Abu Dhabi Future Energy Company PJSC (Masdar)

REPORT OF THE BOARD OF DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

Abu Dhabi Future Energy Company PJSC (Masdar)

REPORT OF THE BOARD OF DIRECTORS

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It is our pleasure to report the activities and results for the year ended 31 December 2021 of Abu Dhabi Future Energy Company PJSC ("Masdar" or the "Company").

The Company consists of two primary commercial business operations, the Clean Energy business (CE) and the Sustainable Real Estate business (SRE). Following the guidance of His Highness Sheikh Mohammed bin Zayed Al Nahyan, in late 2021an announcement was made by the shareholder to sell a majority interest in the Company. The transaction involves the sale of the CE business and the shareholder would retain the SRE business. The SRE business will be structured through a separate legal entity and this legal entity will then be wholly owned directly by the existing shareholder. The transaction was not completed as of 31 December 2021 and the SRE business is, therefore, shown as Assets Held For Sale (HFS) in the consolidated statement of financial position and discontinued operations in the consolidated statement of comprehensive income. The key financial highlights refer to the continuing operation of the Company, which will be the CE business, while the Business Unit Performance refers to all units of the Company.

Business Review

Key financial highlights:

- Revenues of AED 716.51 million, an increase of 91.6% over 2020 primarily due to AED 288.30m in concession revenue recognized in 2021. The gross profit of AED 244.65 million (2020: AED 169.4 million) represents a margin of 34.1% (2020: 45.3%)

- Net income continuing operations of AED 180.71 million, a decrease of 54% over 2020 due to a gain on the sale of an investment in Spain recognized in 2020.

- Cost of fixed assets under PPE, including assets under construction, reduced by18% to AED 2.2 billion (changes in the year included increases from additions of AED 21 million, offset by reductions from, exchange differences of AED 21m, disposal of AED 9mand SRE PPE of AED 460m transferred to HFS .

- Equity of AED 4.98 billion, an increase of 13.3% over 2020 primarily due to a reduction in the accumulated loss of AED 451m in the year.

Masdar has grown into an organization with a substantial portfolio of diversified assets under management and development in a variety of demanding sectors, (including among others, the London Array and Dudgeon offshore wind farms in the UK, Masdar City, Shams One, the Concentrated Solar Power (CSP) plant in Abu Dhabi's western region, Tafila, the onshore wind farm in Jordan, DEWA Phase 3 an 800MW solar PV project in Dubai, the Baynouna 200MW solar PV project in Jordan, the Tesla 158 MW onshore wind project in Serbia, Hywind (the first utility scale floating offshore wind farm in the UK), 300MW solar PV and a 400MW wind farm in Saudi Arabia, 100 MW Solar PV in Uzbekistan and waste to energy projects in the UAE and Australia. As we have grown, we have continued to review our strategies, operating models, processes and organisational structure. Our goal is to get ever closer to a business that is designed to deliver both effectively and efficiently against our objectives whilst responding to market dynamics.

Business Unit Performance

Masdar Clean Energy

In 2021, while there has been a significant and continuous effect of COVID-19 global pandemic on supply chain disruption and significant increase in commodities and logistics costs, Masdar Clean Energy's ("Masdar CE") business has been extremely resilient; advancing delivery of projects in our existing asset base and securing substantial growth in 2021.

Approximately ~2.5 GW net capacity for Masdar CE representing a good mix of technologies that includes solar, wind and waste to energy was added across the globe covering Azerbaijan, Armenia, Uzbekistan, Greece, Serbia, Poland, Australia, Egypt and GCC enabling Masdar CE to capture a first mover advantage in these high potential markets, as well as affirming once more our leadership in the Middle East and North Africa by securing an additional 523 MW (net Masdar share) of solar capacity in 2021, while we have been extending our footprint in new and existing markets, our portfolio of operating assets continued to meet performance targets.

Business Unit Performance continued

During 2021, Masdar CE also entered into regionally based strategic partnerships with leading local or regional peers to further accelerate our growth in a sector that affords more opportunities and is increasingly characterized by local specificities and differing market norms. Masdar CE considers such regional offices as necessary enablers in executing our strategy and meeting our ambitious growth targets. They allow us to be closer to the opportunities, deploying capital earlier on in the development process, as well as mitigating risk and managing stakeholder relationships more effectively. Most recent expansion on this front includes offices in Singapore (APAC), London (UK - focused on offshore wind), Amsterdam (Netherlands) and Washington D.C. (USA). Further, we have established and are in the process of establishing offices to deliver and later manage our projects in Baku (Azerbaijan), Tashkent (Uzbekistan), Jakarta (Indoneisa) and elsewhere. Finally, Masdar CE has also expanded its operations as part of Joint Ventures such as HFE in Delhi (India), IPH in Cairo (Egypt), MTG in Europe, MWE in CIS and Solar Radiance in Indonesia.

2021 proved to be another successful year with regards to reaching project financial closes and advancing delivery for a number of projects:

- Nur Navoi 100MW – In December 2021, Masdar completed construction and achieved Commercial Operation Date on the Republic of Uzbekistan first public-private partnership (PPP) solar power plant.

- Cirata Floating Solar – In June 2021, Masdar reached Financial Close on the 145 MW PV plant, the first floating solar photovoltaic (PV) plant in Indonesia which will be built on a 225-hectare plot of the 6200-hectare Cirata Reservoir, in the West Java region.

- South Jeddah Solar PV 300MW – In April 2021, a consortium led by Masdar reached Financial Close and signed the Power Purchase Agreement (PPA) with the Offtaker SPPC to design, finance, build and operate part of the second phase of the Kingdom of Saudi Arabia’s renewable energy program.

- East Rockingham Waste-to-Energy – In January 2020, Masdar made its first investment in Australia after acquiring a stake in the country’s second utility-scale waste-to-energy (WTE) facility. The project construction progressed well in 2021, successfully completed grid connection and Commercial Operation Date (COD) is expected in 2022. Upon completion the project will process 300,000 tons per annum of non-recyclable municipal, commercial and industrial waste and up to 30,000 tons of bio-solids per annum. The facility will generate 29 MW of baseload renewable energy.

- Sharjah Waste-to-Energy – the first commercial WTE (30MW) in the UAE and the Middle East, which is a joint venture (50:50) between Masdar and Bee’ah is progressing in line with expectations. The project construction was largely completed by December 2021 and it is expected to achieve completion by Q2-2022.

- Dumat Al Jandal Wind Farm – In 2019, Masdar consortium was announced as winner of the tender for Saudi Arabia’s first wind farm and the largest in the Middle East, 400 MW. Project completed construction, reached energization and targeting COD by end of 2022.

- Al Dhafra Solar PV – In December 2020 Abu Dhabi National Energy Company (TAQA) and Masdar – alongside partners EDF and JinkoPower announced a successful financial closing of the project. The record-breaking project will have a capacity of 2 GW and supply power to the plant’s off-taker, Emirates Water and Electricity Company (EWEC). The project construction is progressing towards reaching energization by May-2022.

- Mlawa and Grajewo Wind Farms in Poland - Successfully completed construction of both wind farms which were inaugurated on 8 December 2021 at the Polish Pavilion at EXPO 2020

- Azerbaijan Area 60 230MW Solar PV and Zarafshan 500MW Wind Project - both projects signed PPA and are expected to reach Financial Close by 2Q 2022.

Part of Masdar CE, Masdar Energy Services has successfully initiated and completed a number of renewable energy projects during 2021, including advancing construction on projects across 11 Caribbean countries under the UAE Caribbean Renewable Energy Fund (CREF), after the successful completion of projects in Barbados, Bahamas and St. Vincent and the Grenadines in 2019. The Masdar Energy Services successfully commissioned a 5MW PV and

Business Unit Performance continued

2.5MWh battery storage project in the Seychelles and the 3MW Solar PV Hybrid Plant in Socotra. The unit is also delivering the flagship UAE Wind Turbines Pilot Project (13.5MW). The ESCo business segment completed construction and energization of projects in Abu Dhabi including: ADAC Midfield Terminal 2.98MW Solar PV Car Park, Miral Warner Brothers 7MWp Rooftop & 3MW PV plants in Socotra, and the set-up of Emerge, our dedicated platform for Energy Efficiency & On-site Solar PV in the UAE and Saudi Arabia. Under Emerge, the ESCo business further secured various projects including SeaWorld 8.2MWp; Al Khazna 7MWp; Al Dahra 1.2MWp.

Masdar CE made significant progress on its O&M services company (MSTS) where it established Masdar Power Services LLC, the onshore company as a regional Central Asia O&M hub and secured a 25 year O&M agreements with Nur Navoi (Uzbekistan) with future projects in the pipeline and established Energize O&M Company LLC, a JV between MSTS (60%) and EDF (40%) which took over the O&M services of DEWA 800 MW plant in Dubai.

Another dedicated team within Masdar CE continues to oversee a number of pilot activities in technologies and fields important to Abu Dhabi, most significantly in the area of Green Hydrogen (where a demonstration plant is to be built in collaboration with private and governmental entities in Masdar city), solar desalination, carbon trading and battery storage solutions.

Masdar City

Development at Masdar City, designed to be a global hub for clean technology and renewable energy as well as the innovation hub for Abu Dhabi made significant strides in 2021 despite the difficulty of working under Covid-19 restrictions. During 2021 Masdar City signed significant tenant agreements with the Abu Dhabi Center for Public Health for office space, G42 for an expanded presence at Masdar City with additional office space, and Khalifa University for residential accommodations for their students. This leaves Masdar City office space at or close to 100% for all office buildings. Accordingly two major investment projects received approval for development including the first commercial scale net zero buildings in the region, namely The Link and Masdar City Square (MC2). These developments will enable Masdar City to continue to push the boundaries of commercially viable sustainability. This will create showcase projects under construction during COP 28 which is planned to be hosted in the UAE in November 2023. In addition, the Platinum certified Eco Residences project, added the Rethinking The Future Award to its portfolio of awards in 2021.

Masdar City continues to attract third party developers, primarily in the residential and light industrial asset classes, with Reportage signing for an additional residential plot based on the attractiveness of their current development.

Masdar City launched the UAE's first Green sustainable real estate investment trust (the "Masdar Green REIT') in the region in 2020 with four assets initially place in the REIT: Siemens building, IRENA building, Incubator building, and Accelerator building. These four buildings represent over 57,000 sqm. of leaseable space and are valued at approximately AED 950m. Masdar City partnered with Emirates NBD Asset Management to provide management services to the Masdar Green REIT, together Masdar Capital Management (a recently established FSRA Regulated Fund Manager) and Emirates NBD Asset Management bring significant experience and expertise in sustainable real estate and property asset management to the partnership. This expertise enabled an increase in asset valuation within the REIT's real estate portfolio during 2021despite a very challenging market and also resulted in the Masdar Green REIT securing an approved financing facility with FAB at very competitive rates. The financing facility will be executed during the second half of 2022.

Core to the strategy of creating an attractive community while third parties develop many of the individual plots, Masdar City is developing the two main park areas and significant progress was made on both in 2021. Central Park, a community green space which will connect the Masdar Institute buildings to the central core of the IRENA building, saw phase 1 of the park completed in 2019 while phase 2 began construction in 2020 and was substantially completed during 2021 (expected to be opened in 2022). Discovery Park, a community recreation and family education park began construction of the South phase in 2020 with a FIFA football field, basketball courts, paddle tennis courts, and outdoor recreation facility, and was completed in 2021. Additionally, Masdar City completed the widening of the Metro boulevard which runs past the MAF mall and the IRENA building connecting Khalifa City A to the airport and linking walking, running, and biking paths to create an 8km loop.

Business Unit Performance continued

Activities within the Masdar City Free Zone also reflect the increased demand within Masdar City with the number of registered companies in Masdar Free Zone (MFZ) having increased to over 1,100 companies, whilst the business unit continues to maximize revenue per square meter through management of the business center space and the introduction of new products and services.

As evidence of Masdar City's desirability as a technology hub, multiple pilot projects were launched within Masdar City by both local and international companies from start-ups to SME to multi-nationals. Highlights included:

- Partnership with KU/Aquovum to create water from air at commercial volumes using renewable energy
- Partnership with local startup FortyGuard to test pavers that reduce the outdoor heat
- Partnership with local startup Dft to test window films that reduce heat gain and cooling consumption
- Agreement with Tesla to expand EV charging infrastructure ensuring Masdar City remains the largest hub of super chargers in the UAE

Brand & Strategic Initiatives - Taking communications to the next level

For Masdar, 2021 proved to be a milestone year, with the company celebrating its 15th anniversary, greatly expanding its global footprint and portfolio capacity, and announcing a proposed new shareholding structure for the first time in its history. It was also a year of huge significance for the UAE, which announced its Net Zero by 2050 strategic initiative (the first country in the Middle East & North Africa region to do so), introduced its Principles of the 50 campaign, and was named as the host nation for the COP28 climate change conference in 2023.

Accordingly, it was important that the Brand & Strategic Initiatives (B&SI) division both continued to showcase Masdar's success on a global level, and demonstrated our alignment with the UAE's strategic objectives. Our external communications strategy focused on amplifying Masdar's position as a global leader in renewable energy and sustainable urban development, while highlighting Masdar's leading role in driving the global climate change agenda. Masdar also introduced campaigns through the year to support the UAE's positioning and climate action.

Throughout the year, we continued to position Masdar as a leading voice in the climate change agenda, and in the sustainability and renewable energy sectors, with a record 92 speaking engagements secured for senior Masdar executives – up from 39 the year before. Our CEO, Mohamed Jameel Al Ramahi, completed more than 15 interviews and engagements, including participating in events such as the US Chamber of Commerce's Global Energy Institute Virtual Event, and the Australia-UAE Business Council.

Our efforts to increase our profile in the media, especially internationally, were also extremely successful, with high profile interviews in major platforms – including the BBC, Bloomberg, Reuters, Wired, Dubai TV ADTV, CNN Arabia, MEES, Gulf Intelligence and The National – which had a PR value of around USD11 million-plus, and we generated more than 3,000 press clippings over the year. This coverage ensures that Masdar, its projects, strategic initiatives, brand and spokespeople are directly visible to key decision makers, from industry leaders, and project developers, through to policy makers, financial institutions and more.

One measure of the success of our positioning is our recognition in industry awards, with Masdar receiving a number of notable accolades during 2021 at both the regional and global levels. These included being named 'Energy Company of the Year' for the third time at the Gulf Business Awards, and receiving the 'Award of Excellence – Power' at the S&P Global Platts Global Energy Awards 2021, beating companies from across the entire energy sector and demonstrating our leadership in clean energy.

Our flagship campaign of the year was the '*For A Sustainable Future*' campaign, which we launched in April 2021 to both celebrate our 15-year anniversary and reintroduce the company to regional and international audiences. The campaign was supported by 360 degrees communications and marketing, featuring content across print, online, television, digital and outdoor advertising, and generated widespread media coverage both domestically and internationally, with the campaign launch film alone receiving more than 5.5 million views across social media.

Brand & Strategic Initiatives - Taking communications to the next level continued

The second phase of the campaign, launched in June 2021, was designed to support the positioning of Masdar City as a global hub for technology and innovation. The campaign hashtags trended in the UAE, KSA, Kuwait, Bahrain, Qatar and Oman generating a total of 227 million impressions, and delivering over 236,000 visits to the website.

Masdar Announcements

2021 saw Masdar step up its commitment to helping nations achieve their sustainability goals and fight climate change, with the company's renewable energy portfolio, either installed or in development, expanding 40 percent to over 15 gigawatts (GW). The amount of CO2 our projects abated increased 38 percent to 7.5m tonnes in 2021 from an adjusted 5.4m tonnes a year earlier.

We also signed agreements in countries such as Saudi Arabia, Iraq, the United States, Uzbekistan, Poland, Indonesia, Ethiopia, Ukraine, Kazakhstan, Armenia, Azerbaijan, Greece and Georgia, growing our footprint to over 40 countries.

We also advanced our green hydrogen ambitions with the signing of a strategic partnership with France's ENGIE, announced during French President Macron's official visit to the UAE, to develop projects with a capacity of at least 2 GW by 2030, representing a total investment of US$5 billion.

Digital Communications

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

For 2021, digital communications objectives were all overachieved, including numbers of social media followers on all accounts, newsletter subscribers, and engagement rates online, while we also over delivered on digital activations/projects across all platforms.

In total, we developed and delivered around 10 new digital activations across Masdar and the Abu Dhabi Sustainability Week (ADSW), including: ADSW website revamp and ADSW Mobile App; The Catalyst website enhancement and re-development; Y4S social media platforms; a digital plan for Masdar Green REIT; the Y4S Forum 2021, where we supported Y4S in launching the platform and running the forum; and campaigns for Masdar City Free Zone new packages; and Masdar City's women's packages campaign.

We also extended our successful Masdar Talks series to Masdar City, enabling Free Zone tenants to be part of the platform, and launched ADSW Talks. This virtual series features short interviews with influential figures from across the sustainability sector, who share their perspectives on the challenges and opportunities of sustainable development.

Digital key numbers:

- Masdar social media followers grew to 319,807 in 2021, an increase of 47,037 (+17.2%)
- Masdar newsletter subscribers increased to 4,546, a growth of 951 (+26.4%)
- Introduced the Masdar Green REIT LinkedIn page, and launched a campaign to promote it, resulting in 2,144 followers and 749,653 impressions in 2021
- ADSW social media followers grew to 161,154 in 2021, an increase of 18,672 (+13.1%)
- ADSW newsletter subscribers increased to 20,113, a growth of 16,713 (+491%)

ADSW expansion

An exceptional year for Masdar built up to an exceptional Abu Dhabi Sustainability Week (ADSW) 2022, which not only returned to a physical format for the first time in two years, but took place in more than one location, with the ADSW Opening Ceremony and the Zayed Sustainability Prize Awards Ceremony being held at the Dubai Exhibition Centre as part of Expo 2020.

Brand & Strategic Initiatives - Taking communications to the next level continued

ADSW expansion continued
His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister and Ruler of Dubai, attended the ADSW Opening Ceremony. The opening event was also attended by H.H. Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum, Deputy Ruler of Dubai, Deputy Prime Minister and Minister of Finance.

All other ADSW events, including the ADSW Summit, IRENA Assembly, Atlantic Council Global Energy Forum, World Future Energy Summit, Innovate, Abu Dhabi Sustainable Finance Forum, Women in Sustainability, Environment and Renewable Energy (WiSER) Forum, and the Youth 4 Sustainability Hub were held in Abu Dhabi or virtually.

Despite the logistical challenges posed by holding events in different locations, ADSW 2022 proved a huge success, with a panel of 600 speakers, including three heads of state, 12 ministers, 10 chairman-level executives, and four heads of United Nations' organizations. The ADSW Summit virtual audience also increased more than 200 percent from 2020, while ADSW hosted 30,000 participants from 150 countries.

Major announcements made at ADSW include:

- Masdar and ENGIE signing a collaboration agreement with Fertiglobe to study the development of a green hydrogen facility targeted to be operational by 2025 with capacity of up to 200 megawatts to supply Fertiglobe's ammonia production plants at Ruwais.

- The signing of an agreement with Cosmo Energy Holdings Co., one of Japan's largest energy companies, to explore the development of renewable energy initiatives, including offshore wind projects, in Japan; and.

- Masdar City, through its Masdar Green Real Estate Investment Trust (REIT), signing a financing commitment for US$ 200 million with First Abu Dhabi Bank (FAB) relating to financing of the REIT portfolio to facilitate further acquisitions and portfolio growth

Zayed Sustainability Prize
2021 was an outstanding year for the Prize, with a record number of submissions. The team successfully increased awareness of the Prize by implementing two global campaigns across the year, both featuring a range of activations, generating coverage with an AVE of almost US$20 million, and by engaging over 50 global influencers and increasing social media followers by 15 percent.

The team also developed and launched an online monthly 'fireside chat' series entitled Voices of Sustainability, which has received over 1.4 million views to date. The team also focused on countries that had previously had low levels of participation in the Prize, hosting seminars and workshops, engaging key opinion leaders and influencers, and developing collateral in native languages.

These activities resulted in a record 4,000 submissions being received from 151 countries, a 68.5 percent increase from the previous cycle. A number of countries – including China, Indonesia, Japan, Canada, Singapore, Argentina, and South Africa – had huge spikes in submissions, with China being in the top ten countries for submissions for the first time in the Prize's history.

Business Support Functions

The Company continues to focus on enhancing the efficiency and effectiveness of its support functions and to benchmark against industry best practices. During 2021, the Company's engagement with Mubadala's Business Management Services (BMS) continued to evolve. BMS is a shared services company established to support the Mubadala Group and allow it to run more effectively and efficiently. BMS has the ability to support a wide spectrum of critical business services, across the functions of Finance, HC, IT, Procurement, Office Support and Facility Management. The migration of certain ICT, Human Capital and Finance services to BMS has allowed Masdar to focus even more on our core business activities, while at the same time obtaining high-quality and more cost effective services and solutions from BMS in certain functional business management areas.

Business Unit Performance continued

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

- Employee engagement & recognition:
  - alongside executive management to facilitate the implementation of action plans for Worked divisional engagement focus areas, alongside continuous check ins with management on progress and deliverables, including facilitation of over 10 team building/ engagement related sessions
  - Launched 2021 engagement survey with a high response rate of 87%, and strong improvements vs. 2019 Employee Engagement Survey results
  - Ensure that employee recognition programs are completed on time and as per agreed standards e.g. KAFU

- Emiratization & retention:
  - Achieved a 55.50% Emiratization in 2021 through continued focus on the attraction, development, and retention of talented UAE nationals, despite the effects of the pandemic on hiring.
  - Achieved a very healthy attrition rate of 1.50% at the end of 2021 through continuing to focus on employee retention and wellness tools and programs.

- International support and advice:
  - Supported Masdar's subsidiaries establishing their presence (locally or internationally) through providing HC support in terms of policies, processes and procedures as well as ensuring equitable pay practices in line with local market standards.

- Wellness & flexible working guidelines and sessions:
  - Introduced the guidelines for remote working and flexible working solutions
  - Conducted 30+ Wellness Sessions with over 1500 attendees and a 95% session satisfaction rate

- Talent management:
  - Ensured the continuous roll out and enhancement of talent development programmes
  - Ensured that talent development initiatives and programmes are completed on time and as per agreed standards.

The programmes and initiatives include, but are not limited to, leadership development, emerging leaders, mentoring and coaching.

Going forward, On 29 November 2021, the shareholder announced its intension for the disposal of a 67% interest in the Company to Abu Dhabi National Oil Company ("ADNOC") and Abu Dhabi National Energy Company ("TAQA"). The disposal will be limited to net assets related to the Company's Renewables and Strategic Initiatives Business ("Clean Energy Business") and will exclude net assets related to Sustainable Real Estate/Masdar City (including land related assets) ("Sustainable Real Estate Business"), which will be disposed by the company to the shareholder. In addition, the Ninety Sixth Investment Company LLC, currently wholly owned subsidiary of the shareholder but under management of the Company, holding investments in US renewable assets, with a net carrying value of AED 2,330 million as at 31 December 2021, will be transferred to the Company and will become part of Masdar Clean Energy Business before the disposal of the 67% interest to ADNOC and TAQA. The sale transaction is under process as at 31 December 2021 and the transaction is expected to close in the second half of 2022 and it is expected that subsequent to the completion of the transaction, the shareholder will lose control over the Company as the shareholder will not have the practical ability to direct the relevant activities of Masdar.

The Company has ambitions to grow to at least 100 GW of clean energy capacity in under ten years. Under the new shareholders, the Company will also have a mandate to develop a green hydrogen hub based out of Abu Dhabi.

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

Business Unit Performance continued

In late 2021 the Board of Directors approved the Company's operating plans and budgets for 2022. With the expected future change in ownership and control the Company will have an even stronger mandate to significantly advance renewable energy and clean technology through investments in the development of advanced new technologies and through renewable energy project development as well as green hydrogen production. Whilst management continues to work to implement and achieve the approved operating plans and budgets, new more ambitious operating plans and budgets are being drawn up to be approved by the new Board upon completion of the transaction. This will then outline the mandate for the growth strategy for the Company in the coming years. In the meantime, the Board expects that we continue to manage operating costs and cash aggressively and remain vigilant about risks inherent in our businesses. This has to be balanced with the development of new investment opportunities and revenue growth. With an increased focus on value creation as well as enhancing the Company's capacity to return cash to our Shareholder and develop strategies to become self-financing in the medium term, the Company will be continuing to explore brownfield and M&A investment opportunities and monetisation strategies. Enhancement of cash yield, optimization of operational efficiency and cost optimization remain key areas of focus particularly as management positions the business to operate and grow in a more competitive industry sector and a significantly more challenging local, regional and global macro-economic environment given the continuing impact of the COVID-19 pandemic and other global macroeconomic and geopolitical issues. However, given the fundamentals of our markets and the support of our principal stakeholders, management believes that there remains very good reason to be optimistic about our growth prospects in the near and long term.

Mohamed Jameel Al Ramahi
Director and Chief Executive Officer

Abu Dhabi Future Energy Company PJSC (Masdar)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

KPMG

KPMG Lower Gulf Limited
Level 19, Nation Tower 2
Corniche Road, P.O. Box 7613
Abu Dhabi, United Arab Emirates
Tel. +971 (2) 401 4800, www.kpmg.com/ae

Independent auditors' report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Abu Dhabi Future Energy Company PJSC (Masdar) ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

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

Emphasis of Matter: Comparative Information

We draw attention to Note 29.2 to the consolidated financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2020 has been restated. Our opinion is not modified in respect of this matter.

Other Matter Relating to Comparative Information

The consolidated financial statements of Abu Dhabi Future Energy Company – PJSC (Masdar) as at and for the year ended 31 December 2020, excluding the adjustments described in Note 29.2 to the consolidated financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 14 June 2021.

As part of our audit of the consolidated financial statements as at and for the year ended 31 December 2021, we audited the adjustments described in Note 29.2 that were applied to restate the comparative information presented as at and for the year ended 31 December 2020. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended 31 December 2020, other than with respect to the adjustments described in Note 29.2 to the consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 29.2 are appropriate and have been properly applied.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended);

iii) the Group has maintained proper books of account;

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

v) as disclosed in note 5 and 9 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2021;

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

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2021; and

viii) note 1 to the consolidated financial statements discloses that Company has not made any social contributions during the year ended 31 December 2021.

Report on Other Legal and Regulatory Requirements (continued)

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 financial statements as at 31 December 2021:

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

— Law of establishment; and

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

KPMG Lower Gulf Limited

Emilio Pera
Registration No.: 1146
Abu Dhabi, United Arab Emirates

Date: 1 August 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2021

	Notes	2021 AED '000	Restated 2020 AED '000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,346,934**	1,650,300
Right-of-use assets	20	**301,809**	327,080
Investment properties	7	**-**	2,569,836
Intangible assets	8	**45,177**	49,832
Investment in equity-accounted investees	9	**1,134,759**	877,149
Other non-current financial assets	10	**243,272**	259,820
Finance lease receivables	11	**-**	262,263
Loans to related parties	12	**146,363**	249,356
Derivative Financial Asset	31	**46,036**	-
Trade and other receivables	13	**278,099**	51,801
Deferred tax assets	28	**146,112**	149,735
		3,688,561	6,447,172
Current assets			
Finance lease receivables	11	**-**	54,779
Loan to related parties	12	**306,613**	189,388
Due from related parties	12	**173,102**	133,094
Trade and other receivables	13	**413,387**	529,896
Inventories	14	**87**	413,981
Cash and Cash Equivalents	15	**716,497**	1,229,254
Assets held for sale	29	**4,094,229**	-
		5,703,915	2,550,392
Total assets		**9,392,476**	8,997,564
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**8,000,000**	8,000,000
Shareholder's account	17	**(1,680,060)**	(1,680,060)
Reserves	18	**(170,405)**	(394,483)
Accumulated losses		**(1,165,842)**	(1,538,162)
Total equity		**4,983,693**	4,387,295
Non-current liabilities			
Bank borrowings	19	**1,980,392**	1,886,717
Lease liabilities	20	**302,500**	322,305
Derivative financial liability	31	-	70,193
Other non-current liabilities	21	**112,885**	950,379
Deferred tax liabilities	28	**231,685**	173,924
		2,627,462	3,403,518
Current liabilities			
Due to related parties	12	**32,579**	287,795
Bank borrowings	19	**125,336**	244,382
Lease liabilities	20	**16,803**	17,061
Trade and other payables	22	**428,289**	657,513
Liabilities directly associated with assets as held for sale	29	**1,178,314**	-
		1,781,321	1,206,751
Total liabilities		**4,408,783**	4,610,269
TOTAL EQUITY AND LIABILITIES		**9,392,476**	8,997,564

Mohamed Jameel Al Ramahi
Director and Chief Executive Officer

Niall Hannigan
Chief Financial Officer

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** **AED '000**	***Restated*** *2020* *AED '000*
Continuing operations			
Revenue and other operating income	*23*	**716,514**	373,920
Cost of sales	*23.1*	**(471,864)**	(204,516)
GROSS PROFIT		**244,650**	169,404
Income from government grants	*24*	**30,052**	55,253
Other income	*25*	**261,311**	525,473
Research and development expenses		**(3,414)**	(3,546)
Project expenses		**(76,017)**	(46,032)
Provision for expected credit losses on trade receivables, net	*13*	**1,262**	-
General and administrative expenses	*26*	**(283,765)**	(242,236)
Profit from operating activities		**174,079**	458,316
Change in fair value of financial assets carried at fair value through profit or loss	*10*	**24,871**	(11,972)
Share of results of equity-accounted investees, net	*9*	**58,736**	152
Gain on derivatives, net		**16,099**	1,437
(Provision for) reversal of expected credit losses on loans to related parties, net	*12*	**13,950**	(11,777)
Finance income	*27.1*	**48,127**	41,333
Finance expense	*27*	**(106,109)**	(69,507)
Profit before income tax from continuing operations		**229,753**	407,982
Income tax	*28*	**(49,041)**	(11,836)
Profit after income tax from continuing operations		**180,712**	396,146
Profit after income tax from discontinued operations	*29*	**269,793**	51,017
Profit for the year		**450,505**	447,163
Other comprehensive loss		**-**	-
Items that may be reclassified subsequently to profit or loss			
Share of movement in hedging reserves of equity-accounted investees	*9*	**119,913**	(98,087)
Recycle of hedging reserve on disposal	*9*	**-**	58,853
Other movement in hedging reserve, net		**82,504**	(44,480)
		202,417	(83,714)
Foreign currency translation differences for foreign operations		**(23,389)**	(46,671)
Other comprehensive income / (loss) for the year, net of income tax		**179,028**	(130,385)
Total comprehensive income for the year		**629,533**	316,778

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

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

					Reserves					
	Share capital AED '000	*Share capital under issuance AED '000*	*Additional shareholder contribution AED '000*	*Shareholder's account AED '000*	*Investment reserve AED '000*	*Statutory reserve AED '000*	*Other reserve AED '000*	*Total reserves AED '000*	*Accumulated losses AED '000*	*Net equity AED '000*
Balance at 1 January 2020	368,000	7,632,000	1,227,376	-	246,321	98,487	(653,621)	(308,813)	(3,207,502)	5,711,061
Profit for the year	-	-	-	-	-	-	-	-	447,163	447,163
Other comprehensive loss for the year	-	-	-	-	-	-	(130,386)	(130,386)	-	(130,386)
Total comprehensive income for the year	-	-	-	-	-	-	(130,386)	(130,386)	447,163	316,777
Conversion of share capital under issuance to share capital (note 16)	7,632,000	(7,632,000)	-	-	-	-	-	-	-	-
Transactions with shareholder (note 17)	-	-	(1,227,376)	(1,680,060)	-	-	-	-	1,266,893	(1,640,543)
Transfer to statutory reserve during the year	-	-	-	-	-	44,716	-	44,716	(44,716)	-
Balance at 31 December 2020	8,000,000	-	-	(1,680,060)	246,321	143,203	(784,007)	(394,483)	(1,538,162)	4,387,295
Balance at 1 January 2021	**8,000,000**	**-**	**-**	**(1,680,060)**	**246,321**	**143,203**	**(784,007)**	**(394,483)**	**(1,538,162)**	**4,387,295**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**450,505**	**450,505**
Other comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**179,028**	**179,028**	**-**	**179,028**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**179,028**	**179,028**	**450,505**	**629,533**
Transactions with shareholder (note 17)	**-**	**-**			**-**	**-**	**-**	**-**	**(33,135)**	**(33,135)**
Transfer to statutory reserve during the year	**-**	**-**	**-**	**-**	**-**	**45,050**	**-**	**45,050**	**(45,050)**	**-**
Balance at 31 December 2021	**8,000,000**	**-**	**-**	**(1,680,060)**	**246,321**	**188,253**	**(604,979)**	**(170,405)**	**(1,165,842)**	**4,983,693**

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

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

	Notes	***2021*** ***AED '000***	***Restated*** *2020* *AED '000*
OPERATING ACTIVITIES			
Profit before tax for the year from continuing operations		**229,753**	407,982
Profit before tax for the year from discontinued operations		**269,793**	51,017
		499,546	458,999
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	*6 & 20*	**137,234**	137,694
Write-offs of property, plant and equipment	*6*	-	1,763
Gain on disposal of investment in a joint venture	*29*	-	(311,834)
Gain on disposal of a subsidiary	*29.3*	**(28,119)**	(28,344)
Change in fair value of investment properties	*7*	**(106,947)**	83,904
Change in fair value of financial assets carried at fair value through profit or loss	*10*	**(24,871)**	11,972
Amortisation of intangible assets	*8*	**5,774**	3,378
Share of results of equity-accounted investees, net	*9*	**(58,736)**	2,694
Finance lease income		**(27,540)**	(24,355)
Interest on lease liabilities	*20*	**14,468**	13,836
Gain on sale of plant property and equipment	*29.4*	**(1,040)**	-
Provision for (reversal of) expected credit losses on finance lease receivables, net	*11*	**1,646**	2,608
Provision for expected credit losses on trade and other receivables, net	*13*	**(1,262)**	4,263
Provision for (reversal of) expected credit losses on loans to related parties, net	*12*	**(13,950)**	11,777
Decommissioning liability charge	*21.2*	**(7,179)**	1,053
Gain on derivatives, net		**(16,099)**	(1,437)
Employees' end of service benefit charge	*21.3*	**6,611**	7,847
Dividend income from a joint venture	*25*	**-**	(167,641)
Interest income	*27*	**(48,127)**	(42,501)
Finance costs	*27*	**62,086**	75,061
Operating cash flows before changes in working capital		**393,495**	240,737
Working capital adjustments:			
Trade and other receivables		**(322,053)**	(118,425)
Change in Due from related parties		**(67,137)**	(190,115)
Change in Due to related parties		**(254,655)**	(787,900)
Inventories		-	(135,152)
Finance lease receivable		**(49,900)**	(14,996)
Trade and other payables		**62,317**	(41,062)
		(237,933)	(1,046,913)
Employees' end of service benefit paid	*21.3*	**(4,305)**	(3,264)
Net cash (used in) generated from operating activities		**(242,238)**	(1,050,177)

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

	Notes	**2021** **AED '000**	**Restated** 2020 AED '000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	*6*	**(21,484)**	(18,954)
Purchase of intangible assets	*8*	-	(845)
Proceeds from disposal of joint venture	*9*	-	676,843
Net cash flow arising from disposal of a subsidiary	*29.3*	**114,773**	98,322
Additions to investment properties	*7*	-	(65,978)
Investments in equity-accounted investees	*9*	**(293,562)**	(154,098)
Investment in financial assets carried at fair value through profit or loss	*10*	-	(101,420)
Addition in Investment Property and Inventory	*7*	**(58,916)**	-
Addition Intangibles	*8*	**(1,880)**	-
Disposal of Plant Property and Equipment	*29.4*	**9,983**	-
Distribution from financial asset carried at fair value through profit or loss	*10*	**37,484**	48,420
Proceeds on dissolution of a joint venture	*9*	-	-
Dividends received from equity-accounted investees	*9*	**89,246**	201,350
Additional loan given to related parties		**(33,846)**	(107,639)
Repayment of related party loan		**57,589**	26,235
Finance income received		**32,544**	22,601
Net cash generated from (used in) investing activities		**(68,069)**	624,837
FINANCING ACTIVITIES			
Proceeds from borrowings	*19*	**232,957**	2,326,251
Repayment of borrowings	*19*	**(244,725)**	(986,921)
Finance costs paid		**(62,086)**	(75,061)
Repayment of lease liabilities	*20*	**(32,015)**	(29,402)
Net cash generated from financing activities		**(105,869)**	1,234,867
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(416,176)**	809,527
Cash and cash equivalents at 1 January		**1,229,254**	413,554
Exchange fluctuations		**(8,738)**	6,173
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**804,340**	1,229,254
SRE Discontinued operations cash and bank balance at 31 Dec.	*29.1*	**(87,843)**	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	*15*	**716,497**	1,229,254

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

	2021 **AED'000**	2020 AED'000
Transfer from construction work in progress to inventories (note 6)	**-**	(101,353)
Transfers from property, plant and equipment to investment properties, net (note 6)	**-**	101,093
Transfer from inventories to investment properties (note 7)	**47,744**	33,258
Transactions with shareholder (note 17)	**-**	2,907,437

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Abu Dhabi Future Energy Company PJSC (Masdar) (the "Company") is registered as a private joint stock company in the Emirate of Abu Dhabi. The Company was incorporated on 9 December 2007. The Company is wholly owned by Mamoura Diversified Global Holding PJSC formerly, Mubadala Development Company PJSC (the "Parent Company"), a company incorporated in the Emirate of Abu Dhabi, which in turn is a company wholly-owned by Mubadala Investment Company PJSC ("MIC"). MIC is wholly owned by the Government of Abu Dhabi (the "Government").

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

The Company was formed for the purpose of implementing the Masdar initiative, whose primary objective is to invest in or acquire participations in entities in Abu Dhabi or abroad, and to be active in the renewable energy, energy efficiency, carbon reduction, carbon capture and storage and other forms of sustainability related technologies. The Group's primary activities also include the provision of services for the reduction of carbon emissions, development of sustainable real estate projects and establishment and operation of free zones on land granted by the Government in order to fulfil the Company's objectives.

The Masdar initiative has four primary objectives:

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

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

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

The Company has not made any social contributions during the year ended 31 December 2021.

These consolidated financial statements were approved and authorised for issue on 1 August 2022.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements are prepared on historical cost basis except for derivative financial instruments, financial assets at fair value through profit or loss and investment properties, which are measured at fair values as explained in the accounting policies below.

These consolidated financial statements are presented in United Arab Emirates Dirham ("AED") which is the currency of primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency.

The consolidated financial statements comprise the financial statements of the Group as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

2 BASIS OF PREPARATION continued

2.1 Basis of consolidation

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

2.2 Considerations in respect of COVID-19 and the current economic environment

The impact of the Covid-19 continues which creates uncertainty across many of the Group's markets. Public policy and government responses have differed across each market and the Group has adopted measures designed to best serve employees, customers and wider stakeholders across its operation markets.

The Group's business has been affected by the Covid-19 which has resulted in border movement restrictions and operational constraints. The Group is taking steps to mitigate the impact of the Covid-19 on its business, and the nature of its business provides some protection, however there is no assurance these measures will be sufficient to offset the full impact of the Covid-19.

The full implications of the Covid-19 depend on a number of factors, such as the duration of the outbreak and the effectiveness of measures imposed by authorities. The effectiveness of macroeconomic measures (e.g. government stimulus packages and measures introduced by central banks) will also influence the impact that the Covid-19 will have on the economy and ultimately the Group.

Any of the foregoing, deterioration in general economic conditions or change in customer behaviour, including a prolonged period of travel, commercial or other similar restrictions, could have an effect on the Group's business, results of operations and financial condition

The main elements related to the consolidated financial statements considered as of 31 December 2021 are detailed as follows:

Going concern
The Group entered this crisis in a strong position, having previously reported profits of AED 447 million and available cash and cash equivalents of AED 1,229 million as of 31 December 2020. The Group responded dynamically to the challenges presented by the coronavirus pandemic implementing a series of measures to ensure the health and safety of its employees and subcontractors while ensuring uninterrupted services to its customers. These measures include work-from-home arrangements for all management and support staff, social distancing and hygiene measures and awareness campaigns, arrangements for coronavirus testing across the Group's sites, contact tracing and self-isolation arrangements as well as monitoring suppliers, subcontractors and partners. The Group also created country and customer-wide business continuity plans and return-to-work guides to support the new working arrangements.

2 BASIS OF PREPARATION continued

2.2 Considerations in respect of COVID-19 and the current economic environment continued

At 31 December 2021:

- the Group held cash and cash equivalents of AED 716 million (31 December 2020: 1,229 million) following the implementation of compensating cost saving measures and reductions to discretionary capital expenditure.
- the Group's current assets exceed current liabilities by AED 1,007 million; and
- the Group has undrawn credit facility amounting to AED 814 million.

Based on above, the Directors continue to consider it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Assessment of indicators of impairment of property and equipment and right of use assets
Management carried out an assessment of indicators of impairment of property and equipment and right of use assets as of 31 December 2021 based on prevalent market conditions and no indicators were identified in any of the Group's property, plant and equipment and right-of-use assets as a result of this exercise.

Expected credit losses
The current economic environment and future credit risk outlook have been considered in updating the estimate of loss allowances although the full economic impact of COVID-19 on the forward-looking expected credit loss is subject to uncertainty due to the limited forward-looking information currently available.

At 31 December 2021, management has assessed the expected credit losses for trade and other receivables, loan to a related party, finance lease receivables and amounts due from related parties. Reversal of impairment provision recognised in consolidated statement of profit or loss during the year amounted to AED 15.21 million (31 December 2020: provision charge AED 18.6 million).

Other assets
Due to the COVID-19 triggering event, the Group has reviewed its inventories as well as deferred tax assets. As a result of this work no impairment has been identified as of 31 December 2021 (31 December 2020: AED Nil).

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 New standards, interpretations and amendments

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

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

New and revised IFRSs	**Summary of requirement**
Amendment to IFRS 16 *Leases*	The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to Interest Rate Benchmark Reform - Phase 2	The amendment introduces a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduces disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies

Business combinations and goodwill

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

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

Investment in associates and joint ventures

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

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

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Investment in associates and joint ventures continued

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

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

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

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

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

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group except Hero Future Energies.

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

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

Interests in joint operations

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

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Interests in joint operations continued

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

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

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

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

Current versus non-current classification of assets and liabilities

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

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

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

Revenue recognition

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Revenue recognition continued

Revenue from contracts with customers continued

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

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

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

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

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

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

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

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Special projects
The Group acts as a project management consultant for some projects which are completed for other parties. Revenue from special projects is recognised over time based on the stage of completion of the projects.

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

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

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

Revenue is recognised when the quantity and rates can reasonably be determined and the risks and rewards of ownership have been substantially transferred to a third party.

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Revenue recognition continued

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

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

Rental income
The Group's policy for recognition of revenue from operating leases is described in leases accounting policy.

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

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

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

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

The grantor contractually guarantees to pay the operator determinable amounts, even if payment is contingent on the operator ensuring that the infrastructure meets specified efficiency requirements. Therefore, the operator has an unconditional contractual right to receive payments from the concession grantor.

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

Project expenses

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

Foreign currencies

The Group's consolidated financial statements are presented in AED, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

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

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Transactions and balances continued

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in statement of consolidated profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to consolidated profit or loss.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (note 4) and other liabilities (note 21) for further information about the recognised decommissioning provision.

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Property, plant and equipment continued

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

	Years
Buildings	20 – 30
Plant and machinery	10 – 24
Furniture and fixtures	5
Office equipment	3 – 5
Computers	3
Motor vehicles	4
Leasehold improvements	3 – 4

Freehold land is not depreciated.

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

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

Capital work in progress

Properties or assets in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is accounted in accordance with the Group's policies.

Leases

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

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

i) Right-of-use assets

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

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Leases continued

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Land and buildings	10-18
Plant and machinery	18
Furniture, fittings and equipment	3-5

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

ii) Lease liabilities

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

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

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

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

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

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Investment properties

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

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

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

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

Income taxes

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

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

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

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Income taxes continued

Deferred tax continued

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

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

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

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

Value added tax (VAT)
Expenses and assets are recognised net of the amount of VAT, except:

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

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

Inventories

Inventories comprise completed properties held for sale in the ordinary course of business and other operating inventories. Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method and comprises construction / acquisition costs and other charges incurred in bringing inventory to its present location and condition. Net realisable value represents the estimated selling price less all estimated selling and marketing costs to be incurred.

Land held for sale
Land held for sale is stated at the lower of cost and net realisable value. Costs include the cost of land acquired and all direct costs attributable to the infrastructure works of the land. Net realisable value represents the estimated selling price of the land less all estimated costs necessary to make the sale.

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Intangible assets

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

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

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

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

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

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

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

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

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

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

The estimated useful lives of intangible assets are as follows:

	Years
Software	3
Others	24

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of 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 a provisions presented in the consolidated statement of profit or loss net of any reimbursement.

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

Onerous contracts

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

Decommissioning liabilities

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

Employee benefits

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

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law, for their period of service up to the end of the year. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

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

Government grants

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Government grants continued

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

In such cases the Group initially recognizes the land as Inventories in accordance with the definitions of inventories as per IAS 2. Subsequently, land is classified and measured as Property, plant and equipment, Investment property, Finance lease receivable and/or inventories based on the intended usage of property as determined by the Group.

Financial instruments

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

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

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

(i) Financial assets

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

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

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.

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

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

The group has the following financial assets:

Cash and cash equivalents
Cash and cash equivalents which include cash on hand and deposits held at call with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Financial instruments continued

(i) Financial assets continued

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

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

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

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

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

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all 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.

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

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost which comprise of finance lease receivables, loans to related parties and trade receivables.

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Financial instruments continued

(i) Financial assets continued

Impairment of financial assets continued

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

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

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

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

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

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

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

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

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

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

Measurement of ECL
ECLs are recognised in two stages:

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

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

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

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

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

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Financial instruments continued

i) Financial assets continued

b) Stage 2 and Stage 3 continued

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

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

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

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

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

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

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

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

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, customer deposits, borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

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

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include derivative financial liabilities designated upon initial recognition as at fair value through profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Financial instruments continued

ii) Financial liabilities continued

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

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

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

Derivative financial instruments

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

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

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

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

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

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

Movements in the hedging reserve in equity are detailed in the consolidated statement of changes in equity.

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Fair value hedges

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

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

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

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

Cash flow hedges

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

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

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

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

At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. The adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Group's financial statements.

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 CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Impairment of non-financial assets continued

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

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU'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 the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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

Cash and short-term deposits

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

Fair value measurement

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Fair value measurement continued

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

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

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

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

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

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

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

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

Assets held for sale and discontinued operations

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

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

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.2 Summary of significant accounting policies continued

Assets held for sale and discontinued operations continued

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

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale

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

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

3.3 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group does not expect the following new standards, interpretations and amendments to have a material impact on its financial position, performance or disclosures when applied at a future date. The Group intends to adopt these standards when they become effective.

New and revised IFRSs	***Effective for annual periods beginning on or after***
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022
IFRS 1 First-time Adoption of International Financial Reporting Standards	1 January 2022
IFRS 9 Financial Instruments – Fees in the '10%' test for derecognition of financial liabilities	1 January 2022
IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022
Amendments to IFRS 3 *Business Combinations* relating to reference to the Conceptual Framework	1 January 2022
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors relating to definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 *Income Taxes* relating to deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

4.1 Critical judgments in applying accounting policies

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

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

4.1 Critical judgments in applying accounting policies continued

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

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

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

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

Classification of properties
In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property, plant and equipment and / or property held for sale i.e. inventories. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property, finance lease receivable, plant and equipment and property held for sale. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16, IFRS16 and IAS 40, and in particular, the intended usage of property as determined by the management.

Government Grants
The Group receives land grants from the Government of Abu Dhabi and the Group applies various judgments with respect to the accounting for such grants. The Group recognizes the land grants in the consolidated financial statements based on an assessment of the future commercial viability of the land. The Group recognizes the land grants in the consolidated financial statements only if the estimated future economic benefits associated with the land, including compliance with any applicable conditions, are sufficiently certain. This assessment involves significant estimation and judgment.

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

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Critical judgments in applying accounting policies continued

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

Name of investees	***Ownership interest as at 31 December 2021***	*Ownership interest as at 31 December 2020*
London Array Project	**20%**	20%
Tesla Wind D.O.O. Beograd	**60%**	60%
Shams Power Company PJSC	**51%**	51%
Dudgeon Offshore Wind Ltd	**35%**	35%
Jordan Wind Power Company PJSC	**50%**	50%
Hywind Scotland Ltd.	**25%**	25%
Emirates Solar Power Company LLC	**60%**	60%
Krnovo Green Energy D.o.o	**49%**	49%
Sharjah Waste to Energy Company LLC	**50%**	50%
The Catalyst Limited	**50%**	50%
Baynouna Holdings B.V.	**70%**	70%
Batwind Project	**50%**	50%
Dumat Wind Contracting Company LLC	**49%**	49%
Dumat Al Jandal Wnd Energy Company LLC	**49%**	49%
East Rockingham RRF Holdco Trust 2	**36.67%**	36.67%
Masdar Taaleri Generation d.o.o. Beograd	**50%**	50%
Masdar Tribe Energy Holdings RSC Limited	**90%**	90%
Masdar Tribe Energy Western Australia RSC Limited	**17%**	17%
South Jeddah Noor PV Energy Company LLC	**35.7%**	35.7%
PV Energy Maintenance Company LLC	**35.7%**	35.7%
Noor Midelt Solar Hybrid 1 Company	**30%**	30%
Noor Midelt O&M1 Company	**37%**	37%
PT Pembangkitan Jawa Bali Masdar Solar Energi	**49%**	49%
Fonnes SP. Z.O.O	**50%**	50%
Infinity 50 for Renewable Energy SA	**48%**	48%
Infinity Power Holding BV	**49%**	49%
Dudgeon Extension Limited	**35%**	35%
Emerge Limited	**51%**	**-**
Noor Midelt 1 Procurement Company DMCC	**54%**	**-**
Noor Jeddah Energy Service Company LLC	**35.70%**	-
Energize O&M Company LLC	**60%**	-
Dhafrah Solar Energy Holding Company LLC	**33.34%**	-
Dhafrah PV2 Energy Company LLC	**20%**	-
Dimona Solar Park Ltd	**49%**	-
Dimona Sun Ltd	**49%**	-
PT Masdar Mitra Solar Radiance	**47.50%**	-
Masdar Tribe Australia Holdings Ltd	**50%**	-
Masdar Tribe Australia PTY Ltd	**50%**	-
Infinity 50 for Renewable Energy SAE	**48%**	-
Masdar Armenia 1 CJSC	**85%**	-

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

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

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Critical judgments in applying accounting policies continued

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

Operating leases
The Group has entered into commercial property leases on certain buildings classified as investment properties as described in notes 7 to the consolidated financial statements. In accordance with the guidance set out in IFRS 16 *Leases*, the Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lease term does not constitute a substantial portion of the economic life of the commercial property. Therefore, the Group retains all significant risks and rewards of ownership of these properties and accordingly, the Group accounts for these lease arrangements as operating leases.

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

Classification of financial assets
Financial assets are classified in their entirety on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the investments. Management decides on acquisition of a financial asset whether it should be classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income.

Debt instruments are measured at amortised cost only if:

(i) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

(ii) 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.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

4.2 Key sources of estimation uncertainty

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

Impairment and non-collectability of financial assets

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

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

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

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

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

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

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

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

Purchased or originated credit-impaired financial assets
Purchased or originated credit-impaired financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Group recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in consolidated statement of comprehensive income. A favourable change for such assets creates an impairment gain.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

4.2 Key sources of estimation uncertainty continued

Impairment and non-collectability of financial assets continued

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

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

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

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

As at 31 December 2021, provision for expected credit losses of trade and other receivables is AED 356.51 million *(2020: AED 368.91 million)*, due from related parties is AED nil *(2020: AED Nil)*, loans to related parties is AED 120.25 million *(2020: AED 144.06 million)* and finance lease receivables is AED Nil million *(2020: AED 14.27 million)*.

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

Impairment of inventories
When inventories become old or obsolete, an estimate is made of their net realisable value. Management has estimated the recoverability of inventories and has considered the allowance required for obsolescence. Management has estimated the allowance for inventory obsolescence on the basis of prior experience and the current economic environment.

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

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

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

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

Accumulated impairment losses on investment in a joint operation recognised on the consolidated statement of financial position as at 31 December 2021 is AED Nil million *(2020: AED 7.22 million).*

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

4.2 Key sources of estimation uncertainty continued

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

Accumulated impairment losses as at 31 December 2021 on property, plant and equipment are AED Nil million *(2020: AED 27.5 million)* and accumulated impairment loss on intangible assets is AED 80.5 million *(2020: AED 80.5 million)*.

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

Fair value of investment properties
The fair value of investment properties, including investment properties under construction, is determined by independent real estate valuation experts using recognised valuation methods such as the Investment method.

Using the investment method the fair value of the property is determined through analysis of income flow achievable for the properties and takes into account the projected annual expenditure. The principle rests on the thesis that the capital value of real estate will relate directly to the income that it generates or can be expected to generate. In determining the value a term and revision approach is adopted where the core income is capitalized into perpetuity.

Where the fair values of the investment properties under construction are not reliably determinable, they are carried at cost till the earlier of fair value being reliably determinable or completion. Accordingly, the Group has carried the investment properties under construction at cost where the fair value is not reliably determinable. Refer note 29.2 for further details.

The determination of the fair value of revenue-generating properties requires the use of estimates such as future cash flows from assets (such as leasing, tenants' profiles, future revenue streams, capital values of fixtures and fittings, and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the end of the reporting period.

The valuation method used requires estimations based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

The key assumptions used are as follows:

	%
Term yield	7.25 – 9.09
Reversion yield	7.64 – 9.00

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

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

4.2 Key sources of estimation uncertainty continued

Impairment and non-collectability of financial assets continued

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

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

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

5 SUBSIDIARIES, EQUITY-ACCOUNTED INVESTEES AND JOINT OPERATIONS

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

			Ownership interest	
Subsidiaries	***Domicile***	***Principal activities***	***2021***	*2020*
Masdar City Services L.L.C.	UAE	Services	**100%**	100%
Masdar Energy Limited	UAE	Holding company	**100%**	100%
Noor One Solar Power Company L.L.C. (formerly Masdar Photovoltaic L.L.C.)	UAE	Holding company	**100%**	100%
Masdar Holding L.L.C.	UAE	Holding company	**100%**	100%
Masdar Energy Holding L.L.C.	UAE	Holding company	**100%**	100%
Masdar PV GmbH	Germany	Manufacturing	**100%**	100%
Masdar Solar &Wind Cooperatief U.A.	Netherlands	Investment in renewable energy	**100%**	100%
Masdar Energy BV	Netherlands	Investment in renewable energy	**100%**	100%
Masdar Energy UK Limited	UK	Renewable energy	**100%**	100%
Masdar Finance BV	Netherlands	Services	**100%**	100%
Masdar Offshore Wind UK Limited	UK	Investment in renewable energy	**100%**	100%
Masdar City Investment L.L.C	UAE	Holding company	**100%**	100%
Masdar Egypt Investment 1 Limited	UAE	Holding company	**100%**	100%
Masdar Egypt Investment 2 Limited	UAE	Holding company	**100%**	100%
Masdar Egypt Investment 3 Limited	UAE	Holding company	**100%**	100%
Masdar Egypt Investment 4 Limited	UAE	Holding company	**100%**	100%
Ras Ghareb Investment Holding Limited	UAE	Holding company	**100%**	100%
Baynoona Energy SAE	Egypt	Renewable energy	**100%**	100%
Yas Energy Company SAE	Egypt	Renewable energy	**100%**	100%
Masdar Oman Holding Limited	Oman	Renewable energy	**100%**	100%
Masdar City Cooling Company Limited	UAE	District cooling services	-	-
Masdar Offshore Wind Scotland Limited	UK	Investment in renewable energy	**100%**	100%

5 SUBSIDIARIES, EQUITY-ACCOUNTED INVESTEES AND JOINT OPERATIONS continued

			Ownership interest	
Subsidiaries	***Domicile***	***Principal activities***	***2021***	*2020*
Masdar Specialised Technial Services LLC	UAE	Services	**100%**	100%
Masdar UK charging infrastructure SPV Restricted Limited	UAE	Investment	**100%**	100%
Nur Navoi Solar LLC	Uzbekistan	Renewable energy	**100%**	100%
Masdar Egypt BV	Netherlands	Renewable energy	**100%**	100%
Masdar B04 Limited	UAE	Real estate	**100%**	100%
Masdar B04 – 0 Limited	UAE	Real estate	**100%**	100%
Masdar B-10 Limited	UAE	Real estate	**100%**	100%
Masdar M12 Limited	UAE	Real estate	**100%**	100%
Masdar B02 Limited	UAE	Real estate	**100%**	100%
Masdar G10 Limited	UAE	Real estate	**100%**	100%
Masdar M13 Limited	UAE	Real estate	**100%**	100%
Masdar B05 Limited	UAE	Real estate	**100%**	100%
Masdar M13-T Limited	UAE	Real estate	**100%**	100%
Masdar G13 Limited	UAE	Real estate	**100%**	100%
Masdar B03 Limited	UAE	Real estate	**100%**	100%
Masdar B11 Limited	UAE	Real estate	**100%**	100%
Masdar Musataha 1 Limited	UAE	Real estate	**100%**	-
Masdar Musataha 2 Limited	UAE	Real estate	**100%**	-
Nur Navoi Solar Holding RSc Limited	UAE	Renewable energy	**100%**	100%
Masdar Moroc RSC Limited	UAE	Renewable energy	**100%**	100%
Source Trading Company Limited	UAE	Services	**100%**	100%
Madar Indonesia Solar Holdings RSC Limited	UAE	Renewable energy	**100%**	100%
Masdar Cirata Solar RSC Limited	UAE	Renewable energy	**100%**	100%
Masdar CIS Holdings RSC Limited	UAE	Renewable energy	**100%**	100%
Masdar Capital Management Limited	UAE	Services	**100%**	100%
Masdar Green REIT (CEIC) Limited	UAE	Real estate	**100%**	100%
Masdar Energy UK II Limited	UK	Renewable energy	**100%**	100%
Masdar Offshore Wind UK II Limited	UK	Renewable energy	**100%**	100%
Abu Dhabi Future Energy Holding Company LLC	KSA	Renewable energy	**100%**	100%
Shamol Zarafshan Enegy FE LLC	Uzbekistan	Renewable energy	**100%**	100%
VIS Solar 1 BV	UAE	Renewable energy	**-**	100%
Masdar Al-Dhafra Holding RSC Limited	UAE	Renewable energy	**100%**	-
Masdar Power Services	Uzbekistan	Renewable energy	**100%**	-
Masdar Israel Holding RSC Limited	UAE	Renewable energy	**100%**	-
Nur Navoi Solar Holding RSC Limited	UAE	Renewable energy	**100%**	-
Shamol Zarafshan Energy Holding RSC Limited	UAE	Renewable energy	**100%**	-
Jizzak Holding RSC Limited	UAE	Renewable energy	**100%**	-
Nur Sherabad Holding RSC Limited	UAE	Renewable energy	**100%**	-
Area 60 Holding RSC Limited	UAE	Renewable energy	**100%**	-
Nur Samarkand Holding RSC Limited	UAE	Renewable energy	**100%**	-
AYG-1 Holding RSC Limited	UAE	Renewable energy	**100%**	-
Masdar Azerbaijan LLC	Azerbaijan	Renewable energy	**100%**	-
Masdar Azerbaijan Energy LLC	Azerbaijan	Renewable energy	**100%**	-
Nur Navoi Solar LLC	Uzbekistan	Renewable energy	**100%**	-
Al Dhafra Wind Energy Company	UAE	Renewable energy	**100%**	-
ADFEC Morocco SARLAU	Morocco	Renewable energy	**100%**	-
Shamol Zarafshan LLC	Uzbekistan	Renewable energy	**100%**	-
Nur Jizzak Solar PV Foreign Enterprise Limited Liabilty Company	Uzbekistan	Renewable energy	**100%**	-
Nur Sherabad Solar PV Foreign Enterprise Limited liability Company	Uzbekistan	Renewable energy	**100%**	-
Nur Samakand Solar PV Foreign Enterprise Limited liability Company	Uzbekistan	Renewable energy	**100%**	-
Associates				
London Array Limited	UK	Services	**20%**	20%
Hero Future Energies Global Limited	UK	Renewable energy	**21%**	21%
Joint ventures				
Dudgeon Holding Limited (Dudgeon Offshore Wind Limited) ("Dudgeon")	UK	Renewable energy	**35%**	35%
Shams Power Company PJSC	UAE	Renewable energy	**51%**	51%
Jordan Wind Power Company PSC	Jordan	Renewable energy	**50%**	50%
Tesla Wind B.V.	Netherlands	Renewable energy	**50%**	50%
Masdar Taaleri Generation d.o.o	Serbia	Renewable energy	**50%**	50%
Hywind Scotland Limited ("Hywind")	UK	Renewable energy	**25%**	25%
Emirates Solar Power Company LLC (note 27)	UAE	Renewable energy	**60%**	60%

5 SUBSIDIARIES, EQUITY-ACCOUNTED INVESTEES AND JOINT OPERATIONS continued

Subsidiaries	*Domicile*	*Principal activities*	*Ownership interest* **2021**	*2020*
Sharjah Waste to Energy Company LLC (“Sharjah W2E”)	UAE	Renewable energy	**50%**	50%
The Catalyst limited (Catalyst)	UAE	Renewable energy	**50%**	50%
Krnovo HoldCo D.o.o (“Krnovo”)	Montenegro	Renewable energy	**49%**	49%
Baynounah Holdings B.V. (“Baynounah”)	Netherlands	Holding company	**70%**	70%
Dumat Al Jandal Wnd Energy Company LLC	Saudi Arabia	Renewable energy	**49%**	49%
Dumat Wind Contracting Company LLC	Saudi Arabia	Renewable energy	**49%**	49%
Masdar Tribe Energy Holdings RSC Limited	UAE	Holding Company	**90%**	90%
Masdar Tribe Energy Western Australia RSC Limited	UAE	Renewable energy	**17%**	17%
East Rockingham RRF Holdco Trust 2	Australia	Renewable energy	**37%**	37%
South Jeddah Noor PV Energy Company LLC	Saudi Arabia	Renewable energy	**36%**	36%
PV Energy Maintenance Company LLC	Saudi Arabia	Renewable energy	**36%**	36%
Noor Midelt Solar Hybrid 1 Company	Morocco	Renewable energy	**30%**	30%
Noor Midelt O&M1 Company	Morocco	Renewable energy	**37%**	37%
PT Pembangkitan Jawa Bali Masdar Solar Energi	Indonesia	Renewable energy	**49%**	49%
Fonnes SP. Z.O.O	Poland	Renewable energy	**50%**	50%
Infinity 50 for Renewable Energy SA	Egypt	Renewable energy	**48%**	48%
Infinity Power Holding BV	Netherlands	Renewable energy	**49%**	49%
Emerge Limited	UAE	Renewable energy	**51%**	-
Noor Midelt 1 Procurement Company DMCC	UAE	Renewable energy	**54%**	-
Noor Jeddah Energy Service Company LLC	Saudi Arabia	Renewable energy	**35.70%**	-
Energize O&M Company LLC	UAE	Renewable energy	**60%**	-
Dhafrah Solar Energy Holding Company LLC	UAE	Renewable energy	**33.34%**	-
Dhafrah PV2 Energy Company LLC	UAE	Renewable energy	**20%**	-
Dimona Solar Park Ltd	Israel	Renewable energy	**49%**	-
Dimona Sun Ltd	Israle	Renewable energy	**49%**	-
PT Masdar Mitra Solar Radiance	Indonesia	Renewable energy	**47.50%**	-
Masdar Tribe Australia Holdings Ltd	UAE	Renewable energy	**50%**	-
Masdar Tribe Australia PTY Ltd	Australia	Renewable energy	**50%**	-
Infinity 50 for Renewable Energy SAE	Egypt	Renewable energy	**48%**	-
Masdar Armenia 1 CJSC	Armenia	Renewable energy	**85%**	-
Dudgeon Extension Limited	UK	Renewable energy	**35%**	35%
Joint operations				
London Array Project (unincorporated)	UK	Renewable energy	**20%**	20%
Batwind Project (unincorporated)	UK	Renewable energy	**50%**	50%

The Group does not have any material partly owned subsidiaries.

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

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

6 PROPERTY, PLANT AND EQUIPMENT

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

6 PROPERTY, PLANT AND EQUIPMENT continued

	Land and buildings AED '000	*Fixtures, Plant and machinery AED '000*	*Capital fitting and equipment AED '000*	*work in progress AED '000*	*Total AED 000*
2020					
Cost:					
1 January 2020	16,531	2,485,571	47,657	291,115	2,840,874
Additions, net	-	14,740	2,457	1,757	18,954
Transfers to inventories (note 14)	-	-	-	(101,353)	(101,353)
Transfers to investment properties, net (note 7)	-	-	-	(101,093)	(101,093)
Disposal	-	(55,483)	-	(18,542)	(74,025)
Effect of movement in exchange rates	208	65,894	5	47	66,154
31 December 2020	16,739	2,510,722	50,119	71,931	2,649,511
Accumulated depreciation and impairment:					
1 January 2020	8,204	798,876	30,826	27,500	865,406
Charge for the year	306	107,335	8,956	-	116,597
Relating to disposal	-	(9,311)	-	-	(9,311)
Other transfers	169	-	(169)	-	-
Relating to write off	-	1,763	-	-	1,763
Effect of movement in exchange rates	100	24,651	5	-	24,756
31 December 2020	8,779	923,314	39,618	27,500	999,211
Carrying amount:					
31 December 2020	7,960	1,587,408	10,501	44,431	1,650,300

Land includes plots received as government grants with established future economic benefits (note 24) which are recorded as at 31 December 2021 at a nominal value of 1 *(2020: AED 1)*.

Included in plant and machinery is a decommissioning liability relating to the London Array Project amounting to AED 87.53 million as at 31 December 2021 *(2020: AED 95.7 million)* (note 21).

CWIP is mainly related with General Service office Renovation works and ICT Hardware and Software under clearing A/c AED 11 million, Energy Service project AED 13 million.

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

	2021 AED '000	*2020 AED '000*
Cost of sales	**89,051**	87,091
General and administrative expenses (note 26)	**25,838**	29,506
	114,889	116,597

7 INVESTMENT PROPERTIES

	2021 AED '000	*Restated 2020 AED '000*
Investment properties		
At 01 January	**2,526,937**	1,583,981
Additions	**-**	1,523
Change in fair value of investment properties	**106,947**	(83,904)
Transfer in from Investment properties under development	**-**	1,025,337
At 31 December	**2,633,884**	2,526,937

7 INVESTMENT PROPERTIES continued

	2021 *AED '000*	*Restated 2020* *AED '000*
Investment properties under development		
At 01 January	**42,899**	869,430
Additions	**58,916**	64,455
Transfers from inventory	**10,516**	33,258
Allocation from Capital Accruals	**37,227**	-
Transfer from PPE	**-**	101,093
Transfer to Investment Properties	**-**	(1,025,337)
At 31 December	**149,558**	42,899
Total	**2,783,442**	2,569,836
Held for Sale Assets	**(2,783,442)**	-
Total	**-**	2,569,836

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

	Level 3 ***AED '000***	***Fair value*** ***AED '000***
2021:		
IRENA Headquarters building and land	**472,165**	**472,165**
Siemens building and land	**331,850**	**331,850**
Incubator building and land	**113,260**	**113,260**
Etihad building and land	**538,405**	**538,405**
Accelerator building	**63,070**	**63,070**
MI Neighbourhood	**966,400**	**966,400**
Visitors centre	**77,988**	**77,988**
Accelerator 2	**70,746**	**70,746**
	2,633,884	**2,633,884**
2020:		
IRENA Headquarters building and land	460,720	460,720
Siemens building and land	225,807	225,807
Incubator building and land	111,310	111,310
Etihad building and land	557,230	557,230
Accelerator building	57,620	57,620
MI Neighbourhood	969,710	969,710
Visitors centre	77,939	77,940
Accelerator 2	66,600	66,600
	2,526,936	2,526,937

7 INVESTMENT PROPERTIES continued

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

Breakup of cost is as follows:

	AED '000
2021:	
B-02	**58,956**
MC square	**67,460**
Innovation hub	**23,142**
	149,558
2020:	
B-02	42,899

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

Sensitivity to significant changes in unobservable inputs

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

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

7 INVESTMENT PROPERTIES continued

Sensitivity to significant changes in unobservable inputs continued

Investment property	**Valuation techniques**	**Significant unobservable input**	**Sensitivity**
Accelerator building	Fair Market Value	Yield rate of 9.50% *	a) AED 7.9 million – AED 39.4 million.
		Market rent at an average of AED 1,492 per sq.m per annum **	b) AED 0.6 million – AED 3.2 million.
MI Neighbourhood	Fair Market Value	Yield rate of 8.92% *	a) AED 128.5 million to AED 642.6 million
		Market rent at an average of AED 1,160 per sq.m per annum **	b) AED 9.7 million – AED 48.3 million.
Visitors Center	Fair Market Value	Yield rate of 9.50% *	a) AED 9.7 million – AED 48.7 million.
		Market rent at an average of AED 1,356 per sq.m per annum **	b) AED 0.8 million – AED 3.9 million.
Accelerator 2	Fair Market Value	Yield rate of 9.50% *	a) AED 8.8 million – AED 44.2 million.
		Market rent at an average of AED 1,236 per sq.m per annum **	b) AED 0.7 million – AED 3.5 million.

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

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

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

7 INVESTMENT PROPERTIES continued

Sensitivity to significant changes in unobservable inputs continued

For investment properties categorised into Level 3 of the fair value hierarchy, the following information is relevant as at 31 December 2020:

Investment property	Valuation techniques	Significant unobservable input	Sensitivity
IRENA Headquarters office building and land	Investment method	Yield rate of 7.75% *	a) AED 59.4 million – AED 297.2 million.
		Market rent at an average of AED 1,694 per sq.m per annum **	b) AED 4.6 million – 23 million.
Siemens office building and land	Investment method	Yield rate of 7.75% *	a) AED 41.2 million – AED 205.9 million.
		Market rent at an average of AED 1,542 per sq.m per annum **	b) AED 3.2 million – AED 16 million.
Incubator office building and land	Investment method	Yield rate of 8.00% *	a) AED 13.9 million – AED 69.6 million.
		Market rent at an average of AED 1,765 per sq.m per annum **	b) AED 1.1 million – AED 5.6 million.
Etihad residential land and building	Investment method	Yield rate of 7.25% *	a) AED 72.6 million – AED 362.8 million.
		Market rent at an average of AED 743 per sq.m per annum **	b) AED 5.6 million – AED 27.9 million.
Accelerator building	Investment method	Yield rate of 8.00% *	a) AED 7.2 million – AED 36.0 million.
		Market rent at an average of AED 1,506 per sq.m per annum **	b) AED 0.6 million – AED 2.9 million.
MI Neighbourhood	Investment method	Yield rate of 7.77% *	a) AED 129 million to AED 644.8 million
		Market rent at an average of AED 1,160 per sq.m per annum **	b) AED 9.7 million – AED 48.5 million.
Visitors Center	Investment method	Yield rate of 8.00% *	a) AED 9.7 million – AED 48.7 million.
		Market rent at an average of AED 1,356 per sq.m per annum **	b) AED 0.8 million – AED 4.0 million.
Accelerator 2	Investment method	Yield rate of 8.00% *	a) AED 8.3 million – AED 41.6 million.
		Market rent at an average of AED 1,200 per sq.m per annum **	b) AED 0.7 million – AED 3.3 million.

7 INVESTMENT PROPERTIES continued

Sensitivity to significant changes in unobservable inputs continued

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

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

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

8 INTANGIBLE ASSETS

	Software AED '000	*Licenses AED '000*	*Total AED '000*
2021			
Cost:			
1 January 2021	**21,969**	**150,499**	**172,468**
Addition	**1,880**	**-**	**1,880**
Held for Sale Assets	**(2,700)**	**-**	**(2,700)**
Effect of movement in exchange rates	**-**	**(707)**	**(707)**
31 December 2021	**21,149**	**149,792**	**170,941**
Accumulated amortisation and impairment:			
1 January 2021	**18,903**	**103,733**	**122,636**
Charge for the year	**2,838**	**2,936**	**5,774**
Held for Sale Assets	**(2,361)**	**-**	**(2,361)**
Effect of movement in exchange rates	**-**	**(285)**	**(285)**
31 December 2021	**19,380**	**106,384**	**125,764**
Carrying amount:			
31 December 2021	**1,769**	**43,408**	**45,177**
2020			
Cost:			
1 January 2020	21,124	148,384	169,508
Addition	845	-	845
Effect of movement in exchange rates	-	2,115	2,115
31 December 2020	21,969	150,499	172,468
Accumulated amortisation and impairment:			
1 January 2020	18,269	100,200	118,469
Charge for the year	634	2,744	3,378
Effect of movement in exchange rates	-	789	789
31 December 2020	18,903	103,733	122,636
Carrying amount:			
31 December 2020	3,066	46,766	49,832

9 EQUITY – ACCOUNTED INVESTEES

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

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

	Classification	*Current assets AED'000*	*Non-current assets AED'000*	*Current Liabilities AED'000*	*Non-current Liabilities AED'000*	*Net assets/ liabilities AED'000*	*Revenue AED'000*	*Profit (loss) for the year AED'000*	*Other Comprehensive income/(loss) for the year AED'000*	*Total comprehensive income/(loss) for the year AED'000*
2021										
Shams Power Company PJSC	Joint venture	**158,106**	**1,812,765**	**128,689**	**1,697,926**	**144,256**	**374,356**	**85,965**	**106,830**	**192,795**
Dudgeon Offshore Wind Ltd	Joint venture	**485,043**	**5,677,754**	**555,810**	**7,087,167**	**1,480,181**	**1,235,455**	**409,068**	**67,250**	**476,318**
Jordan Wind Power Company PJSC	Joint venture	**119,912**	**701,117**	**107,236**	**600,671**	**113,122**	**154,177**	**32,424**	**26,640**	**59,064**
Hywind Scotland Ltd	Joint venture	**89,920**	**1,120,004**	**1,688**	**130183**	**1,078,054**	**178,880**	**59,877**	**-**	**59,877**
Hero Future Energies Global Limited	Associate	**938,787**	**4,855,081**	**1,595,585**	**4,791,309**	**(593,026)**	**720,924**	**(289,925)**	**-**	**(289,925)**
2020										
Shams Power Company PJSC	Joint venture	196,694	1,913,009	127,235	1,911,912	70,556	349,377	58,183	(84,866)	(26,683)
Dudgeon Offshore Wind Ltd	Joint venture	468,885	6,066,770	618,936	7,539,071	(1,622,352)	1,491,866	678,593	(45,664)	633,288
Jordan Wind Power Company PJSC	Joint venture	135,256	754,257	104,122	731,333	54,058	161,824	10,486	(23,684)	(13,198)
Hywind Scotland Ltd	Joint venture	75,878	1,198,447	1,654	103,450	1,169,221	136,453	10,292	-	10,292
Hero Future Energies Global Limited	Associate	953,592	4,911,874	1,762,112	4,406,455	(303,101)	690,473	(304,002)	-	(304,002)

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

	Ownership interest	*Profit (loss) for the year AED'000*	*Group's share of results AED'000*	*Net assets/ liabilities AED'000*	*Group's share of net assets AED'000*	*Intangible assets AED'000*	*Carrying amount AED'000*
2021							
Shams Power Company PJSC	**51%**	**83,553**	**42,612**	**144,256**	**73,571**	**24,341**	**97,912**
Dudgeon Offshore Wind Ltd	**35%**	**409,068**	**-**	**(1,480,181)**	**-**	**-**	**-**
Jordan Wind Power Company PJSC	**50%**	**25,022**	**12,511**	**113,122**	**56,561**	**50,891**	**107,452**
Hywind Scotland Ltd	**25%**	**59,877**	**13,725**	**1,078,054**	**269,513**	**33,214**	**302,727**
Hero Future Energies Global Limited	**20.65%**	**(289,925)**	**(59,869)**	**(593,869)**	**(122,460)**	**297,192**	**174,732**
2020							
Shams Power Company PJSC	51%	58,183	29,673	70,556	35,983	25,521	61,504
Dudgeon Offshore Wind Ltd	35%	678,953	-	(1,622,352)	-	-	-
Jordan Wind Power Company PJSC	50%	10,486	5,243	54,058	27,029	54,592	81,621
Hywind Scotland Ltd	25%	10,292	2,573	1,169,221	292,305	34,948	327,253
Hero Future Energies Global Limited	20.65%	(304,002)	(58,541)	(303,101)	(62,477)	297,078	234,601

9 EQUITY – ACCOUNTED INVESTEES continued

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

	Associates AED '000	*Joint ventures AED '000*	*Total AED '000*
At 1 January 2021	**238,435**	**638,714**	**877,149**
Investments during the year (i)	**-**	**293,562**	**293,562**
Share of results of equity-accounted investees	**(59,868)**	**118,604**	**58,736**
Disposal of a joint venture (29.3)	-	**(55,259)**	**(55,259)**
Dividends received (ii)	-	**(89,246)**	**(89,246)**
Share of movement in hedge and other reserves	-	**119,913**	**119,913**
Share of movement in foreign exchange reserves	**(39)**	**(18,046)**	**(18,085)**
Masdar City discontinued operations held for sale		**(2,932)**	**(2,932)**
Reclassification (iii)	-	**(49,079)**	**(49,079)**
At 31 December 2021	**178,528**	**956,231**	**1,134,759**
At 1 January 2020	243,137	826,660	1,069,797
Investments during the year (i)	-	97,803	97,803
Additional contributions during the year	53,724	2,571	56,295
Share of results of equity-accounted investees	(58,224)	55,530	(2,694)
Disposal of a joint venture (iii)	-	(298,022)	(298,022)
Dividends received (iv)	-	(33,709)	(33,709)
Share of movement in hedge and other reserves	-	(98,087)	(98,087)
Share of movement in foreign exchange reserves	115	37,878	37,993
Reclassification (v)	(317)	48,090	47,773
At 31 December 2020	238,435	638,714	877,149

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

- 49% ownership interest in Infinity Power Holdings BV for a consideration of USD 55.8 million (AED 204.98)
- 35% ownership interest in Dudgeon Extension Limited for a consideration of GBP 2.6 million (AED 13.2 million).
- 33.67% ownership interest in East Rockingham for a consideration of AUD 15.1 million (AED 41.2 million).

(ii) During the year, the Group received dividends amounting to AED 60.6 million from a joint venture, Shams Power Co. and AED 28.6 million (GBP 5.6 million) from a joint venture, Hywind Scotland Limited. The dividend received from Dudgeon of AED 125.23 million (GBP 25.2 million) being in excess of its carrying amount has been recognised in the consolidated statement of comprehensive income.

(iii) Reclassification comprises of reclassification of balances from loans to related parties to investments in Krnovo, Sharjah W2E and Baynouna.

10 OTHER NON CURRENT FINANCIAL ASSETS

	2021	*2020*
	AED '000	*AED '000*
Financial assets at fair value through profit or loss		
Unquoted convertible investments		
Hero Future Energies Private Limited	**208,369**	192,636
Unquoted equity investments		
Zouk Charging Infrastructure Investment Fund LP	**34,903**	67,185
	243,272	259,821

During the year, the Group invested an additional AED Nil *(2020: AED 38.2 million)* in irredeemable compulsory convertible preference shares ("CCPS") of Hero Future Energies Private Limited ("HFEP"). The CCPS carries no voting rights and are convertible into ordinary shares upon redemption.

Management has estimated the fair value of the CCPS at AED 208.37 million as at 31 December 2021 (2020: AED 192.63 million). A fair value gain of AED 19.05 million *(2020: fair value loss of AED 9.65 million)* has been recognised in the consolidated statement of profit or loss on the CCPS.

During the year, the Group received net distribution of AED 37.48 million *(2020: AED 63.22 million)* from Zouk Charging Infrastructure Investment Fund LP ("Zouk"). The Group also received AED 42.83 million from Zouk as distribution from the fund.

The fund is unquoted and a fair value gain of AED 5.82 million *(2020: loss AED 2.32 million)* has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2021.

11 FINANCE LEASE RECEIVABLES

	2021	*2020*
	AED '000	*AED '000*
Finance lease receivables:		
Gross receivables	**408,760**	331,320
Less: provision for expected credit losses	**(15,924)**	(14,278)
	392,836	317,042
Non-current	**308,887**	262,263
Current	**83,949**	54,779
Held for Sale Assets	**(392,836)**	-
	-	317,042

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

	2021	*2020*
	AED '000	*AED '000*
At 1 January	**14,278**	11,670
Provision for expected credit losses	**1,646**	2,608
Reversal of expected credit losses	**-**	-
At 31 December	**15,924**	14,278

Past due finance lease receivables as at 31 December 2021 amounted to AED 27.78 *(2020: AED 30.11 million).*

11 FINANCE LEASE RECEIVABLES continued

11.1 Leasing agreements

The Group has entered into Musataha lease agreements for certain plots of land in Masdar City and Jebel Al Dannah which are accounted for as finance lease arrangements. All leases are denominated in AED. The average term of finance leases is 50 to 99 years.

11.2 Amounts receivable under finance leases

	Minimum lease payments	
	2021	*2020*
	AED '000	*AED '000*
Less than one year	**70,904**	54,779
One to two years	**24,995**	25,720
Two to three years	**25,614**	26,357
Three to four years	**26,249**	27,010
Four to five years	**26,899**	27,680
Later than five years	**2,394,047**	1,989,169
Total	**2,568,708**	2,150,175
Less: unearned finance income	**(2,159,948)**	(1,819,395)
Present value of minimum lease payments	**408,760**	331,320

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 5.9% to 8.9% (2020: 5.9% to 8.9%) per annum.

12 RELATED PARTIES

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

The Group enters into transactions with Government-owned entities and other related parties in the ordinary course of business at mutually agreed terms. The Group also maintains significant balances with the Parent Company and other related parties which arise from commercial transactions.

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

12.1 Loans to related parties

Loans to related parties are classified as follows:

	2021	*2020*
	AED '000	*AED '000*
Gross receivables	**573,231**	582,804
Less: provision for expected credit losses	**(120,255)**	(144,060)
	452,976	438,744
Non-current	**146,363**	249,356
Current	**306,613**	189,388
	452,976	438,744

12 RELATED PARTIES continued

12.1 Loans to related parties continued

	2021 *AED '000*	*2020* *AED '000*
Equity Accounted Investees		
Shams Power Company PJSC ("Shams")	**42,884**	43,744
Jordan Wind Project Company PJSC ("JPWC")	**9,430**	32,184
Sharjah Waste to Energy LLC ("SW2E")	**92,461**	57,094
Baynouna Holdings B.V. ("Baynouna")	**69,637**	57,119
Krnovo Energy d.o.o. ("Krnovo")	**97,921**	91,117
PT Pembangkitan Jawa Bali Masdar Solar Energi ("Cirata")	-	5,628
Infinity 50 for Renewable Energy S.A.E ("Infinity 50")	-	41,258
Contino Omikron Sp. Z.O.O ("Contino") *	**11,327**	5,102
Pileus Energy SP. Z.O.O ("Pileus") *	**24,712**	11,221
Fonnes Sp. Z.o.o	**30,597**	-
Cirata	**7,746**	-
Masdar Tribe Australia Holding Ltd	**898**	-
Tesla Vetroelektrane Balkana d.o.o. ("Tesla")	**65,363**	94,277
	452,976	438,744

* Loans to related parties, Contino and Pileus, are pledged to a commercial bank against the related parties' borrowings.

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

	2021 *AED '000*	*2020* *AED '000*
At 1 January	**144,060**	124,514
Provision for expected credit losses	**2,525**	20,524
Reversal of provision for expected credit losses **	**(16,475)**	(8,747)
Other Movement	**(5,097)**	-
Effect of movement in exchange rates	**(4,758)**	7,769
At 31 December	**120,255**	144,060

** The reversal of provision for expected credit losses relates to improvement in credit profiles and scheduled repayments received from certain related parties, net P&L impact is credit AED 13.95 M.

Other movement of AED 5.097 million is related with disposal of subsidiary Vis Solar 1 B.V.

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

Parties	*Currency*	*Nominal interest rate*	*Year of maturity*	***2021*** ***AED '000***	*2020* *AED '000*
Shams	AED	-	2038	**42,884**	43,745
JWPC	USD	9%	On demand	**9,430**	32,184
SW2E	AED	6.13%	2022	**92,461**	57,094
Baynouna	USD	-	On demand	**69,637**	57,119
Krnovo	EUR	8.45%	2038	**97,921**	91,117
Cirata	USD	2.50%	2022	**7,746**	5,628
Infinity 50	USD	10%	2035	-	41,258
Contino	EUR	4%	2030	**11,327**	5,102
Fonnes Sp Z.o.o	EUR	3%	2031	**30,597**	-
Pileus	EUR	4%	2030	**24,712**	11,221
Masdar Tribe Australia Holding	AUD	-	On demand	**898**	-
Tesla	EUR	4.25%	On demand	**65,363**	94,277
Total				**452,976**	438,745

12 RELATED PARTIES continued

12.1 Loans to related parties continued

Loan to Baynouna and Shams have been recognised at fair value, which is equal to the present value of the expected future cash flows discounted using the average rate of interest applicable to internal borrowings.

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

12.2 Due from related parties

Due from related parties are classified as follows:

	2021	*2020*
	AED '000	*AED '000*
Non-current	**-**	-
Current	**173,102**	133,094
	173,102	133,094
Current:		
Government of Abu Dhabi		
The Government of Abu Dhabi (see below)**	-	1,720
Entities under common control		
Khalifa University	-	7,122
Etihad Airways PJSC	-	27,673
National Media Council	-	2,554
Ministry of Foreign Affairs	**700**	50
Daman Insurance	-	13
Crown Price Court	**44**	-
Department of Finance	**1,655**	
Ministry of Finance Corporate Governance	-	1,836
Mohammed Bin Zayed University of Artificial Intelligence	-	776
96th Investment Company	**8,005**	**-**
Mubadala Treasury Holding Company	**92,760**	-
Sub-total	**103,164**	40,024
Equity Accounted Investees		
Emerge Limited	**9,983**	-
Dumat Al Jundal	**579**	-
Infinity 50 for Renewal Energy S.A.E	**35**	-
Shams Power Company PJSC	**731**	1,063
Tesla Vetroelektrane Balkanan D.O.O	**436**	30,969
Baynouna Holdings B.V.	**9,771**	9,147
Dudgeon Offshore Wind UK Limited	**40,866**	45,735
The Catalyst Limited	-	351
Noor Midelt	**3,795**	2,051
Emirates Solar Power Company LLC	**1,995**	542
Sharjah Waste to Energy	**444**	444
Shuaa Energy 2 PSC	**1,303**	466
Others	-	582
Sub-total	**69,938**	91,350
Total	**173,102**	133,094

12 RELATED PARTIES continued

12.2 Due from related parties continued

	2021	*2020*
	AED '000	*AED '000*
****Due from the Government of Abu Dhabi**		
Department of Finance	**-**	**1,565**
Abu Dhabi Water and Electricity Company	**-**	**155**
	-	**1,720**

The balance due from the Department of Finance relating to the green subsidy on the 10 MW power plant as at 31 December comprises of:

	2021	*2020*
	AED '000	*AED '000*
10 MW power plant subsidy	**-**	**1,565**
Less: Provision for expected credit losses	**-**	-
	-	**1,565**

12.3 Due to related parties

	2021	*2020*
	AED '000	*AED '000*
The Parent Company	**398**	2,136
The Government of Abu Dhabi*	**29,542**	20,541
Entities under common control		
Abu Dhabi National Oil Company	**14**	-
MDC General Services Holding Company L.L.C.	**1,254**	1,429
MDC Business Management Services L.L.C.	**472**	2,574
Mubadala Treasury Holding Company	**-**	258,887
Emirates Telecommunications Corporation – Etisalat	**750**	860
Abu Dhabi National Hotel Company	**149**	142
MDC Finance 1 L.P.	**-**	1,226
	32,579	287,795

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

12.4 Other related party balances

	2021	*2020*
	AED '000	*AED '000*
Cash and bank balances**	**604,091**	1,077,446
Interest receivable**	**-**	928
Restricted cash**	**-**	80,000
Deferred income*	**11,788**	2,495
Project advances (note 22)*	**248,427**	76,015

Cash and bank balances and restricted cash comprise call, current, and deposit accounts and term deposits with a government-owned entity.

*Fund received from Government of Abu Dhabi for Energy Services project developments.
** Balance with Entities under common control being First Abu Dhabi Bank and Abu Dhabi Commercial Bank

12. RELATED PARTIES continued

12.5 Transactions with related parties

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

	2021 *AED '000*	*2020* *AED '000*
Funds received from the Parent Company	**-**	68,356
	-	
Funds remitted to Mubadala Treasury Holding Company	**351,647**	1,042,106
Recharge of costs to Shams Power Company PJSC	**885**	1,679
Recharge of costs from MDC General Services Holding Company	**9,069**	6,900
Recharge of costs from MDC Business Management Services L.L.C.	**9,803**	9,482
Interest charged to related parties	**39,411**	38,484
Other income	**35,053**	34,573
Facilities management & Rental revenue	**141,269**	149,242

- Other Income is mainly related with Abu Dhabi Fund for Development, Sharjah Waste to Energy, Dudgeon and The Catalyst.
- Facility Management and Rental revenues are mainly related with Etihad Airways, Mohammed Bin Zayed University of Artificial Intelligence, Emirates Nuclear Energy Company, Khalifa University and Tabreed.

Key management personnel compensation is as follows:

	2021 *AED '000*	*2020* *AED '000*
Salaries and other benefits	**30,763**	30,649
Terminal benefits	**4,766**	4,792

Terms and condition of transactions with related parties

Outstanding balances at the financial year end are interest free and repayable on demand. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2021, the Group has not recorded any impairment of receivables relating to amounts owed by a related party (2020: nil). This assessment is undertaken each financial year through examining the financial position of the related parties and the market which the related parties operate.

13 TRADE AND OTHER RECEIVABLES

	2021 *AED '000*	*2020* *AED '000*
Non-current portion:		
Trade receivables under payment plan (note 13.1)	**603**	12,291
Service Concession Receivable (13.3)	**277,496**	-
Other receivables (note 29.1)	**-**	39,510
	278,099	51,801
Current portion:		
Trade receivables under payment plan (note 13.1)	-	15,975
Other trade receivables (note 13.1)	**30,711**	32,016
Service Concession Receivable	**1,927**	266
Accrued income	**117,972**	167,794
Restricted cash	**163,868**	167,480
Short term advances	**5,820**	67,772
Staff receivables	**16,084**	18,823
Tax receivables	**17,971**	3,646
Other receivables	**46,639**	44,149
Prepayments	**12,395**	11,975
	413,387	529,896

13 TRADE AND OTHER RECEIVABLES continued

13.1 Trade receivables

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

The Group has adopted a policy of dealing with only creditworthy counterparties. Adequate assessment is made before accepting an order from a counterparty. Of the trade receivables balance at the end of the year, AED 5.65 million *(2020: AED 27.7 million)* representing 18% *(2020: 46%)* of total trade receivables is due from two major customer *(2020: one)*. Management considers this customer to be reputable and creditworthy and is confident that this concentration of credit risk will not result in any significant loss to the Group.

Included in the Group's trade receivables balance are unimpaired debts with a carrying amount of AED 14.6 million as at 31 December 2021 *(2020: AED 44.8 million)* which are past due at the reporting date but there has not been a significant change in the credit quality of the customers and the amounts are still considered recoverable.

	2021	*2020*
	AED '000	*AED '000*
Ageing of trade receivables:		
Not past due	**16,747**	15,479
Past due but not impaired:		
Due for 61 to 120 days	**7,489**	31,555
Due for 121 to 360 days	**6,058**	552
Due for more than 360 days	**1,056**	12,696
	14,603	44,803
	31,350	60,282

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

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

	2021	*2020*
	AED '000	*AED '000*
At 1 January	**12,631**	8,838
Provision for expected credit losses	**(1,262)**	4,387
Reversal during the year	-	(124)
Write off	-	(470)
	11,369	12,631
Asset Held for Sale transfer	**(11,141)**	-
As 31 December	**228**	12,631

13.2 Receivable from WinWindOY, net

	2021	*2020*
	AED '000	*AED '000*
Receivable from WinWindOY	**356,285**	356,285
Less: provision for impairment loss	**(356,285)**	(356,285)
	-	-

13 TRADE AND OTHER RECEIVABLES continued

13.2 Receivable from WinWindOY, net continued

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

During 2019, Masdar became aware that one of the entities against which Masdar had a claim, Siva Industries and Holdings Limited, was undergoing an insolvency resolution process in India and an independent interim resolution professional had been appointed to oversee this process in line with requirements under Indian law. During that year, as per insolvency proceeding settlement submission in January 2021 relating to Siva Industries and Holdings Limited, Masdar was expected to receive USD 1.44 million in two instalments as a final settlement for the claim, however, later on a settlement proposal was submitted by the promoters of Siva to the Committee of Creditors, which was approved by the COC in April 21, this approval along with the application to withdraw the insolvency proceedings filed thereafter was dismissed by the National Company Law Tribunal, Chennai in Aug. 21, rejected the Settlement Proposal and dismissed the application for withdrawal of the corporate insolvency resolution proceedings. the NCLT allowed the application filed by the Resolution Professional for liquidation of SIHL and appointed a liquidator to carry out the liquidation process. Currently on account of the Settlement Proposal, the creditors are entitled to receive the settlement amount as per the Settlement Proposal And Masdar had agreed to receive as full and final settlement, INR 10.52 crores USD 1.35 million (AED 4.95 million) at a conversion of USD 1 = INR 77.76 as of June 7, 2022), in two tranches, and all debts owed to Masdar by SIHL and Siva Skylink Global Limited shall stand discharged. Therefore, Masdar may expect to be paid the settlement amount in two tranches, (i) between 3rd June to 3rd July 2022 USD 0.20 million (AED 0.73 million) (ii) between 3rd June to 30 November 2022 USD 1.150 million (AED 4.22 million).

13.3 Service Concession Receivable

Service Concession Receivable related with Nur Navoi Solar FE, Uzbekistan is as follows:

	2021 ***AED '000***	*2020* *AED '000*
Non-current receivable	**277,496**	-
Current Receivable	**1,927**	266
	279,423	266

14 INVENTORIES

	2021 **AED '000**	2020 AED '000
Opening	**413,981**	814,904
Transfer to Investment Properties	**(10,516)**	(33,258)
Transfer from PPE	**-**	101,353
Sales	**(25,713)**	(7,889)
Transaction with Shareholders	**-**	(467,976)
Addition	**-**	6,847
	377,752	413,981
Transfer to Held for Sale	**(377,665)**	-
	87	413,981

	2021 **AED '000**	2020 AED '000
Land held for sale	**-**	413,894
Finished goods	**87**	87
	87	413,981

Land held for sale in inventories are located in the United Arab Emirates.

During 2020, the Group transferred parcels of land from property, plant and equipment to inventory for an intended transfer to the Government. Subsequently, by virtue of the Executive Council resolution no. 140 of 2020, parcels of land with a total cost of AED 468 million was transferred to the Government of Abu Dhabi for a consideration of AED 2,817 million settled through the shareholder's account. The transfer resulted in a gain of AED 1,267 million calculated after accruing AED 1,076 million against infrastructure cost. The gain was directly recognised in retained earnings.

The cost of inventories recognised as expense during the year was AED 51.91 million *(2020: AED 7.89)*. No write-downs of inventory to net realisable value or reversal of previously recognised write-downs were recognised during 2021 and 2020.

15 CASH AND CASH EQUIVALENTS

	2021 **AED '000**	2020 AED '000
Call and current accounts	**716,407**	1,228,794
Cash in hand	**90**	460
	716,497	1,229,254

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

Geographical concentration of cash and term deposits is as follows:

	2021 **AED '000**	2020 AED '000
Within UAE	**508,753**	935,223
Outside UAE	**207,744**	294,031
	716,497	1,229,254

16 SHARE CAPITAL

Share capital comprises 8,000,000 *(2020: 8,000,000)* authorised, issued and fully paid up ordinary shares with a par value of AED 1,000 each.

During 2020, all the legal formalities in relation to conversion of AED 7,632 million of additional shareholder contribution) into share capital were completed and the Company's share capital has been increased to AED 8,000 million, comprising of 8 million authorised, issued and fully paid up ordinary shares with a par value of AED 1,000 each.

17 SHAREHOLDER'S ACCOUNT

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

During the year 2020, portions of land held by the Group were transferred to the Government of Abu Dhabi for a consideration of AED 2,817 million settled through the shareholder's account. The gain of AED 1,267 million resulting from the transaction with the shareholder was directly recognised in retained earnings. During 2021, a further adjustment of AED 33 million was made in the earlier recognized gain in retained earnings.

18 RESERVES

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

Statutory reserve
As required by the UAE Federal Law No. (2) of 2015, 10% of the profit for the year has been transferred to statutory reserve. The statutory reserve is not available for distribution.

Other reserves
Other reserves include the Group's share of hedging reserves and foreign currency translation reserves ("FCTR") of equity-accounted investees.

19 BANK BORROWINGS

	2021 AED '000	*2020 AED '000*
Secured – at amortised cost		
Current	**125,336**	244,382
Non-current:	**2,010,212**	1,916,842
Less: deferred financing costs	**(29,820)**	(30,125)
	1,980,392	1,886,717
	2,105,728	2,131,099

The movement in the bank borrowings is as follows:

	2021 AED '000	*2020 AED '000*
At 1 January	**2,131,099**	654,016
Repayments during the year	**(244,725)**	(986,921)
Loan obtained during the year	**232,957**	2,326,251
Amortisation of deferred financing costs	**3,916**	2,100
Foreign exchange fluctuations	**(17,519)**	135,653
At 31 December	**2,105,728**	2,131,099

19 BANK BORROWINGS continued

Loan 1
London Array offshore wind farm project refinanced debt amount is GBP 395 million with a maturity date of December 2032. The loan facility refinancing is secured by pledge of Masdar Energy UK Limited shares and also subject to various covenants as stipulated in the loan facility agreement. Masdar Energy UK Limited's bank borrowings are repayable in 26 semi-annual instalments starting March 2020.

Masdar Energy UK Limited entered into an interest rate swap for the full value and tenure of the term loan. The derivative is designated as a hedge and has been determined as effective and so changes in fair value amounting to AED 71.74 million *(2020: AED 37 million)* are recognised in other comprehensive income. As at 31 December 2021,

the fair value of the derivative recognised amounted to an asset of AED 42.04 million *(2020: Liability AED 70.19 million)* and the notional principal amount is AED 1,764.80 million *(2020: AED 1,895.31 million)*.

Loan 2
During the year, the revolving credit facility has increased from USD 75 million *(AED 275.5 million)* to USD 125 million (AED 459.20 million) and it is unutilized as on 31st December 2021.

Loan 3
Group availed a USD 59.36 million (AED 218.06 million) term loan facility from European Bank for Construction and Development for Nur Navoi project in Uzbekistan. The facility is payable after five years as a bullet payment.

Loan 4
During the year, Group availed under Nur Navoi Solar FE Uzbekistan project the senior debt facilities of USD 41.47 million (AED 152.34 million) for from Asian Development Bank and International Financial Corporation, the aggregate amount of loan in USD 52.54 million (AED 193 million), the loan is repayable in semi-annual instalments from June 2022 to December 2040, the rate of interest on the senior loan facility is margin + 6 month LIBOR.

Lender	*Currency*	*Interest rate*	*Security*	***2021 AED '000***	*2020 AED '000*
Bank loan (1)	GBP	LIBOR + margin	Secured	**1,735,356**	1,865,308
Revolving credit (2)	USD	LIBOR + 0.48%	Unsecured	**-**	132,128
Bank loan (3)	USD	LIBOR + 1%	Unsecured	**218,074**	133,663
Bank loan (4)	USD	6 month LIBOR + Margin	Senior Debt	**152,297**	-
				2,105,727	2,131,099

1. Syndicate bank loan from lenders ; Banco Santander, S.A., London Branch - BNP Paribas Fortis SA/NV - MUFG Bank, Ltd. - Siemens Bank GmbH - Societe Generale, London Branch - Standard Chartered Bank - Sumitomo Mitsui Banking Corporation, London Branch, at interest rate LIBOR + 1.35% until 31st December 2025 and thereafter LIBOR + 1.50%, Secured against shares held in operator and other requirements per loan agreement.

2. Revolving corporate credit facility from group of banks; First Abu Dhabi Bank, BAML, BNPP, CACIB, Citibank, DNS, Intesa, JPM, Mizuho, Natizis, SCB, Societe Generale, Sumitomo Mitsui Banking Corporation, UniCredit Banks.

3. Bank loan from European Bank for Construction and Development it is supported by parent company guarantee.

4. Senior loan facility from Asian Development Bank and International Financial Corporation, repayable in semi-annual instalments from June 2022 to December 2040 at the rate of margin + 6 month LIBOR.

19 BANK BORROWINGS continued

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

	2021 ***AED '000***	*2020* *AED '000*
Within 1 year	**172,984**	244,382
Between 1 – 2 years	**176,414**	119,906
Between 2 – 5 years	**781,297**	428,203
More than 5 years	**1,266,685**	1,369,756
	2,397,380	2,162,247

20 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

Right-of-use assets

	2021 ***AED '000***	*2020* *AED '000*
At 1 January	**327,080**	338,751
Depreciation expense	**(22,345)**	(21,097)
Foreign exchange impact	**(2,926)**	9,426
At 31 December	**301,809**	327,080

Lease Liabilities

	2021 ***AED '000***	*2020* *AED '000*
At 1 January	**339,366**	345,028
Interest expense	**14,468**	13,836
Payments	**(32,015)**	(29,402)
Foreign exchange impact	**(2,516)**	9,904
At 31 December	**319,303**	339,366

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

	2021 ***AED'000***	*2020* *AED'000*
Current	**16,803**	17,061
Non-current	**302,500**	322,305
	319,303	339,366

Maturity analysis of lease liabilities is disclosed in note 31.3.

20 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES continued

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

	2021 AED'000	*2020 AED'000*
Depreciation charge on right-of-use assets	**22,345**	21,097
Interest expense on lease liabilities	**14,468**	13,836
Expense relating to short term or low value leases	**832**	1,085
Total amount recognised in profit or loss	**37,645**	36,018

Depreciation on right of use assets in the consolidated statement of profit and loss for the year ended 31 December 2021 is as follows:

	2021 AED'000	*2020 AED'000*
Cost of sales	**22,272**	20,882
General and administrative expenses	**73**	215
	22,345	21,097

21 OTHER NON-CURRENT LIABILITIES

	2021 AED '000	*2020 AED '000*
Capital accrual (note 21.1)	-	815,475
Decommissioning liability (note 21.2)	**87,530**	95,693
Provision for employees' end of service benefit (note 21.3)	**25,355**	39,211
	112,885	950,379

Non-current liabilities related with Masdar City discontinued operation Capital Accruals related with ADQ future AED 716.17 million and Provision for employees' end of service benefits AED 16.16 million are transferred to Liabilities directly associated with assets held for sale.

21.1 Capital accrual

Represents the obligation of the Group to construct city wide infrastructure on the plots of land within Masdar city transferred to the Government of Abu Dhabi (note 6).

21.2 Decommissioning liability

	2021 AED '000	*2020 AED '000*
At 1 January	**95,693**	82,555
Reversal/(Charge) for the year	**(7,179)**	1,053
Effect of movement in exchange rates	**(984)**	12,085
At 31 December	**87,530**	95,693

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

The undiscounted and unescalated amount of the expected cash flows required to settle the decommissioning liability is estimated to be AED 64.6 million as at 31 December 2021 *(2020: AED 65.3 million)*. The liability for the expected cash flows, as reflected in the consolidated financial statements, has been inflated at 2% *(2020: 2%)* and discounted using a risk free rate of 1.15% *(2020: 0.58%)*. Abandonments are expected to occur from 2037 and related costs will be funded mainly from the cash generated by the operating activities of MEUK.

21 OTHER NON-CURRENT LIABILITIES continued

21.3 End of Service Benefit

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

	2021	*2020*
	AED '000	*AED '000*
Balance at 1 January	**39,211**	34,628
Charge for the year	**6,610**	7,847
Held for Sale liabilities	**(16,161)**	-
Paid during the year	**(4,305)**	(3,264)
Balance at 31 December	**25,355**	39,211

22 TRADE AND OTHER PAYABLES

	2021	*2020*
	AED '000	*AED '000*
Trade payables	**12,307**	25,187
Project advances	**248,427**	76,015
Deferred income	**15,919**	42,256
Retentions	**2,126**	8,169
Accrued expenses	**99,083**	408,396
Other payables	**50,427**	97,490
	428,289	**657,513**

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

23 REVENUE AND OTHER OPERATING INCOME

	2021	*Restated 2020*
	AED '000	*AED '000*
Revenue from contracts with customers	**714,966**	373,920
Others	**1,548**	-
	716,514	373,920
Disaggregation of revenue from contracts with customers:		
Renewable power generation	**415,401**	325,124
Concession Revenue	**288,299**	26,756
Special projects	**8,608**	9,219
Development fee income	**2,658**	12,821
	714,966	373,920
Geographical markets		
United Kingdom	**415,401**	324,877
United Arab Emirates	**9,718**	19,049
Uzbekistan	**289,847**	26,756
Kingdom of Saudi Arabia	**-**	3,238
	714,966	373,920
Timing of revenue recognition:		
Over time	**288,299**	26,756
At a point in time	**426,667**	347,164
	714,966	373,920

Revenue from related parties is disclosed in note 12.

23.1 COST OF SALES

	2021 **AED '000**	*Restated 2020* *AED '000*
Service Concession Cost of Sale	**282,651**	26,491
Depreciation	**89,051**	87,092
Operation and Maintenance	**71,066**	57,656
Right of Use Asset Depreciation	**22,272**	20,703
Others	**6,824**	12,574
	471,864	204,516

24 GOVERNMENT GRANTS

24.1 Grant income

	2021 **AED '000**	*Restated 2020* *AED '000*
Income from government grants	**30,052**	77,648
Expenses incurred in relation to government grants	**(27,522)**	(57,677)
	2,530	19,971

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

24.2 Land grants

The Group has received the following parcels of land by way of government grants, which have been classified into the 'future economic benefits established', 'no future economic benefits' and 'future economic benefits uncertain' categories. Where future economic benefit has been established, land is recognised as either property, plant and equipment ("PPE"), investment property ("IP"), land held under finance lease arrangements ("FL") or inventory ("INV").

Land identification	*Granted year*	*Area in square ft*	***Cost as at 31 December 2021 AED '000***	*Cost as at 31 December 2020 AED '000*	*Recognised as*
Future economic benefits established					
Masdar City Phase 1	2008	5,907,593	89,545	126,678	INV
Masdar City Phase 2	2008	5,869,798	131,367	131,558	INV
Masdar City Phase 3	2008	-	-	-	INV
Masdar City Phase 4	2008	1,064,504	1,065	1,050	INV
Masdar City Phase 5	2008	12,050,811	155,688	154,608	INV
Etihad	2014	418,738	97,900	97,900	IP
IRENA Headquarters	2008	126,861	48,320	48,320	IP
Siemens	2010	69,176	35,746	35,746	IP
Incubator	2010	36,438	24,985	24,985	IP
Madinat Zayed	2008	26,909,776	-	-	PPE
Hai Al Dawoody	2009	1,076	-	-	PPE
Hamran	2009	1,076	-	-	PPE
10 MW Power Plant	2008	2,283,359	-	-	PPE
Ryan	2008	296,632	-	-	FL
Khazna	2008	592,796	88,670		FL
GEMS	2014	457,520	68,041	-	FL
Visitor centre	2016	70,429	-	-	PPE
MI Neighbourhood	2016	609,656	98,121	98,121	IP
Eco Villa	2016	25,205	-	-	PPE
Accelerator	2016	133,892	5,425	5,425	IP
Accelerator II	2019	144,096	3,331	3,331	IP
Siadah	2019	122,769	31,398	33,523	FL
Reportage Hospitality	2019	95,648	24,309	21,340	FL
B-02	2020	223,106	33,750	2,025	IP
J-02	2021	576,181	74,574	-	FL
M - 10b	2021	64,584	4,643	-	IP
MC 2	2021	311,313	43,102	-	IP

24 GOVERNMENT GRANTS continued

24.2 Land grants continued

Land identification	*Granted year*	*Area in square ft*	***Cost as at 31 December 2021 AED '000***	*Cost as at 31 December 2020 AED '000*	*Recognised as*
Future economic benefits uncertain					
Madinat Zayed	2008	116,202,049	-	-	PPE
Transferred properties					
Mohamed Bin Zayed University	2008	356,817	-	-	-
No future economic benefits					
Masdar City Land	2008	15,753,053	-	-	PPE

Future economic benefits established
The portion of Masdar City land relating to Phases 1, 2, 4 and 5 have been recognised as inventories as at 31 December 2021 upon approval of the respective detailed master plans.

The portion of land relating to the Etihad, IRENA Headquarters, Siemens building, Incubator building, Accelerator building, MI Neighbourhood, B02, Visitor centre and Accelerator II which are used as commercial real estate have been recognised as investment properties and have been fair valued as at 31 December 2021.

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

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

Musataha leases have been signed for Reef, Ryan, Khazna, GEMS, Reportage, GRDI, Siadah and Jebel Al Dannah land, which are accounted for as finance lease arrangements.

Further, additional portions of land have been recognised as property, plant and equipment based on their use.

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

Transferred properties
Construction of MIST building is complete and the building has been handed over to Mohamed Bin Zayed University of Artificial Intelligence. The legal title to the building is in the process of being transferred to the University as at 31 December 2021. There are no envisaged future economic benefits accruing to the Group from the underlying land and accordingly, this parcel of land has been reclassified to the 'no future economic benefits' category.

No future economic benefits
The Group has in recent years continued to review the Masdar City Project (the "Project") master plan and under the reassessed development strategy for the Project, the Group, whilst developing a small number of key assets itself, will also act as the master developer for the Project providing all infrastructures and delivering serviced plots for development by third parties. With the revisions to the master plan and overall development strategy, it is difficult to reliably determine the future overall development cost and associated income streams of the Project. In addition, as the economic viability of each individual plot will have to be determined before commencement of construction work, the overall economic benefit to be derived from the Project and the timing thereof, cannot be reasonably determined at the end of the reporting period.

25 OTHER INCOME

	2021 *AED '000*	*Restated 2020* *AED '000*
Gain on disposal of investment in jointly controlled entity (note 9)	**28,119**	311,834
Dividend income from a joint venture (i)	**125,239**	167,641
Others	**107,953**	45,998
	261,311	525,473

(i) During the year, the Group received dividend amounting to AED 89.25 million (GBP 17.95 million) *(2020: AED 167.64 million (GBP 35.7 million)* from a joint venture, Dudgeon Offshore Wind UK Limited. The amount of dividend received, being in excess of the carrying amount of the investment in joint venture, has been recognised in the consolidated statement of comprehensive income.

26 GENERAL AND ADMINISTRATIVE EXPENSES

	2021 *AED '000*	*Restated 2020* *AED '000*
Staff costs	**244,602**	**166,714**
Advertising, publicity and events	**26,040**	**37,443**
Depreciation (note 6 and note 20)	**8,095**	**6,301**
Amortization (note 8)	**3,968**	**2,895**
Others	**1,060**	**28,883**
	283,765	**242,236**

Staff costs capitalised during the year as part of project costs amounted to AED 21.76 million *(2020: AED 19.10 million).*

General and administrative expenses during the year included AED 27.84 million *(2020: AED 57.67 million)* charged as part of expenses incurred in relation to government grants (note 24).

From total Depreciation expenses AED 25.84 million, SRE Held for Sale Depreciation AED 17.74 million are excluded leaving balance of AED 8.095 million under General and Administrative expenses.

26.1 PROJECT EXPENSES

	2021 *AED '000*	*Restated 2020* *AED '000*
Project Expenses	**76,017**	46,032
	76,017	46,032

Project expenses are related with Legal, Technical, Financial and Tax consultancies for upcoming projects.

27 FINANCE COSTS

	2021 *AED '000*	*Restated 2020* *AED '000*
Interest expense on borrowings	**52,601**	45,251
Bank charges	**9,485**	28,783
Interest on lease liabilities (note 20)	**14,468**	13,836
Net foreign exchange gain/loss	**29,555**	(18,363)
	106,109	69,507

27.1 FINANCE INCOME

	2021 *AED '000*	*Restated 2020* *AED '000*
Interest income on loans and receivables (including bank balances)	**48,127**	41,333

28 INCOME TAXES RELATING TO CONTINUING OPERATIONS

28.1 Income tax recognised in consolidated statement of profit or loss

	2021 *AED '000*	*2020* *AED '000*
Tax expense		
Income tax	**(5,839)**	108
Deferred tax	**(43,202)**	(11,944)
Total income tax expense recognised in the current year relating to continuing operations	**(49,041)**	(11,836)

The Company operates in the UAE and, accordingly, is not subject to tax. The Group's net income tax expense of AED 49 million *(2020: AED 11.8 million)* is a result of income taxes associated with Masdar Energy UK Limited and Masdar Offshore Wind UK Limited, subsidiaries that operate in the United Kingdom and Nur Navoi Solar FE, a subsidiary located in Uzbekistan. The Group's deferred tax assets and liabilities are derived from Masdar Energy UK Limited. Deferred tax assets primarily relate to taxable losses and the deferred tax liability relates to the capital allowances.

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

	2021 *AED '000*	*2020* *AED '000*
Profit before income tax from continuing operations	**229,753**	407,982
Profit subject to tax	179,284	73,317
Income tax expense	**(34,064)**	(13,930)
Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	**(6,997)**	(885)
Effect of temporary differences arising from other assets	**6,224**	3,622
Effect of difference in applicable tax rates	**(14,204)**	(2,594)
Prior year adjustment	**-**	1,951
Income tax expense recognised in consolidated statement of profit or loss	**(49,041)**	(11,836)

The tax rate used for the 2021 and 2020 reconciliations above is the corporate tax rate of 19% *(2020: 19%)* of Masdar Energy UK Limited on taxable profits under tax laws in the United Kingdom.

Deferred tax assets and liabilities as at 31 December 2021 have been calculated at 25% *(2020: 19%)* being the substantively enacted tax rate at the end of reporting period.

Current tax movement

	2021 *AED '000*	*2020* *AED '000*
Opening balance	**1,850**	2,435
Current year (credit) / charge	5,839	(108)
Tax paid	**(14,512)**	(477)
Effect of movement in foreign exchange	**1,003**	-
Income tax (recoverable) / payable	**(5,821)**	1,850

28 INCOME TAXES RELATING TO CONTINUING OPERATIONS continued

28.2 Deferred tax balances

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

	2021 *AED '000*	*2020* *AED '000*
Deferred tax assets	**146,112**	149,735
Deferred tax liabilities	**(231,685)**	(173,924)
	(85,573)	(24,189)

	At 1 January *AED '000*	*Recognised in profit or loss* *AED '000*	*Recognised in other reserves* *AED '000*	*Effect of movement in exchange rate* *AED '000*	*At 31-December* *AED '000*
2021:					
Deferred tax liabilities in relation to:					
Property, plant and equipment	**(173,923)**	**(53,616)**	**-**	**2,938**	**(224,601)**
Other liabilities	**-**	**-**	**(6,889)**	**(195)**	**(7,084)**
Deferred tax assets in relation to:					
Tax losses	**127,126**	**11,652**	**-**	**(3,301)**	**135,477**
Other assets	**22,608**	**(1,238)**	**(10,493)**	**(242)**	**10,635**
	(24,189)	**(43,202)**	**(17,382)**	**800**	**(85,573)**
2020:					
Deferred tax liabilities in relation to:					
Property, plant and equipment	(146,117)	(19,475)	-	(8,331)	(173,923)
Deferred tax assets in relation to:					
Tax losses	113,805	7,433	-	5,888	127,126
Other assets	11,986	99	8,706	1,817	22,608
	(20,326)	(11,943)	8,706	(626)	(24,189)

29 DISPOSAL OF A SUBSIDIARY AND DISCONTINUED OPERATION

29.1 Discontinued operation

29.1.1 Sustainable Real Estate as discontinued operation

During the year, following the guidance of His Highness Sheikh Mohammed bin Zayed Al Nahyan, an announcement was made by the shareholder to sell a majority interest in the Company. The transaction involves the sale of the Clean Energy (CE) business and the shareholder would retain the Sustainable Real Estate (SRE) business. The SRE business will be structured through a separate legal entity and this legal entity will then be wholly owned by the existing shareholder. The transaction was not completed at the year end and the SRE business is classified as Held For Sale (HFS) in the consolidated statement of financial position and as discontinued operations in the consolidated statement of comprehensive income.

29 DISPOSAL OF A SUBSIDIARY AND DISCONTINUED OPERATION continued

29.1 Discontinued operation continued

29.1.1 Sustainable Real Estate as discontinued operation continued

Financial performance:

	2021 *AED '000*	*Restated 2020* *AED 000*
Revenue	**423,959**	289,020
Cost of sales	**(146,239)**	(71,436)
Gross profit	**277,720**	217,584
Other Income	**3,880**	5,272
Share of Results of Equity accounted investees	**(2,843)**	(2,846)
Provision for Expected credit losses on trade receivable, net	-	(4,263)
Government Grant Income	**17,712**	22,395
Change in Fair value of Investment Properties	**106,947**	(83,904)
General expenses	**(133,623)**	(136,391)
Profit / (loss) after tax from SRE	**269,793**	17,847
Profit from MCCCL (29.1.b)	**-**	33,170
Profit after tax from discontinued operations	**269,793**	51,017

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

	2021 ***AED '000***
Assets	
Property, plant and equipment	**188,920**
Investment Properties	**2,783,442**
Finance Lease Receivable	**392,836**
Intangibles	**339**
Inventories	**377,665**
Cash and Bank	**87,842**
Due from Related Parties	**27,130**
Investment in Equity accounted investees	**2,932**
Non-current Trade Receivables	**6,146**
Trade and other receivables	**226,977**
Total assets	**4,094,229**
Liabilities	
Due to Related Parties	**561**
Other non-current liabilities	**716,170**
Trade and other payables	**461,583**
Total liabilities	**1,178,314**

29 DISPOSAL OF A SUBSIDIARY AND DISCONTINUED OPERATION continued

29.1 Discontinued operation continued

29.1.1 Sustainable Real Estate as discontinued operation continued

Cash Flows from Discontinued Operation

	2021 ***AED '000***	*2020* *AED '000*
Cash (used)/generated in operations	**(86,523)**	207,190
Cash (used)/generated in investing activities	**(191,953)**	85,889
Cash generated (used) in Financing	**-**	-
Net (decrease) / increase in cash and cash equivalents	**(278,476)**	293,079

29.1.2 Masdar City Cooling Company Limited as discontinued operation

During 2019, the Group entered into a Share Purchase Agreement (the "SPA") with a third party to sell its entire ownership interest in its fully owned subsidiary, Masdar City Cooling Company Limited ("MCCCL") together with the related distribution network of the cooling business. The sale was not completed as of 31 December 2019 as certain key conditions precedents were not satisfied as that date and therefore, the assets and liabilities of the subsidiary were classified as 'held for sale' in accordance with the requirements of IFRS 5 "Non-current assets held for sale and discontinued operations". In November 2020, all the conditions precedents were satisfied and accordingly, the Group recognized the disposal of MCCCL.

Financial performance:

	2021 ***AED '000***	*2020* *AED '000*
Revenue	-	12,153
Cost of sales	-	(6,833)
Gross profit	-	5,320
General expenses	-	(494)
Net profit for the year from discontinued operation	-	4,826
Gain on disposal of MCCL (ii)	-	28,344
Profit after tax from discontinued operation	-	33,170

29 DISPOSAL OF A SUBSIDIARY AND DISCONTINUED OPERATION continued

29.1 Discontinued operation continued

29.1.2 Masdar City Cooling Company Limited as discontinued operation continued

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

	2021	*2020*
	AED '000	*AED '000*
Assets		
Property, plant and equipment	-	43,635
Trade and other receivables	-	2,908
Total assets	-	46,543
Liabilities		
Trade and other payables	-	1,770
Total liabilities	-	1,770
Net assets of MCCCL disposed	-	44,773
Carrying value of the distribution network	-	64,715
Net assets derecognised as part of MCCCL disposal	-	109,488
Sale consideration*	-	(137,832)
Gain on disposal	-	28,344

*Sale consideration consists of cash consideration amounting to AED 98.32 million and fair value of contingent consideration amounting to AED 39.51 million. Fair value of the contingent consideration has been estimated based on the expected future cashflows from utilisation of additional cooling capacity as stipulated in the SPA. Contingent consideration has been classified under Other receivables.

29.2 Restatement of Year 2020 Financial Statements

29.2.A Correction of errors

During the current year, management identified below mentioned errors, impacting financial statements of 2020 as explained below:

- Investment property under construction (IPUD) was fair valued in the prior year based on the residual approach valuation method. The valuation method was not appropriate given the current condition of the property. Since it has been established by the Group that the fair value is not reliably determinable and is to be carried at cost till the earlier of fair value being reliably determinable or completion of the property, the fair value loss recognized in the prior year has been reversed and retrospectively adjusted from prior year 2020; and

- Nur Navoi FE Uzbekistan, a subsidiary of the Company, was incorporated in the year 2020. Financial information for Nur Navoi FE Uzbekistan was erroneously not consolidated in the 2020 consolidated financial statements. It has been consolidated in the 2021 group financial statements, restating the 2020 balances.

29.2.B Presentation on account of IFRS 5 (Non-current assets held for sale and discontinued operations)

Current year consolidated financial statements have been represented with respect to discontinued operations. Refer note 29.1 for further details.

29 DISPOSAL OF A SUBSIDIARY AND DISCONTINUED OPERATION continued

29.2 Restatement of Year 2020 Financials continued

Adjusted Consolidated Statement of Comprehensive Income with restatement and SRE discontinued operations

	2020	Adjustment	SRE Discontinued Operation	2020 Restated
		Note 29.2.A	*Note 29.2.B*	
	AED 000	AED 000	AED 000	AED 000
Continuing operations				
Revenue and other operating income	636,183	26,757	(289,020)	373,920
Cost of sales	(249,461)	(26,491)	71,436	(204,516)
GROSS PROFIT	**386,722**	**266**	**(217,584)**	**169,404**
Income from government grants	77,648	-	(22,395)	55,253
Other income	530,745	-	(5,272)	525,473
Research and development expenses	(3,546)	-	-	(3,546)
Project expenses	(49,487)	-	3,455	(46,032)
General and administrative expenses	(369,661)	-	127,425	(242,236)
Profit from operating activities	**572,421**	**266**	**(114,371)**	**458,316**
Change in fair value of investment properties	(124,778)	40,874	83,904	-
Change in fair value of financial assets carried at fair value through profit or loss	(11,972)	-	-	(11,972)
Share of results of equity-accounted investees, net	(2,694)	-	2,846	152
Gain on derivatives, net	1,437	-	-	1,437
(Provision for) reversal of expected credit losses on finance lease receivables, net	(2,608)	-	2,608	-
Provision for expected credit losses on trade receivables, net	(4,263)	-	4,263	-
(Provision for) reversal of expected credit losses on loans to related parties, net	(11,777)	-	-	(11,777)
Finance costs, net	(31,077)	-	2,903	(28,174)
Profit before income tax from continuing operations	**384,689**	**41,140**	**(17,847)**	**407,982**
Income tax	(11,836)	-	-	(11,836)
Profit after income tax from continuing operations	372,853	-	-	396,146
Profit after income tax from discontinued operations	33,170	-	17,847	51,017
Profit for the year	**406,023**	**41,140**	**-**	**447,163**
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss	(83,714)	-	-	(83,714)
Share of movement in hedging reserves of equity-accounted investees				
Foreign currency translation differences for foreign operations	(46,671)	-	-	(46,671)
Other comprehensive loss for the year, net of income tax	**(130,385)**	**-**	**-**	**(130,385)**
Total comprehensive income for the year	**275,638**	**41,140**	**-**	**316,778**

29 DISPOSAL OF A SUBSIDIARY AND DISCONTINUED OPERATION continued

29.2 Restatement of Year 2020 Financials continued

Restated Consolidated Statement of Financial Position

	2020 AED 000	Adjustment AED 000	2020 Restated AED 000
Non-current assets			
Property, plant and equipment	1,650,300	-	1,650,300
Right-of-use assets	327,080	-	327,080
Investment properties	2,528,962	40,874	2,569,836
Intangible assets	49,832	-	49,832
Investment in equity-accounted investees	877,149	-	877,149
Other non-current financial assets	259,820	-	259,820
Finance lease receivables	262,263	-	262,263
Loans to related parties	249,356	-	249,356
Trade and other receivables	51,801	-	51,801
Deferred tax assets	149,735	-	149,735
Current assets	**6,406,298**	**40,874**	**6,447,172**
Finance lease receivables	54,779	-	54,779
Loan to related parties	189,388	-	189,388
Due from related parties	133,094	-	133,094
Trade and other receivables	529,630	266	529,896
Inventories	413,981	-	413,981
Cash and bank balances	1,229,254	-	1,229,254
	2,550,126	**266**	**2,550,392**
Assets held for sale	-	-	-
TOTAL ASSETS	**8,956,424**	**41,140**	**8,997,564**
EQUITY AND LIABILITIES			
Equity			
Share capital	8,000,000	-	8,000,000
Shareholder's account	(1,680,060)	-	(1,680,060)
Reserves	(398,596)	-	(398,596)
Accumulated losses	(1,575,188)	41,140	(1,534,049)
Total equity	**4,346,156**	**41,140**	**4,387,296**
Non-current liabilities			
Bank borrowings	1,886,717	-	1,886,717
Lease liabilities	322,305	-	322,305
Derivative financial liability	70,193	-	70,193
Other non-current liabilities	950,379	-	950,379
Deferred tax liabilities	173,924	-	173,924
Current liabilities	**3,403,518**	-	**3,403,518**
Due to related parties	287,795	-	287,795
Bank borrowings	244,382	-	244,382
Lease liabilities	17,061	-	17,061
Trade and other payables	657,512	-	657,512
	1,206,750	-	**1,206,750**
Liabilities directly associated with assets as held for sale	-	-	-
Total liabilities	4,610,268	-	-
TOTAL EQUITY AND LIABILITIES	**8,956,424**	**41,140**	**8,997,564**

There is no impact on the opening consolidated financial position as at 1 January 2020 and no impact on total operating, investing or financing cashflows for the year ended 31 December 2020.

29 DISPOSAL OF A SUBSIDIARY AND DISCONTINUED OPERATION continued

29.3 Disposal of a Subsidiary

In December 2021, the Company transferred its investment in subsidiary Vis Solar 1 B.V for a 49% stake in Infinity Power Holding B.V. This disposal of subsidiary and subsequent recognition of Investment in Joint Venture was valued at USD 31.3 million (AED 114.77 million)

	2021 *AED 000*
Sales proceeds	**114,773**
Cost of Equity Accounted Investee	**(55,259)**
Other Movement	**(31,395)**
Gain / loss on Disposal	**28,119**

Other movement pertains to the offset of loan receivable to Vis Solar 1 B.V. balance of USD 9.3 million (AED 34.19 million) and derecognition of reserves in Vis Solar 1 B.V. of AED 2.8 million.

30 COMMITMENTS AND CONTINGENCIES

Capital commitments

Capital commitments at the end of the reporting period are as follows:

	1 year or less AED '000	*More than 1 year AED '000*	*Total AED '000*
2021:			
Capital commitments	**843,613**		**843,613**
Group's share in the commitments of its equity-accounted investees	**22,786**		**22,786**
Commitments towards Financials Investment FVTP&L	**135,356**		**135,356**
Group's share in the commitments of its joint operations	**863**		**863**
2020:			
Capital commitments	559,624	5,243	564,867
Group's share in the commitments of its equity-accounted investees	112,989	-	112,989
Commitments towards Financials Investment FVTP&L	101,926	-	101,926
Group's share in the commitments of its joint operations	884	-	884

30 COMMITMENTS AND CONTINGENCIES continued

Capital commitments continued

Operating commitments
As at 31 December 2021, the Group has operating commitments amounting to AED 25.74 *million (2020: AED 19.44 million)* repayable within one year from the end of the reporting period.

Guarantees
As at 31 December 2021, the Group has issued bank guarantees amounting to AED 1,331 million *(2020: AED 1,045 million)* against various projects. The Group has also issued performance guarantees amounting to AED 1,965 million against Dumat Al Jundal, Nur Navoi and Al Dhafra PV2 projects as at 31 December 2021 *(2020: 1,158 million).*

Leases – Group as a lessor
The Group has entered into operating leases on its investment properties portfolio consisting of residential, commercial and mixed used buildings (note 7). These leases have terms of between 5 to 20 years. The future minimum rentals under non-cancellable operating leases are as follows:

	2021	*2020*
	AED '000	*AED '000*
Within one year	**70,904**	**190,547**
After one year but not more than five years	**103,759**	**828,493**
More than five years	**2,394,045**	**1,127,864**
Total	**2,568,708**	**2,146,904**

31 FINANCIAL INSTRUMENTS

31.1 Capital management

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

The Company and its subsidiaries incorporated in the UAE are subject to certain capital requirements of the UAE Federal Law No. (2) of 2015, which they are compliant with. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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

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

	2021	*2020*
	AED '000	*AED '000*
Debt (i)	**2,105,728**	2,131,099
Cash and bank balances	**(716,497)**	(1,229,254)
Net debt	**1,389,231**	901,845
Equity (ii)	**4,983,693**	4,387,295
Net debt to equity ratio	**27.88%**	20.55%

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

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

31 FINANCIAL INSTRUMENTS continued

31.2 Categories of financial instruments

	2021 ***AED '000***	*2020* *AED '000*
Financial assets		
Loans and receivables carried at amortised cost (including cash and cash equivalents)	**1,897,874**	2,520,062
Financial assets carried at fair value through profit or loss	**243,272**	259,821
Other financial assets	**46,036**	-
	2,187,182	2,779,883
Financial liabilities		
Amortised cost	**2,621,553**	3,297,502
Other financial liabilities	-	70,193
	2,621,553	3,367,695

Market risk

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

31.3 Financial risk management

Currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk on its transactions, investments that are denominated in a currency other than the respective functional currencies of Group entities, primarily the EUR and GBP. There is no significant impact on the USD as the UAE Dirham is pegged to the USD.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		***Liabilities***	
	2021 ***AED '000***	*2020* *AED '000*	***2021*** ***AED '000***	*2020* *AED '000*
GBP (a)	**266,361**	104,058	**312,267**	289,195
EUR (b)	**166,267**	94,047	**35,379**	51,087

Based on the sensitivity analysis to a 10% increase/decrease in the AED against the relevant foreign currencies (assumed outstanding for the full year):

(a) There is AED 4.6 million (2020: AED 18.51 million) net revaluation gain/loss on the GBP outstanding balances.
(b) There is AED 13.1 million (2020: AED 4.30 million) net revaluation gain/loss on the EUR outstanding balances.

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

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

31 FINANCIAL INSTRUMENTS continued

31.3 Financial risk management continued

Interest rate sensitivity analysis continued
If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2021 would decrease/increase by AED 19 million (2020: AED 18 million).

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

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

The Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates would not affect profit or loss.

Credit risk

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

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

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

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

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

	2021	*2020*
	AED '000	*AED '000*
Finance lease receivables (note 11)	-	317,042
Loan to related parties (note 12)	**452,976**	438,745
Due from related parties (note 12)	**173,102**	133,094
Trade and other receivables (note 13)	**555,299**	401,927
Cash and bank balances (note 15)	**716,497**	1,229,254
Total credit risk exposure	**1,897,874**	2,520,062

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

31 FINANCIAL INSTRUMENTS continued

31.3 Financial risk management continued

Credit risk continued

Credit quality per class of financial assets
The Group's credit risk rating systems and processes differentiate exposures in order to highlight those with greater risk factors and higher potential severity of loss. The credit quality of financial assets is reported by the Group using internal credit ratings.

	31 December 2021				*31 December 2020*			
	Stage 1 12-month ECL AED'000	***Stage 2 Lifetime ECL Not credit-impaired AED'000***	***Stage 3 Lifetime ECL Credit-impaired AED'000***	***Total AED'000***	*Stage 1 12-month ECL AED'000*	*Stage 2 Lifetime ECL Not credit-impaired AED'000*	*Stage 3 Lifetime ECL Credit-impaired AED'000*	*Total AED'000*
Finance lease receivables	-	**408,760**	-	**408,760**		331,320	-	331,320
Provision for expected credit losses	-	**(15,924)**	-	**(15,924)**	-	(14,278)	-	(14,278)
Held for Sale reclass	-	**(392,836)**	-	**(392,836)**	-	-	-	-
Total carrying amount	-	-	-	-	-	317,042	-	317,042
Loan to related parties	**301,106**	**272,125**	-	**573,231**	284,284	298,520	-	582,804
Provision for expected credit losses	**(26,015)**	**(94,240)**	-	**(120,255)**	(40,700)	(103,360)	-	(144,060)
Total carrying amount	**275,092**	**177,885**	-	**452,976**	243,584	195,160	-	438,744
Due from related parties	**173,102**	-	-	**173,102**	133,094	-	-	133,094
Provision for expected credit losses	-	-	-	-	-	-	-	
Total carrying amount	**173,102**	-	-	**173,102**	133,094	-	-	133,094
Receivables under payment plan	**84,540**	-	-	**84,540**	27,708	-	-	27,708
Provision for expected credit losses	**(142)**	-	-	**(142)**	(83)	-	-	(83)
Held for Sale	**(84,398)**	-	-	**84,398**	-	-	-	-
Total carrying amount	-	-	-	-	27,625	-	-	27,625
Finance lease receivables								
At the beginning of the year	-	**14,278**	-	**14,278**	-	11,670	-	11,670
ECL recognised under IFRS 9	-	**2,534**	-	**2,534**	-	2,608	-	2,608
Reversal on cancellation	-	**(888)**	-	**(888)**	-	-	-	-
Held for Reclass		**(15,924)**		**(15,924)**	-	-	-	-
Total carrying amount	-	-	-	-	-	14,278	-	14,278
Loan to related parties								
At the beginning of the year	**41,473**	**102,587**	-	**144,060**	20,075	104,439		124,514
ECL recognised under IFRS 9	-	-	-	-	-	-	-	-
At the beginning of the year (as per IFRS 9)	**41,473**	**102,587**	-	**144,060**	20,075	104,439	-	124,514
Transfer from stage 2 to stage 1					-	-	-	-
Allowances for impairment made during the year	**2,525**	-	-	**2,525**	20,424	100	-	20,524
Reversal on recoveries during the year	**(11,073)**	**(5,402)**	-	**(16,475)**	(320)	(8,427)	-	(8,747)
Other	**(5,097)**	-	-	**(5,097)**				
Effect of movement in exchange rates	**(1,044)**	**(3,714)**	-	**(4,758)**	1,294	6,475	-	7,769
Total carrying amount	**26,784**	**93,471**	-	**120,255**	41,473	102,587	-	144,060
Receivables under payment plan								
At the beginning of the year	**83**	-	-	**83**	208	-	-	208
ECL recognised under IFRS 9					-	-	-	-
At the beginning of the year (as per IFRS 9)	**83**	-	-	**83**	208	-	-	208
Allowances for impairment made during the year	**59**	-	-	**59**	-	-	-	-
Reversal on cancellation during the year					(125)	-	-	(125)
Held for Sale	**(142)**	-	-	**(142)**	-	-	-	-
Write-offs					-	-	-	-
Total carrying amount	-	-	-	-	83	-	-	83

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

31 FINANCIAL INSTRUMENTS continued

31.3 Financial risk management continued

Liquidity risk

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

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

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

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

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

	Within 1 year AED '000	*Between 1 -2 years AED '000*	*Between 2 - 5 years AED '000*	*More than 5 years AED '000*	*Total AED '000*
2021					
Bank borrowings	**172,984**	**176,414**	**781,297**	**1,266,685**	**2,397,380**
Due to related parties	**32,579**	**-**	**-**	**-**	**32,579**
Lease liabilities	**30,916**	**46,637**	**69,956**	**287,367**	**434,876**
Trade and other payables	**428,289**	**-**	**-**	**-**	**428,289**
	664,768	**223,051**	**851,253**	**1,554,052**	**3,293,124**
2020					
Bank borrowings	290,038	160,531	510,484	1,471,200	2,432,253
Due to related parties	287,795	-	-	-	287,795
Lease liabilities	31,172	29,800	89,399	318,293	468,664
Trade and other payables	539,241	-	-	-	539,241
	1,148,246	190,331	599,883	1,789,493	3,727,953

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

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

	Within 1 year AED '000	*Between 1 - 2 years AED '000*	*Between 2 - 5 years AED '000*	*Total AED '000*	*Carrying amount AED '000*
2021					
Interest rate swaps	**12,872**	**11,976**	**35,447**	**60,295**	**(46,036)**
2020					
Interest rate swaps	13,849	13,003	33,306	60,158	70,193

31 FINANCIAL INSTRUMENTS continued

31.3 Financial risk management continued

Financing facilities

The Group has access to financing facilities as described in note 19, of which AED 852.72 million were unused at the end of the reporting period (2020: AED 586 million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

31.4 Fair value measurements

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

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

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

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

	Fair value as at		*Fair value hierarchy*	*Valuation technique(s) and key input(s)*
	2021	*2020*		
	AED'000	*AED'000*		
Financial liabilities				
Derivative financial liabilities	**(46,036)**	70,193	Level 2	Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period)
Financial assets carried at fair value through profit or loss				
Debt investment – HFEP	**208,369**	192,636	Level 3	Discounted cash flow
Equity investment – Zouk	**34,903**	67,184	Level 3	Net Asset Value

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

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

As at 31 December 2021 and 2020, the Group considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.