion expense (note 7)	**454**	228
Revision in estimated cash flows	**1,637**	(607)
Disposal of assets	**(516)**	-
Exchange adjustment	**(24)**	187
	--------	-------
	17,028	16,078
	=====	====

Analysed in the consolidated statement of financial position as follows:

	31 December	
	2021	*2020*
	AED million	*AED million*
Non-current portion	**16,873**	15,905
Current portion (note 28)	**155**	173
	--------	-------
	17,028	16,078
	=====	====

(i) As part of the acquisition detailed in note 1, the Group acquired asset retirement obligations of AED 16,408 million, being AED 16,032 million non-current and AED 376 million current (included within Accounts payable, accruals and other liabilities).

27 OTHER LIABILITIES

	31 December 2021 AED million	31 December 2020 AED million
Deferred income-grant*	**45**	315
Employee's end of service benefits	**383**	432
Loan from related party (note 29)	**25**	24
Lease liabilities	**388**	361
Others	**408**	289
	1,249	1,421

*Deferred income relates to the fair value of assets transferred in prior years from Emirates CMS Power Company PJSC, Taweelah Asia Power Company PJSC, Shuweihat CMS International Power Company PJSC, the Private Department Al Ain and Arabian Power Company. Deferred income also includes an amount received in prior years from Fujairah Asia Power Company PJSC for procurement and installation of additional water storage tanks.

28 ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	31 December 2021 AED million	31 December 2020 AED million
Trade payables	**3,850**	2,247
Retention creditors	**513**	874
Mega development projects payable	**4,409**	4,112
Contract accruals for capital expenditure	**1,137**	1,752
Customer deposits	**727**	696
Accrued interest expenses	**632**	743
Accrual for operating costs	**1,344**	846
Payable for capital expenditure	**372**	1,006
Deferred income- grant	**72**	72
Crude stock overlift	**61**	23
Deferred income- connection fees	**11**	11
Dividend payable to non controlling interests	**41**	52
Lease liability	**138**	217
Asset retirement obligations – current (note 26)	**155**	173
Accrued employee related expenses	**504**	542
Advances from customers	**594**	775
Deferred revenue	**118**	36
Others	**1,550**	741
	16,228	14,918

Terms and conditions of the above liabilities:

- Trade payables are non-interest bearing and are normally settled between 30 to 60 day terms.
- Payables to joint venture partners are non-interest bearing and have an average term of 60 days.
- Interest payable is normally settled throughout the financial year in accordance with the terms of the loans.

29 RELATED PARTY BALANCES

The Group enters into transactions with companies and entities that fall within the definition of a related party. Related parties, as defined in International Accounting Standard 24: Related Party Disclosures, include associate companies, major shareholders, directors and other key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. The transaction detailed in note 1 should be considered as a related party transaction.

The following table provides a summary of other significant related party transactions included in the consolidated statement of profit or loss during the year:

	31 December	
	2021	*2020*
	AED million	*AED million*
TUOS and connection charges for licensed activity to:		
Abu Dhabi Distribution Company (fellow subsidiary)	**-**	1,753
Al Ain Distribution Company PJSC (fellow subsidiary)	**-**	550
	---------	---------
	-	2,303
	=====	=====
Emirates Water and Electricity Company:		
TUOS and connection charges for unlicensed activity	**1,046**	1,011
Revenue from electricity and water	**8,246**	4,235
Fuel revenue	**11**	14
Electricity and water bulk supply tariff	**(14,447)**	(7,106)
	---------	---------
	(5,144)	(1,846)
	=====	=====
Other operating revenue	**11,218**	5,210
	=====	=====
Repairs and maintenance and other related costs charged by:		
Abu Dhabi Distribution Company (fellow subsidiary)	**-**	(53)
Al Ain Distribution Company PJSC (fellow subsidiary)	**-**	(15)
Emirates Water and Electricity Company (EWEC)	**(35)**	(40)
Massar Solutions	**(39)**	(15)
	---------	---------
	(74)	(123)
	=====	=====
Other transactions		
Administrative service charges from ADPC	**(179)**	(26)
GCC grid operating fees	**(56)**	(27)
Fuel expense	**(2)**	(3)
License fees to DOE	**(101)**	(48)
Charges for provision of IT support services	**(50)**	(48)
Finance costs	**(21)**	(22)
Interest income	**1**	1

Other operating revenue for sales of water and electricity is calculated as the difference between its Maximum Allowed Revenue (MAR) determined in its Regulatory Control 1 (issued by the DoE) and revenue relating to supply and distribution of water and electricity from its customers. Accordingly, the Group recognised this revenue for supply and distribution of water and electricity based on those rights and rewards that are confirmed during the year.

29 RELATED PARTY BALANCES continued

Balances with related parties

Balances with related parties that are disclosed in the consolidated statement of financial position as follows:

	31 December	
	2021	*2020*
	AED million	*AED million*
Non-current asset		
Advance and loans to associates and joint ventures	**349**	1,042
	====	====
Current assets		
Bank balances with UAE government banks	**6,231**	6,660
	====	====
Amounts due from Emirates Water and Electricity Company (EWEC) (note (i))	**1,547**	1,503
Amounts due from Abu Dhabi Power Corporation (ADPC) (note (i))	**252**	555
Amounts due from other related parties (note (i))	**147**	551
	-------	-------
	1,946	2,609
	====	====
Non-current liabilities		
Loan from Abu Dhabi Power Corporation (ADPC)	**25**	24
Bank loans with government owned bank	**114**	122
	-------	-------
	139	146
	====	=====
Current liabilities		
Overdraft with UAE government banks	**13**	66
	====	====
Amounts due to Emirates Water and Electricity Company (EWEC)	**1,961**	1,986
Amounts due to Abu Dhabi Power Corporation (ADPC)	**33**	107
Amounts due to other related parties	**214**	110
	-------	--------
	2,208	2,203
	====	====
Available undrawn bank facilities with UAE government banks	**470**	360
	====	====

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms approved by the management. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Amounts due from related parties, net of provisions, are expected, on the basis of past experience, to be fully recoverable. Management has determined that the provision made against these amounts are appropriate as these are receivable from government entities with low probability of default and loss given default.

29 RELATED PARTY BALANCES continued

(i) Amounts due from related parties

As at 31 December 2021, related parties receivables at nominal value of AED 14 million (2020: AED 17 million) were impaired and fully provided for. The amounts due from EWEC, a fellow subsidiary of ADPC, in respect of available capacity and supply of water and electricity, are payable within 30 - 90 working days. Movements in the provision for impairment of related party receivables are as follows:

	31 December	
	2021	*2020*
	AED million	*AED million*
At 1 January	**17**	9
Acquisition of subsidiaries (note 1)	**-**	16
Provision/ECL for the year	**(3)**	(8)
At 31 December	**14**	17

As at 31 December, the ageing analysis of related party receivables is as follows:

			Past due but not impaired			
	Total AED million	*Neither past due nor impaired AED million*	*30 – 60 days AED million*	*60 – 90 days AED million*	*90 – 120 days AED million*	*>120 days AED million*
2021	**1,946**	**1,245**	**357**	**145**	**19**	**180**
2020	2,609	1,888	194	42	126	359

Compensation of key management personnel

The remuneration of senior key management personnel of the Group during the year was as follows:

	31 December	
	2021	*2020*
	AED million	*AED million*
Short term benefits	**26**	21
Long term benefits	**2**	1
	28	22

30 COMMITMENTS AND CONTINGENCIES

(i) Capital expenditure commitments

The authorised contracted capital expenditure contracted for at 31 December 2021 but not provided for amounted to AED 2,389 million (31 December 2020: AED 3,080 million).

30 COMMITMENTS AND CONTINGENCIES continued

(ii) Operating lease commitments

Group as a lessor:
Future capacity payments to be received by the Group under the power and water purchase agreement ("PWPA") based on projected plant availability as at 31 December are as follows:

	31 December	
	2021	*2020*
	AED million	*AED million*
Within one year	**5,737**	6,124
After one year but not more than five years	**24,209**	24,221
More than five years	**21,180**	26,407
	--------	-------
At 31 December	**51,126**	56,752
	=====	====

(iii) Other commitments

As at the reporting date TAQA North has entered into contractual commitments, mainly pipeline usage, under which they are committed to spend AED 767 million as at 31 December 2021 (31 December 2020: AED 871 million).

(iv) Contingencies

a) The Group guaranteed the obligations of TAQA GEN X LLC to Morgan Stanley Capital Group Inc. under the Energy Management Agreement (EMA) and International Swap & Derivatives Master agreement. Payments under this guarantee shall not exceed US $100 million (AED 367 million) (31 December 2020: AED 367 million) over the life of the EMA. No payments have been made to date (31 December 2020: nil)

b) The Group has entered into decommissioning security agreements for a number of UK North Sea Assets acquired by it, pursuant to which it may be required to provide financial security to the former owners of the assets, either by means of (a) placing monies in trust or procuring the issuance of letters of credit in an amount equal to its share of the net decommissioning costs of the subject fields plus an allowance for uncertainty; or (b) procuring a guarantee from a holding company or affiliate which satisfies a minimum credit rating threshold; or (c) providing security in such other form as may be agreed by parties to the deeds.

In respect of certain other UK North Sea Assets TAQA is able to meet the security arrangements for decommissioning obligations by way of provision of a parent company guarantee, so long as TAQA continues in majority-ownership of the Government of Abu Dhabi.

c) TAQA Offshore B.V., alongside other oil and gas companies and the government of the Netherlands in a cross industry initiative has put in place security for offshore oil and gas infrastructure decommissioning. TAQA Offshore B.V. has formally committed to the Government initiative and a legal Netherlands trust arrangement has been set up, and a bank guarantee secured, to effect the provision of security by TAQA Offshore B.V.

d) The Group has various claims lodged by contractors and consultants relating to its ongoing and completed projects, arising from extension of time and work performed but not paid. The Group is in negotiations with these contractors and consultants regarding the resolution of these claims. At this stage management believes it is not possible to determine a reliable estimate of the range of potential claims.

e) The Group has a number of letters of credit and guarantees issued on behalf of the generation companies in relation to debt service reserve accounts.

31 FINANCIAL INSTRUMENTS

31.1 Hedging Activities

	31 December 2021			*31 December 2020*		
	Notional amount AED million	***Fair value Current AED million***	***Non-current AED million***	*Notional amount AED million*	*Fair value Current AED million*	*Non-current AED million*
Cash flow hedges						
Liabilities						
Cross currency interest rate swap	**573**	**228**	**-**	594	16	211
Interest rate swaps - hedged	**24,664**	**571**	**2,678**	27,856	819	4,172
Forward foreign exchange contracts	**322**	**17**	**41**	427	3	32
		816	**2,719**		838	4,415
Assets						
Interest rate swaps - hedged	**123**	**-**	**70**	123	-	44
Forward foreign exchange contracts	**1,530**	**11**	**2**	2,004	26	24
		11	**72**		26	68
Fair value hedges						
Liabilities						
Futures and forward contracts		**59**	**-**		-	-
Assets						
Future and forward contracts		**-**	**-**		23	-

(i) Interest Rate Swaps – Cash flow hedge

In order to reduce their exposure to interest rate fluctuations on variable interest bearing loans and borrowings (note 24) and Islamic loans (note 25) certain subsidiaries have entered into interest rate swap arrangements with counter-party banks for a notional amount that matches the outstanding interest bearing loans and borrowings and Islamic loans. The derivative instruments were designated as cash flow hedges. The following table summarises certain information relating to the derivatives for each subsidiary as of 31 December 2021 and 31 December 2020:

Subsidiary	***Notional amount 2021 AED million***	*Notional amount 2020 AED million*	***Derivative liabilities 2021 AED million***	*Derivative liabilities 2020 AED million*	***Derivative assets 2021 AED million***	*Derivative assets 2020 AED million*	***Fix leg on instrument 2021***	*Fix leg on instrument 2020*
GTTPC	**1,827**	2,037	**128**	237	**-**	-	**2.63% to 3.76%**	2.63% to 3.76%
SCIPCO	**-**	464	**-**	8	**-**	-	**1.83% to 2.65%**	1.83% to 2.65%
APC	**623**	901	**22**	57	**-**	-	**4.60% to 4.89%**	4.60% to 4.89%
TAPCO	**2,038**	2,529	**120**	241	**-**	-	**3.64% to 5.28%**	3.64% to 5.28%
ESWPC	**1,917**	2,121	**119**	210	**-**	-	**2.80% to 5.85%**	2.80% to 5.85%
FAPCO	**4,776**	5,146	**765**	1,095	**-**	-	**0.84% to 5.72%**	0.84% to 5.72%
SPVPC	**1,911**	1,984	**182**	323	**-**	-	**1.43% to 2.77%**	1.43% to 2.77%
MIPCO	**3,329**	3,652	**534**	757	**70**	44	**Average 2.66%**	Average 2.66%
SAPCO	**3,081**	3,237	**576**	829	**-**	-	**1.63% to 5.14%**	1.63% to 5.14%
RPC	**3,803**	4,161	**728**	1,084	**-**	-	**4.62% to 5.40%**	4.62% to 5.40%
JLEC 5&6	**1,056**	1,247	**62**	116	**-**	-	**1.92% to 2.12%**	1.92% to 2.12%
TICO	**426**	500	**13**	34	**-**	-	**2.20% to 2.31%**	2.20% to 2.31%
	24,787	27,979	**3,249**	4,991	**70**	44		

31 FINANCIAL INSTRUMENTS continued

31.1 Hedging Activities continued

(ii) Cross currency Swaps – Cash flow hedges

The Group has entered into a cross currency rate swap agreement to hedge the Group's exposure on the Malaysian Ringgit Sukuk (note 25). Under the terms of the cross currency rate swap, TAQA is required to pay a fixed rate of 5.3% per annum on an initial exchange amount of US $ 215 million and receive a fixed rate of 4.65% per annum on an amount of MYR 650 million. The derivative instrument had a negative fair value of AED 228 million at 31 December 2021 (2020: AED 227 million).

(iii) Forward Foreign Exchange Contracts

Certain subsidiaries use forward foreign exchange contracts to hedge their risk associated with foreign currency fluctuations relating to scheduled maintenance cost payments to overseas suppliers. The derivative instruments were designated as cash flow hedges. The following table summarises certain information relating to the derivatives for each subsidiary as of 31 December 2021 and 31 December 2020:

	Notional amount		***Derivative liabilities***		***Derivative assets***	
Subsidiary	***2021 AED million***	*2020 AED million*	***2021 AED million***	*2020 AED million*	***2021 AED million***	*2020 AED million*
SCIPCO	**-**	2	**-**	2	**-**	-
MIPCO	**-**	58	**-**	1	**-**	-
RPC	**3**	-	**3**	-	-	-
SAPCO	**319**	367	**41**	32	**-**	-
TAQA Bratani Limited	**1,530**	2,004	**14**	-	**13**	50
	1,852	2,431	**58**	35	**13**	50

31.2 Hedging activities – Fair Value hedges

TAQA GEN X LLC, a subsidiary of TAQA utilises derivative instruments, which include futures and forwards as a hedging strategy to manage the exposure in the fair value of the underlying Tolling Agreement. Forward and future transactions are contracts for delayed delivery of commodity instruments in which the counterpart agrees to make or take delivery at a specified price.

As at 31 December 2021, the net fair value of exchange-traded derivative instruments was AED 59 million liability (2020: AED 23 million asset). The net realised and unrealised loss recognised in the consolidated profit and loss relating to such instruments are AED 67 million for the year ended 31 December 2021 (2020: AED 40 million gain).

The Tolling Agreement recognised as an intangible at acquisition was adjusted for the change in fair value for movements in the designated hedge risk in a fair value hedge relationship. The changes in the fair value of the Tolling Agreement attributable to the hedged risk (note 14), for the year ended 31 December 2021 was a gain of AED 93 million (2020: AED 14 million gain) which was recognised in the consolidated profit and loss.

31 FINANCIAL INSTRUMENTS continued

31.3 Fair values

The fair values of the financial instruments of the Group are not materially different from their carrying values at the reporting date except for certain fixed interest borrowings and operating financial assets. Set out below is a comparison of the carrying amounts and fair values of fixed interest borrowings and operating financial assets:

	Carrying amount		*Fair value*	
	2021	*2020*	***2021***	*2020*
	AED million	*AED million*	***AED million***	*AED million*
Operating financial assets (note i)	**10,322**	10,937	**10,462**	11,112
Interest bearing loans and borrowings (note ii)	**36,972**	38,751	**37,570**	38,894

(i) The fair value of operating financial assets is estimated by discounting the expected future cash flows using appropriate interest rates for assets with similar terms, credit risk and remaining maturities.

(ii) Interest bearing loans and borrowings relates to the Abu Dhabi National Energy Company Global Medium Term notes, Abu Dhabi National Energy Company bonds, Ruwais Power Company bond, Emirates SembCorp Water and Power Company bond and TAQA Morocco bond. The fair value of the interest bearing loans and borrowings is based on price quotations at the reporting date.

31.4 Fair Values hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. For level 3 valuations, the Group relies on discounted cash flow models based on management expectations.

	Fair value AED million	*Carrying value AED million*	*Fair value hierarchy*
At 31 December 2021			
Financial assets measured at fair value			
Interest rate swaps- hedged	**70**	**70**	**Level 2**
Forward foreign exchange contracts	**13**	**13**	**Level 2**
Financial assets disclosed at fair value			
Operating financial assets	**10,462**	**10,322**	**Level 3**
Financial liabilities measured at fair value			
Interest rate swaps – hedged	**3,249**	**3,249**	**Level 2**
Forward foreign exchange contracts	**58**	**58**	**Level 2**
Cross currency interest rate swaps	**228**	**228**	**Level 2**
Future and forward contracts	**59**	**59**	**Level 2**
Financial liabilities disclosed at fair value			
Interest bearing loans and borrowings	**37,570**	**36,972**	**Level 1**

31 FINANCIAL INSTRUMENTS continued

31.4 Fair Values hierarchy continued

	Fair value AED million	*Carrying value AED million*	*Fair value hierarchy*
At 31 December 2020			
Financial assets measured at fair value			
Interest rate swaps- hedged	44	44	Level 2
Forward foreign exchange contracts	50	50	Level 2
Financial assets disclosed at fair value			
Operating financial assets	11,112	10,937	Level 3
Future and forward contracts	23	23	Level 2
Financial liabilities measured at fair value			
Interest rate swaps – hedged	4,991	4,991	Level 2
Forward foreign exchange contracts	35	35	Level **2**
Cross currency interest rate swaps	227	227	Level 2
Financial liabilities disclosed at fair value			
Interest bearing loans and borrowings	38,894	38,751	Level 1

During the year ended 31 December 2021 and 2020 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair values of other financial instruments of the Group are not materially different from their carrying values at the reporting date.

Interest bearing loans and borrowings detailed above relates to the Group's medium term notes and bonds portfolio. The company's project related debt is excluded from this number as the fair value is not materially different from the carrying value at the reporting date.

The fair values of the financial assets and financial liabilities measured at fair value included in the Level 1 category above, have been determined by market rates at the year end date.

The fair values of the financial assets and financial liabilities measured at fair value included in the Level 2 category above, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodities.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models

32 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

These consolidated financial statements include the following major operating subsidiaries, joint ventures and associates and their effective ownership as at 31 December 2021 are listed below:

Subsidiaries	*Effective ownership %*	*Country of incorporation*	*Principal activities*
FOREIGN SUBSIDIARIES			
TAQA Bratani Limited	100%	UK	Oil & gas production
TAQA North Limited	100%	Canada	Oil & gas production
TAQA Atrush B.V.	100%	Netherlands	Oil & gas production
TAQA Energy B.V	100%	Netherlands	Gas storage, oil & gas production
TAQA Morocco	86%	Morocco	Power generation
Jorf Lasfar Energy Company 5&6 S.A	91%	Morocco	Power generation
Takoradi International Company	90%	Cayman Islands	Power generation
TAQA Neyveli Power Company Private Limited	100%	India	Power generation
TAQA GEN X	85%	USA	Gas power tolling interest
DOMESTIC SUBSIDARIES			
Abu Dhabi Transmission and Despatch Company PJSC (TransCo)	100%	UAE	Transmission of water and electricity in the region of Abu Dhabi and the surrounding areas.
Abu Dhabi Distribution Company PJSC (ADDC)	100%	UAE	Distribution of water and electricity in the region of Abu Dhabi, Al Ain, and the surrounding areas.
Al Ain Distribution Company PJSC (AADC)	100%	UAE	
Al Mirfa Power Company PJSC (AMPC)	100%	UAE	Generation of electricity and the production of desalinated water
Sweihan PV Power Company PJSC	60%	UAE	
Shuweihat Asia Power Company PJSC (SAPCO)	60%	UAE	
Mirfa International Power and Water Company PJSC (MIPCO)	60%	UAE	
Gulf Total Tractebel Power Company PJSC (GTTPC)	60%	UAE	
Arabian Power Company PJSC (APC)	60%	UAE	
Shuweihat CMS International Power Company PJSC (SCIPCO)	60%	UAE	
Taweelah Asia Power Company PJSC (TAPCO)	60%	UAE	
Emirates CMS Power Company PJSC (ECPC)	60%	UAE	
Emirates Semb Corp Water and Power Company PJSC (ESWPC)	60%	UAE	
Fujairah Asia Power Company PJSC (FAPCO)	60%	UAE	
Ruwais Power Company PJSC (RPC)	60%	UAE	
Taweelah Shared Facilities Company LLC	53%	UAE	Operating & maintenance
Shuweihat Shared Facilities Company LLC	42%	UAE	Operating & maintenance
ASSOCIATES			
Massar Solutions PJSC	49%	UAE	Lease management
Jubail Energy Company LLC	25%	KSA	Generation of electricity
Sohar Aluminium Company LLC	40%	Oman	Aluminium smelter
JOINT VENTURES			
LWP Lessee LLC	50%	USA	Wind power
Taweelah RO Holding Company LLC	33%	UAE	Production of desalinated water
Fujairah Energy Holding Company LLC	67%	UAE	Generation of electricity
Dhafrah Solar Energy Holding Company LLC	67%	UAE	Solar power
Tanajib Cogeneration Holding Company Limited	49%	UAE	Generation of electricity

During the year ended 31 December 2021 there were no changes in the major operating subsidiaries, joint ventures, and associates. As part of the business combination during the year ended 31 December 2020 TransCo acquired the above entities.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(i) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations and short-term deposits with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2021, after taking into account the effect of interest rate swaps, approximately 95% of the Group's borrowings are at a fixed rate of interest (2020: 87%).

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings and deposits, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax and equity is affected as follows:

	Effect on profit before tax AED million	*Effect on equity AED million*
2021		
+15 increase in basis point	**(5)**	**41**
-15 decrease in basis point	**5**	**(41)**
2020		
+15 increase in basis point	(27)	126
-15 decrease in basis point	27	(126)

LIBOR reforms and the expected cessation of LIBOR will impact the Group's current interest rate risk management and accounting for certain financial instruments. The Group is in the process of discussing with the relevant counterparties and understanding the arrangements regarding the new benchmark for the relevant contracts. The Group expects to finalise their plan as early as practicable to ensure a smooth transition from LIBOR to the new benchmark.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to risk of changes in foreign exchange rates relates primarily to the operating activities (when revenue or expense are denominated in a different currency from the functional currencies of the subsidiaries), carrying values of assets and liabilities in Canadian Dollars, Euros, Moroccan Dirhams and Indian rupees and the Group's net investment in foreign subsidiaries.

The Group hedges part of its net exposure to fluctuations on the translation into AED of its foreign operations by holding certain borrowings in foreign currencies, primarily in Euros.

The following table demonstrates the sensitivity to a reasonably possible change in the Euro, GBP, CAD, and Moroccan Dirham exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in foreign currency translation reserve). The Group's exposure to foreign currency changes for all other currencies is not material.

	Increase/ decrease in Euro, GBP, Moroccan Dirham, Indian rupees, and CAD rates	*Effect on profit before tax AED million*	*Effect on equity AED million*
2021	**+5%**	**(115)**	**(84)**
	-5%	**115**	**84**
2020	+5%	(81)	20
	-5%	81	(20)

The movement in equity arises from changes in Euro borrowings in the hedge of net investments in the Netherlands. These movements will partly offset the translation of the Netherland's operations net assets into AED.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

(iii) Commodity price risk
TAQA GEN X LLC, a subsidiary of TAQA is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase of gas and sale of electricity. Due to volatility in the prices of these commodities, the subsidiary's management has developed and enacted a risk management strategy regarding commodity price risk and its mitigation. The Group mitigates the commodity price risks using forward commodity contracts.

The following table shows the effect of price changes on the fair value of the forward commodity contracts on the profit before tax:

	Change in year end price	*Effect on profit before tax AED million*
2021	**+10%**	**5**
	-10%	**(5)**
2020	+10%	12
	-10%	(12)

The Group also enters into physical commodity contracts in the normal course of business. These contracts are not derivatives and are treated as executory contracts, which are recognised and measured at cost when the transactions occur.

(iv) Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and other financial instruments.

Trade and other receivables
Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating scorecard.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other form of credit insurance. The Group's largest 2 customers account for approximately 36% of outstanding trade receivables and amounts due from related parties at 31 December 2021 (2020: 28%). The requirement for impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. All impairment considerations for trade and other receivables are performed using the expected credit loss model. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 18. The Group does not hold collateral as security.

Operating financial assets
The operating financial assets relating to the Group's international generation subsidiaries sell their products to one party, which is typically a governmental entity. These subsidiaries seek to limit their credit risk with respect to a single customer by monitoring outstanding receivables. The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2021 and 2020 is the carrying amounts as illustrated in note 13.

Other financial instruments and cash deposits
Credit risk from balances with banks and financial institutions is managed by the Group's treasury in accordance with the Group's policy. Investments of surplus funds are made only with reputable banks and financial institutions. The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2021 and 2020 is the carrying amounts as illustrated in note 19 except for derivative financial instruments. The Group's maximum exposure for derivative instruments is disclosed in note 31 and in the liquidity table below, respectively.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

(v) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other borrowings. As at 31 December 2021, 5% of the Group's debt will mature in less than one year (2020: 12%) based on the carrying value of borrowings reflected in the consolidated financial statements.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2021 and 2020 based on contractual undiscounted payments:

	< 1 year AED million	*1-5 years AED million*	*> 5 years AED million*	*Total AED million*
At 31 December 2021				
Trade and other payables	**8,692**	**323**	**3**	**9,01**8
Bank overdrafts	**31**	**-**	**-**	**31**
Interest bearing loans, borrowings and Islamic loans	**3,404**	**25,380**	**36,040**	**64,824**
Advances and loans from related parties	**-**	**-**	**25**	**25**
Amounts due to ADPC and other related parties	**2,208**	**-**	**-**	**2,208**
Derivative financial instruments	**869**	**2,829**	**1,144**	**4,842**
	15,204	**28,532**	**37,212**	**80,948**
At 31 December 2020				
Trade and other payables	9,337	373	-	9,710
Bank overdrafts	66	-	-	66
Interest bearing loans, borrowings and Islamic loans	9,551	32,124	37,492	79,167
Advances and loans from related parties	-	-	24	24
Loans from non-controlling interest shareholders in subsidiaries	-	-	-	-
Amounts due to ADPC and other related parties	2,203	-	-	2,203
Derivative financial instruments	834	2,405	1,330	4,569
	21,991	34,902	38,846	95,739

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying amounts.

	< 1 year AED million	*1 – 5 years AED million*	*> 5 years AED million*	*Total AED million*
At 31 December 2021				
Inflows	**267**	**862**	**281**	**1,410**
Outflows	**(869)**	**(2,829)**	**(1,144)**	**(4,842)**
Net	**(612)**	**(1,967)**	**(863)**	**(3,442)**
Discounted at the applicable interbank rates	**(579)**	**(1,686)**	**(661)**	**(2,926)**
At 31 December 2020				
Inflows	251	494	294	1,039
Outflows	(834)	(2,405)	(1,330)	(4,569)
Net	(583)	(1,911)	(1,036)	(3,530)
Discounted at the applicable interbank rates	(573)	(1,843)	(886)	(3,302)

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

(vi) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. On 13 December 2020 TAQA Group's shareholders approved a new dividend policy for 2020-2022. The policy includes a quarterly dividend payment and a commitment to grow this by 10% per year over the next two years.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Within net debt, the Group includes interest bearing loans and borrowings, Islamic loans, less cash and cash equivalents. Equity includes total equity including non-controlling interests.

	31 December	
	2021	*2020*
	AED million	*AED million*
Interest bearing loans and borrowings	**64,212**	75,054
Islamic loans	**753**	953
Less cash and cash equivalents	**(8,422)**	(8,321)
Net debt	**56,543**	67,686
Equity	**73,202**	69,255
Equity and net debt	**129,745**	136,941
Gearing ratio	**44%**	49%

34 RECLASSIFICATION OF PRIOR YEAR BALANCES

Certain comparative figures have been reclassified/regrouped, wherever necessary, as to conform to the presentation adopted in these consolidated financial statements. These reclassifications do not materially change the presentation of the consolidated financial statements.

35 DIVIDENDS

2021

At the General Assembly meeting in March 2021, the shareholder's approved a dividend of AED 1,124 million, being AED 0.01 per share for the year ended 31 December 2020. The dividend was paid on 25 March 2021.

On 4 May 2021, the Board of Directors approved an interim dividend of AED 618 million, being AED 0.0055 per share for the quarter ended 31 March 2021. The interim dividend was paid on 10 May 2021.

On 10 August 2021, the Board of Directors approved an interim dividend of AED 618 million, being AED 0.0055 per share for the quarter ended 30 June 2021. The interim dividend was paid on 18 August 2021.

On 9 November 2021, the Board of Directors approved an interim dividend of AED 618 million, being AED 0.0055 per share for the quarter ended 30 September 2021. The interim dividend was paid on 7 December 2021.

35 DIVIDENDS continued

2020
During the year ended 31 December 2020, TAQA proposed and paid an interim dividend of AED 1,687 million, being AED 0.015 per share. The interim dividend was approved by the board on 13 December 2020.

36 EVENTS AFTER REPORTING DATE

Dividends
On 10th February 2022, the Board of Directors proposed a final dividend of AED 1,237 million, being AED 0.011 per share for the year ended 31 December 2021. The dividend will be subject to shareholder approval at the General Assembly meeting in March 2022.

Refinancing
On 17th January 2022, the Group's subsidiary, Sweihan PV Power Company PJSC (SPPC), completed the successful pricing of green senior secured bonds for an aggregate principal amount of AED 2,574 million (US$700.8 million). The bonds will refinance existing debt facilities of SPPC and were issued at a 3.625% coupon rate maturing on 31st January 2049.