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ANNUAL REPORT 2022

A World
OF ENERGY

TAQA ARABIA SUPPORTING THE REGION'S FUTURE

SUSTAINABILITY

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KEY FINANCIAL INDICATORS

TAQA Arabia is the largest private energy company in Egypt and has a track record of more than 25 years of providing quality solutions to its clients across the Middle East, North Africa, and the ArabWorld.

Established in 2006 and currently reaching a total of 1.7 million customers,we invest, install,construct, and operate infrastructure projects across four business sectors (Gas, Power, Petroleum,and Water).

At TAQA Arabia, we leverage the highest industry standards and technology to provide the groundwork for stable and sustainable economic growth.

Our extensive knowledge, hands-on experience, and holistic view of market dynamics place us at the cutting-edge of the energy market.

We are ready to work closely with our clients and high-level stakeholders to enter new fields and seamlessly adapt to changing market conditions.

“Setting the groundwork for stable and sustainable regional growth.”

EXECUTIVE OVERVIEW

PROVIDING SUSTAINABLE ENERGY FOR THE FUTURE

PROVIDING SUSTAINABLE ENERGY FOR THE FUTURE

The last year has seen several important developments at TAQA Arabia, showing how our organization is prepared to expand and grow into a future powered by safe, reliable, and sustainable sources of energy. During 2022, TAQA Arabia was honored to be an active participant in the United Nations Climate Change Conference (COP27), held in Sharm El-Sheikh, marking an important step in our dedication to the development of renewable energy projects. In addition, TAQA Water also expanded its market presence in several areas of the country, including launching a green water desalination plant fueled by renewable energy.

In our other business sectors, 2022 saw the expansion of the TAQA Gas filling station network to reach 70 stations and 15 natural gas conversion centers for automobiles, providing a low-pollution alternative for private car owners. TAQA Power launched two new solar plants in Nabq, Sharm El-Sheikh and Soma Bay along the Red Sea, with a combined total capacity of 15 MW. Finally, TAQA Petroleum added 3 new service stations and is supporting the Egyptian government's drive to expand the country's road network by providing one-stop full-service outlets for motorists.

CLIMATE CHANGE AND RESPONSIBLE ENERGY GROWTH

During the month of November, Egypt played host to the COP27 climate conference, with TAQA Arabia showcasing its renewable energy projects and launching the first phase of a new solar plant in Nabq, a neighboring region in Sharm El-Sheikh. Once completed, this plant has a total capacity of 10 MW that will provide clean and reliable power to residents, hotels, and other establishments across the southern Sinai Peninsula.

Clean Water with the Environment in Mind

Building on the successful launch last year of TAQA Water, our business sector, 2022 saw the inauguration of our first fully integrated green systems desalination plant. A first for Egypt, this plant integrates TAQA Arabia's knowledge and experience in the field of renewable energy into the growing field of desalination and will provide clean water to more than 6000 people in the Red Sea Governorate. In addition, TAQA Water has also signed several agreements in the industrial and tourism sectors, reaching a design capacity of around 10,000 in the Cairo, North Coast, Port Said, Sharm Elsheikh and Red Sea governorates.

AT A GLANCE

Founded in 2006 and based in Cairo, Egypt, TAQA Arabia is a leading player in the energy industry that focuses on the sustainable development and economic progress of the MENA region.

A HOLISTIC VIEW OF ENERGY

TAQA Arabia operates across four main platforms: Gas, Power, Petroleum, and Water. With projects in the residential, commercial, and industrial sectors, we provide the region with the fuel that powers economic growth.

At TAQA Arabia, we believe that creating a successful energy company means constantly looking to the future. As a result, our portfolio of investments and projects is diverse, spanning the industry to remain flexible and adapt to market conditions. We are also dedicated to innovation, applying new solutions to consistently provide our clients with world-class service.

Since our inception, we have provided our stakeholders and partners in both the government and private sectors with impressive returns, creating a truly one-stop destination for energy development and distribution.

BUSINESS REVIEW

GAS ARM

TAQA Gas is a pioneer in the transmission and distribution of natural gas and EPC works, providing residential, commercial, and industrial clients with a secure daily supply of energy. Currently, we provide natural gas to more than 1.6 million customers in 8 governorates, 49 cities, and 69 villages across Egypt and have active operations in Iraq, Qatar, and the UAE.

POWER ARM

TAQA Power is the platform for conventional and renewable power generation distribution and energy effecieny through excess power utilization with a contracted capacity of approximately 1 GW and more than 1 GWHR annual sales to the oil, gas, petrochemicals, manufacturing, tourism, and real estate industries.
TAQA Power provides tailored power management across Egypt.

PETROLEUM ARM

TAQA Petroleum is the first privately-owned Egyptian company licensed to supply and market petroleum products, currently operating a network of 64 service stations under the TAQA brand across 19 Egyptian governorates. Moreover, TAQA Petroleum has been the sole distributor of Castrol lubricants in the Egyptian market since 2009, locally producing and selling Castrol products. In 2022, more than 2500 tons of petroleum products were sold.

WATER ARM

TAQA Water invests, designs, constructs, automates, installs, operates, and maintains reliable, cost-effective, and smart water solution systems utilizing the latest technology, bringing together a team of professionals with more than 15 years of market expertise. TAQA Water operates its water systems using smart, remote, real-time, digitized water management platform [i-Water] to drive efficiency & sustainability in operation & maintenance guaranteeing consistency of water quality and quantity.

EXECUTIVE MANAGEMENT TEAM

KHALED ABU BAKR
Executive Chairman

Eng. Abu Bakr is the Co-Founder of TAQA Arabia and brings more of 38 years of industry experience, achievements, and innovation to TAQA Arabia. As one of the key players in the Egyptian energy industry, his knowledge and expertise have made him a critical part of the regional private-sector gas and power sectors.

The initial positions held by Eng. Abu Bakr were in Egypt's state-owned energy companies, where he quickly rose through the ranks to become a high-ranking executive working to build the country's natural gas infrastructure. Following a successful career in the public sector, Eng. Abu Bakr founded the Gas & Energy Company (GENCO) in 1997, which would go on to become part of TAQA Arabia in 2006.

As a veteran of the regional energy industry, Eng. Abu Bakr holds several roles in addition to his work at TAQA Arabia, including the Chairman of the Egyptian Gas Association, President of the Italian-Egyptian Business Council, and a board member for several companies listed in the Egyptian Stock Exchange.

PAKINAM KAFAFI
Chief Executive Officer

Mrs. Pakinam Kafafi was one of the founding members of TAQA Arabia in 2006 and has more than 27 years of experience in the energy and investment banking sectors. Starting as Chief Investment Officer, Mrs. Kafafi assumed leadership of TAQA Arabia as CEO in 2013 and has worked to seek out new projects and diversify the company's portfolio to match changing market conditions.

Beyond the energy sector, Mrs. Kafafi's record of experience includes working as the vice president of EFG-Hermes Investment Banking, a leading regional investment institution. In this role, she excelled in supporting the company's efforts in acquisitions and participated in privatization projects.

As a testament to the value of her leadership at TAQA Arabia, Mrs. Kafafi has been recognized as the 21st Most Powerful Businesswoman in the Middle East, among the Top Fifty Women performing in Egypt, as well as the Best CEO in the energy sector by The Global Economics magazine.

PETER MOFEED
Chief Financial Officer

Mr. Peter Mofeed joined TAQA Arabia in 2010, moving from his previous position as manager of Corporate Finance at Ezz Steel, where he managed finances for the company's many subsidiaries. Prior to Ezz Steel, Mr. Mofeed spent more than eight years with Commercial International Bank (CIB), the largest private bank in Egypt, in both the Corporate and Investment Banking departments. His last assignment was the Vice President of CI Investment Banking, an advisory firm established by CIB.

Mr. Mofeed's significant expertise in assessing the financial evaluation of new projects and successful management of ongoing projects has made him one of the leading strategy and investment managers in the Middle East. His ability to handle projects across industry sectors and dedication to a long-term vision are ideal to lead TAQA Arabia into a strong and sustainable future.

MANAGING DIRECTORS OF TAQA ARMS

TAREK EL-HAWARY
TAQA Gas & TAQA E.P.C.

Eng. Tarek El Hawary has been present at every stage of the development of Egypt's Natural Gas Downstream Industry with his wide spectrum technical background part of it gained from his Master Degree in Polyethylene Fusion and his involvement as Project Engineer in Gas Industry in Germany. At the beginning of his career which is extended since the year 1985 when he was recruited as a site engineer by Egypt Gas Co. In 1999, he joined TAQA E.P.C (member of TAQA Arabia) as Project Manager for six years.

Soon, he was promoted in 2005 to the post of Managing Director for Technical Affairs, he supervised the execution of City Gas Projects for supplying Natural Gas to over a million of Domestic and Industrial Customers across Egypt as well as Electric Power Generating Plants, achieving and maintaining ISO Level Standards of Productivity and Quality Assurance.

SAMY ABDELKADER
TAQA Power

Samy Abdelkader has more than 30 years of experience in Industrial Management and joined TAQA Arabia in 2016. He has worked at the management level as an Executive Committee member for more than 20 years and as a Board Member for the last 16 years. In addition, his expertise includes work in the areas of sales, marketing, commerce, distribution, supply chain, and international trade.

Before joining TAQA Arabia, Mr. Abdelkader worked for 11 years with Lafarge in Pakistan, Nigeria, and Egypt, with his final two postings as General Manager of Lafarge Cement Egypt and Managing Director / CEO of Lafarge WAPCO Nigeria.

MOHAMED NAFEA
TAQA Petroleum

Eng. Mohamed Nafea Joined TAQA In 2008, after a 21 year-long career in Oil and Gas Marketing with Mobil Oil Egypt, Mobil Oil Morocco and ExxonMobil Egypt. He rose to the positions of President and Fuels Marketing Manager of Mobil Oil Morocco and Retail Marketing Manager of ExxonMobil Egypt. In the latter capacity, he led the Marketing and Sales of Fuels, Convenience Products and Other Back Court Offers through a retail chain of 409 outlets.

HANY EZZAT
TAQA Water

Eng. Hany Ezzat , with expertise exceeding 15 years in the water treatment field based on a high experienced track-record of water treatment projects is experienced in turning low-performing organizations into top revenue producers. Before TAQA Water, Eng. Ezzat was the Projects, Operations & Procurement senior Director where he managed over 90,000 M3/Day plants. Eng. Ezzat holds Bachelor of Science in Mechanical Engineering, majored in Mechatronics and Industrial Engineering, he also holds Master's degree in Industrial Engineering from Cairo University & MBA, Master of Business Administration.

GAS ARM

Distributing approximately 7.4 billion cubic meters of natural gas annually to more than 1.6 million Egyptians.

Distributing approximately 7.4 billion cubic meters of natural gas annually to more than 1.6 million Egyptians. TAQA Gas oversees the company's 8 natural gas concessions areas and is a 100%-owned subsidiary of TAQA Arabia. Over the course of 2022, TAQA Gas handled the transmission and distribution of natural gas to more than 1.6 million residential, commercial, and industrial customers across 8 governorates, 49 cities, and 69 villages in Egypt across several subsidiary companies. TAQA Gas also has several active projects in other countries in the Middle East and North Africa region. The Gas arm's total annual distribution is approximately 7.4 billion cubic meters, with the additional capacity to distribute 11.8 billion cubic meters yearly.

TAQA Gas aims to provide its customers with a one-stop center for service, able to manage the entire downstream value chain of natural gas projects, including surveys, engineering, procurement, construction,

marketing & distribution, operations & maintenance , and billing & collections. As part of its activities, the gas arm manages and operates natural gas filling stations (CNG stations) under the brand name Master Gas and also provides compressed natural gas (CNG mobile services) for remote clients.

TO REACH UP TO **1.6** GAS GRID TO COVER

Distributing of 600 pressure reduction stations, regulators with capacities of up to 210,000 cubic meters per hour, and a network stretching over 10.5 million meters in length ranging from 2 to 32 inches in diameter.

ENGINEERING

EGUSCO, an engineering company fully owned by TAQA Gas, develops the designs for our external and internal network projects, including connection to the pressure reduction stations. EGUSCO is staffed with a team of experts with more than 25 years of experience in the field of gas network engineering.

DISTRIBUTION

As part of the vision of TAQA Gas to provide a holistic view of project implementation, TAQA Gas builds medium and high-pressure pipelines using steel and polyethylene, leveraging vast experience in developing gas transmission works. Our Gas arm has successfully built a network of 600 pressure reduction stations, regulators with capacities of up to 210,000 cubic meters per hour, and a network stretching over 10.5 million meters in length ranging from 2 to 32 inches in diameter. Another form of the network is more than 7 million meters in length, with pipes ranging from 32mm to 350mm in diameter.

Furthermore, TAQA Gas handles the technical assessment of projects, analysis of designs and qualitative risks, and determines the overall feasibility of a project through technical, economic, and environmental impact studies.

PROCUREMENT & CONSTRUCTION

The success of every TAQA Gas project is dependent upon the provision of materials that meet the highest technical standards while staying within budget considerations. The TAQA Gas procurement & construction division includes engineers, procurement specialists, and fitters who design tailor-made solutions that our clients and international partners require.

FILLING STATIONS (MASTER GAS)

TAQA Gas uses the Master Gas brand to distribute compressed natural gas (CNG) for vehicles and cities throughout Egypt, with 70 stations currently operating. In addition, TAQA Gas has 15 natural gas conversion centers, where owners of private automobiles can access a cost-effective source of fuel that has a positive impact on the environment by reducing air pollution. To date, TAQA Gas has assisted in converting approximately 31,600 vehicles.

MOBILE CNG

TAQA Gas believes that every client in Egypt should have access to natural gas no matter how removed their establishment is from the current extent of the national grid. In 2021, and for the first time in Africa and the Middle East, TAQA created a new form of natural gas delivery designed specifically for tourist resorts and industrial clients not connected to the traditional grid. Through this virtual pipeline, compressed natural gas trucks deliver gas directly to the client's internal network, with the underlying infrastructure already in place for these clients to easily integrate as the national grid expands.

2022 HIGHLIGHTS

-Residential customers increased by 124,000 to reach 1.6 million

-Industrial customers increased to be 356, a growth of over 14% from the previous year

GAS BUSINESS HISTORICAL RESULTS

	2021	2022
Gas Sales Volume BCM	7.36	7.38
No.of Operated Residentail Customers	1.46 M	1.58 M
No.of Operated Industrail Customers	313	356
NGV Converted Cars	31,500	8141

POWER ARM

Guaranteeing efficient electricity to customers across Egypt

TAQA Power supplies the agricultural, commercial, residential, industrial, and tourism sectors across Egypt by providing a full range of power services. With an experienced team that is dedicated to providing value to customers, TAQA Power provides a full range of services, including the development, investment, construction, operation, maintenance, billing, and collection of conventional and renewable power generation and distribution .

1197 MEGAWATTS

TOTAL SUBSTATION CAPACITY

545.9 MIILION EGP

GROSS PROFIT

In August, 2022, Quality Standard Institute perform 1 st surveillance audit and recommended ISO recertification of TAQA Integrated Management System (IMS) for the below systems:

1. Quality Management System (ISO 9001:2015)

2. Environmental Management System (ISO 14001:2015)

3. Occupational Health and Safety Management Systems (ISO 45001:2018).

TAQA Arabia is planning to include TAQA PV for solar energy in ISO certifications during Q4 2023.

Total Manhour for 2022 7,385,700.

At the close of the year, TAQA Power sold over 1,350 million kilowatt hours of electricity to its providers and maintained a strong level of growth in its gross profits.

POWER BUSINESS HISTORICAL RESULTS

	Unit	2020	2021	2022
Sold Electricity	Million KWHR	1.178	1.257	1.517
Number of touristic / industrial customers	NO	358	393	426
Number of Residential / commercial customers	NO	7,376	10,321	10,708
Contracted capacity	MW	1,011	1,026	1,197

Six Captive Thermal Plants Currently In Operation With A Capacity Of Over 18.27 Mw Of Power.

POWER GENERATION

With six captive thermal plants currently in operation with a capacity of over 18 MW of power,TAQA Power supports clients of all types with the electricity that they need. Throughout its history of successful operations, TAQA Power has invested in, designed, constructed, operated, and maintained more than 150 MW of conventional power plants.

In addition to supporting businesses under regular operations, our team also provides support with excess power capacity from the E-Styrenics power generation plant in the Dekheila Port as well as the Alexandria and 6 th of October industrial parks through the unified Egyptian electricity grid.

There are also two large industrial projects that TAQA Power serves:

- Scimitar Oil Production Co. in the Red Sea region, using natural gas with a capacity of 6.2 MW

- The Egyptian Polystyrene Production Co. at the Dekheila Port, Alexandria, using natural gas with a capacity of 12.15 MW

POWER DISTRIBUTION

In 2022, TAQA Power signed several agreements to provide electricity to developments in the Greater Cairo area and the North Coast, reaching 1197 MW contracted capacities in Distribution projects, including with

1. ZED West, Sheikh Zayed City – ORA Developers
2. Square 1, New Cairo
3. Sea Shell Playa, North Coast
4. Sky Walk, Giza

Likewise, TAQA Power continued the successful distribution of 24/7 power to the following customers:

- 103 hotels and tourist residential projects in Nabq tourist center, Sharm El Sheikh, Red Sea, Egypt, with a capacity of 100 MW over an area of 27 million sqm

- 315 factories in the 6 th of October City, Egypt, within a new 9 million sqm industrial park established by the Industrial Development Authority

- 10,708 residential/commercial customers in New Cairo concessions, over an area of 8 million sqm, including:

- 6,280 customers in Nakhil between

- Kattameya Residence
- Swan Lake
- Porto Cairo
- Porto Cairo Mall
- Emeralds Mall
- Maxim
- Marina City
- Wady Degla and Smash " schools " and institutes in New Cairo

- 890 residential customers in Cairo Festival City

- 498 commercial tenants in Cairo Festival City Mall

- 54 residential customers in Palm Spring

- 118 residential customers in Mall of Arabia

- 510 commercial tenants in Mall of Arabia

- 118 commercial Tenants in Mall of Tanta

- 112 commercial Tenants in Galleria 40, Sheikh Zayed City

- 44 commercial Tenants in Salam Mall

- 1,134 residential customers in Marasem, New Cairo

- 8 industrial customers in CPC, Sadat City

- 24 commercial customers in VernBro, Tanta

- 926 residential customers in al-Burouj, IsmailiaCompany

RENEWABLE ENERGY

20.5$ MILLION

TOTAL INVESTMENT IN USD

16 MV

TOTAL INSTALLED CAPACITY

77,110.6 tCO2e

TOTAL CO2 SAVING

As part of our dedication to securing the future energy needs of Egypt and the wider region, TAQA Power has also supported the development of renewable energy projects, including:

1. Benban Solar Park, Aswan – funded by the IFC and managed by the Egyptian Electricity Transmission Company, TAQA Power is the lead developer in the project and was the first to reach CoD in Feb 2019. The elements implemented by TAQA Power are the only projects within Benban that are 100% Egyptian

2. Dina Farms, Cario-Alexandria Desert Road – financed by the EBRD, this park includes an investment of 4.5 million USD to provide a total capacity of 6 MW commercial operation began in 2021 and is designed to support the largest integrated dairy farm in Egypt and Africa. In 2022, TAQA Power successfully commissioned two new projects, including:

1. Soma Bay, Red Sea – solar plant with a total capacity of 5 MW

2. Nabq, Sharm El Sheikh, Red Sea – first phase of solar plant with a capacity of 10 MW

3. ASCOM - EL minya - 7mwp

2022 HIGHLIGHTS

Renewable total Generated Energy from Renewable concessions = 168 Million Kwhr

Generation	102 Million Kwhr
Distribution+ EGD	550 Million Kwhr
Zone	697Million Kwhr
PV	18 Million Kwhr
Arabia Solar Energy	150Million Kwhr
Total renewable	168 Million Kwhr

PETROLEUM ARM

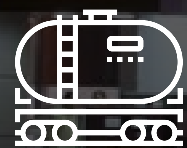
5.499

MILLION

GROSS PROFIT

Delivering quality petroleum products to customers across Egypt
With a desire to establish a series of retail outlets to directly manage the distribution of petroleum products in Egypt, TAQA Petroleum was established in 2008 and currently manages a retail network of 64 service stations across 19 governorates. Marketed under the "TAQA" brand name, these stations market fuels and Castrol lubricants to individual and business customers.

In addition to its retail network, TAQA Petroleum operates state of the art fuels storage facility terminal in Suez with a capacity of up to 18MM liters of refined petroleum products.



64 SERVICE STATIONS

2552 TONS LUBRICANTS SALES

By end of 2022, TAQA Petroleum successfully completed the introduction of three new service stations to boost a full portfolio of 64 retail outlets across Egypt.

FUEL STATIONS

By end of 2022, TAQA Petroleum successfully completed the introduction of three new service stations to boost a full portfolio of 64 retail outlets across Egypt with prime locations in Greater Cairo, the Delta, and Upper Egypt, the new roads network and on major highways, becoming one of the fastest growing companies in the Egyptian market.

TAQA stations provide one-stop full-service offer to motorists through its well-stocked convenience stores offering some of the finest and most popular confectionaries, beverages, bakery and auto accessories. In addition to various automotive services such as car wash, lube change and tires repair utilizing specialized materials, latest technology and conducted by professional staff to ensure a full integrated premium offer to customers

CASTROL LUBRICANTS

The successful partnership between TAQA and BP started in 2009 when TAQA Petroleum became the sole distributor of Castrol lubricants in the Egyptian market. This partnership Now evolved into a JV company “Castrol Egypt Lubricants” established in 2018 between TAQA Arabia and BP to produce some of the highest quality Castrol lubricants while TAQA Petroleum continues to be the sole distributor for Castrol lubricants in the Egyptian market throughout its retail stations network and specialized Castrol branded workshops. TAQA began local production of select Castrol products in Q4 2009.

Castrol current product range meets the demands of motorists across all classes with an extensive range of automotive engine oils, manual and automatic transmission fluids, and brake fluids. This is in addition to a selection of commercial diesel engine oils to cover the needs of fleets, owner operators and B2B segments.

FUELS STORAGE TERMINAL

Suez Terminal:

TAQA Petroleum storage terminal provides fuels supply services for TAQA stations and other players in the Egyptian market.

The terminal serves around 60 customers and 8 major oil marketing companies namely COOP, NPCO (Wataneya), Chill Out, Nile Petroleum, OLA Energy, Emarat Misr,Petromin and Total Energies. During 2022, Suez Terminal continued to provide high-value products and services to our customers and competitors alike, supporting the company’s sales and financial results following the successful performance of 2021.

Suez Terminal annual output during 2022 reached 1,122 M liters, with a monthly average of 93.5 Mliters.

ALEXANDRIA TERMINAL:

TAQA Petroleum is currently in the process of establishing a new storage terminal in Alexandria with capacity 25 M liters expected to start operation during 2023.

2022 HIGHLIGHTS

- 99.15 million EGP NIAT
- 6,038 billion EGP gross sales revenues
- 283 million EGP additional CAPEX from service stations, Suez terminal, and Alex terminal

TAQA PETROLEUM RESULTS 2022

	Unit	2020	2021	2022
Number of stations		59	60	64
Fuels Sales	Million liters	695	759	778
Lubes Sales	Ton	2,102	2,553	2,482
NIAT	Million EGP	93.52	100.83	99.15
Gross Sales Revenue	Billion EGP	4,841	5,449	6,038
CAPEX (Stations + Suez Terminal + Alex Terminal)	Million EGP	59	157	283

WATER ARM

The newest addition to the TAQA Arabia portfolio, TAQA Water marks the transformation of the group into the first very first integrated services provider in the field of Energy & Water utilities throughout the MENA. With a team of professionals and expertise exceeding 15 years in the field, TAQA Water provides customized smart water solutions for the industrial, agricultural, touristic & real estate sectors through a variety of water treatment technologies. Covering the whole process, TAQA Water invests, designs, constructs, automates, installs, operates & maintains reliable, cost-effective &smart water solution systems with the latest proven featured components, premium technology & advanced energy-saving equipment to ensure simple operation, performance sustainability, and superior water quality using the least possible power consumption.

Since TAQA has always been a first mover, our fully integrated green systems “TAQA Eco Water Desalination plant” is the 1 st energy saving desalination plant in Egypt that combines our renewable energy

resources to produce desalinated customized water using energy generated from renewable solar systems.

WATER SOLUTIONS

-Desalination: TAQA Water designs state of art, smart customized ECO-solutions adopting the latest technologies of computer aided virtual simulation & design software's to efficiently develop & integrate smart water systems with optimal power consumption.

- Filtration: Implements multimedia filtration, micro-filtration, ultra-filtration, and nano-filtration.

- Chemical Treatment: coagulation flocculation, scale inhibition, ion exchange resins, disinfection & sterilization, and granular activated carbon.

- Wastewater Treatment: Durable, cost-effective, and customizable treatment plants that remove contaminates from wastewater by physical, chemical, and biological processes to produce environmentally safe effluent to be reused for agricultural or industrial purposes.

- Smart Water Metering:TAQA Water through smart technological equipment & professional customer service ensures a sustainable technical and financial operation of water utilities & address the most important challenges facing water utilities.

- i-Water Smart Management Platform: A revolutionary digital water management service platform that combines machine learning, proactive service, proven technology and artificial intelligence to generate integrated automated reports for water quality, productivity, system status, and operational parameters to ensure real-time monitoring and provide accuracy in operation data analysis.

2022 HIGHLIGHTS

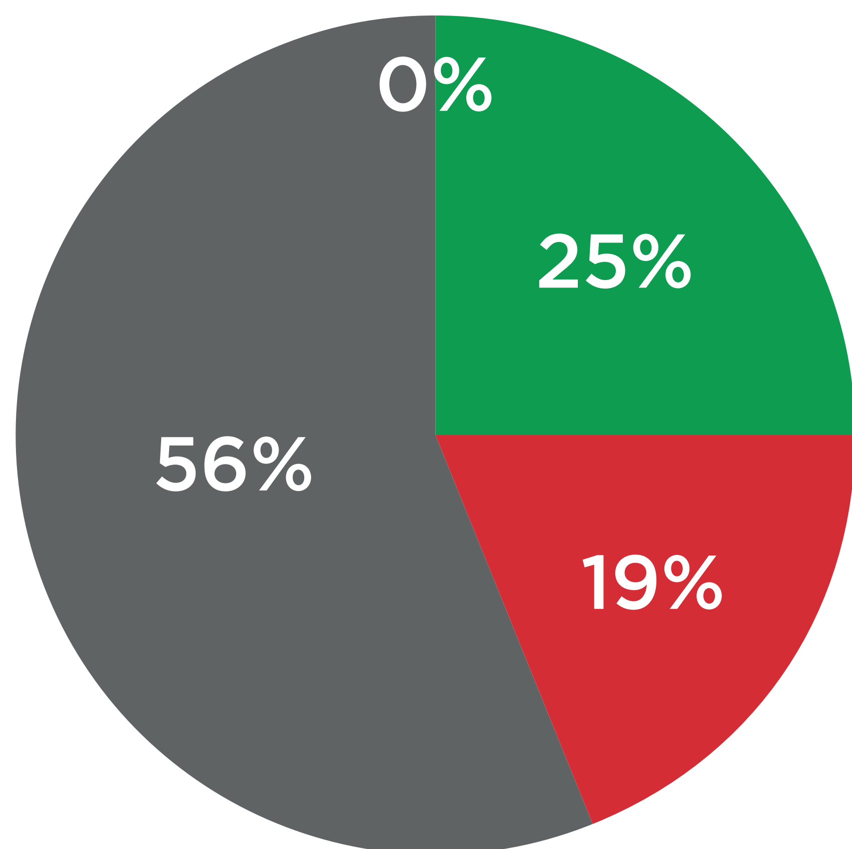
TAQA Water managed to penetrate the real estate segment sign several projects in the industrial touristic segments, TAQA has successfully reached daily design capacity of 10,000 m3/day in several projects in Cairo, North Coast, Port Said, Sharm El-Sheikh and Red Sea governorate .

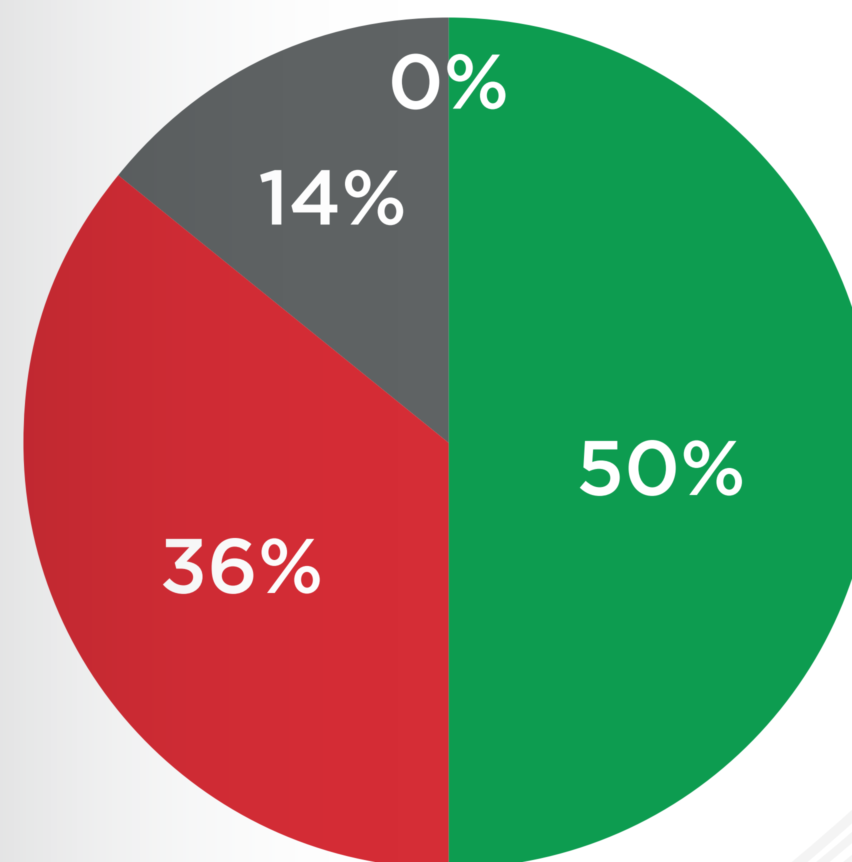
TAQA fully integrated green systems "Eco Water Desalination plant" is the first water desalination plant in Egypt that relies on renewable energy besides adopting the most innovative energy saving technologies, this plant shall serve more than 6000 people in Red Sea Governorate.

TAQA Water was successfully qualified along with our multinational consortium members "Al-Ghanim" "Wetico" to participate in the Sovereign Fund Of Egypt water desalination mega projects using Renewable Energy.

2022 FINANCIAL SUMMARY

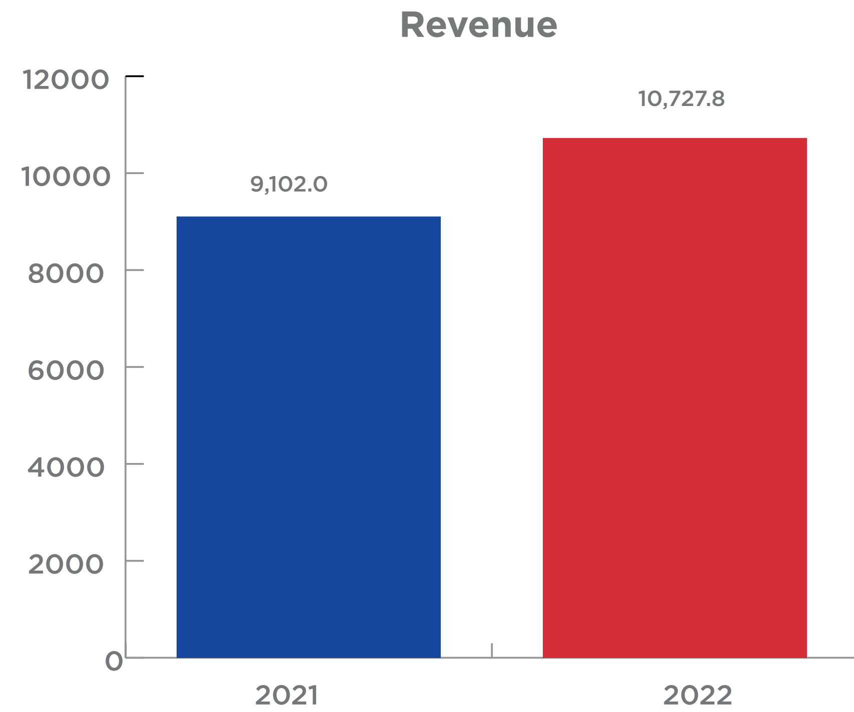
Revenue & GP Split

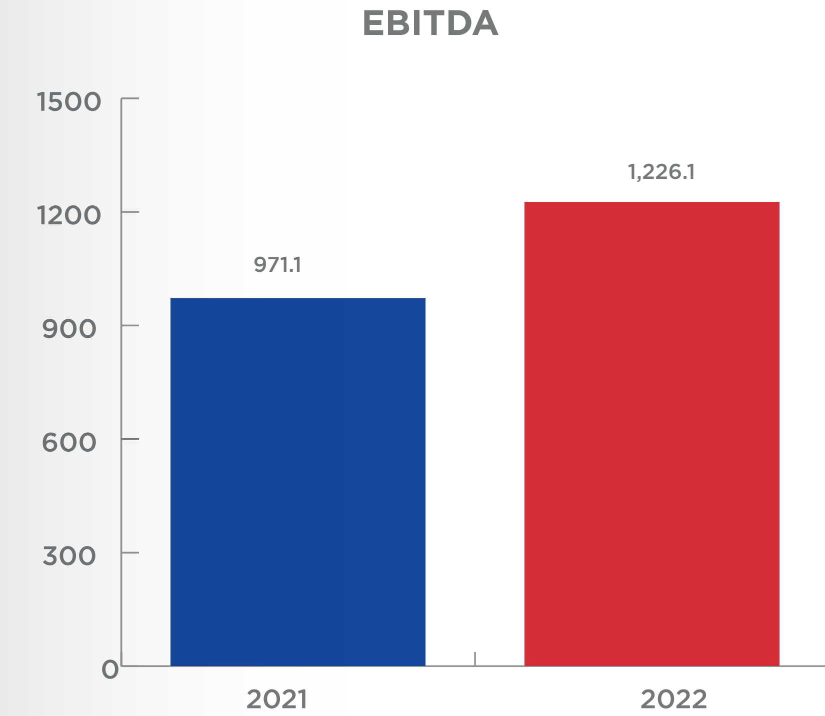


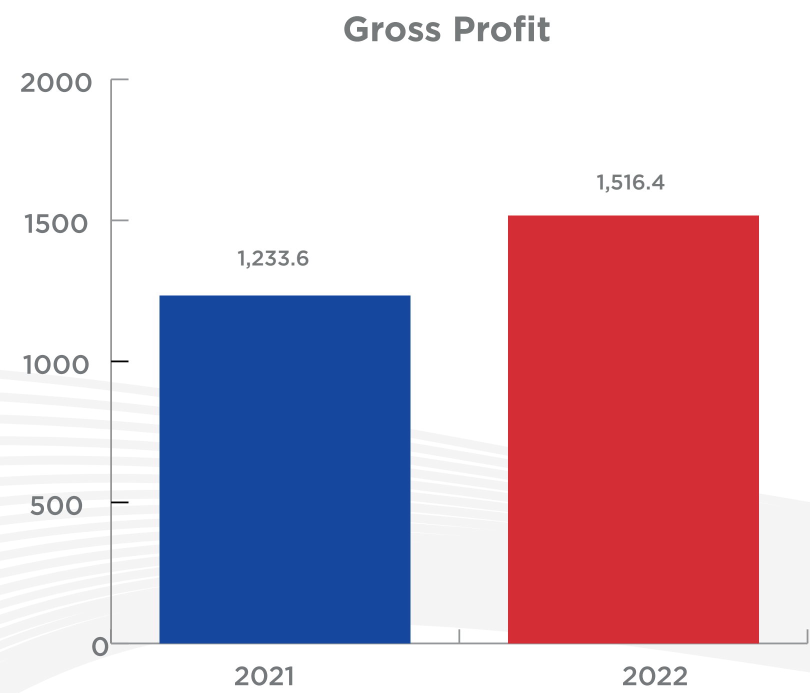


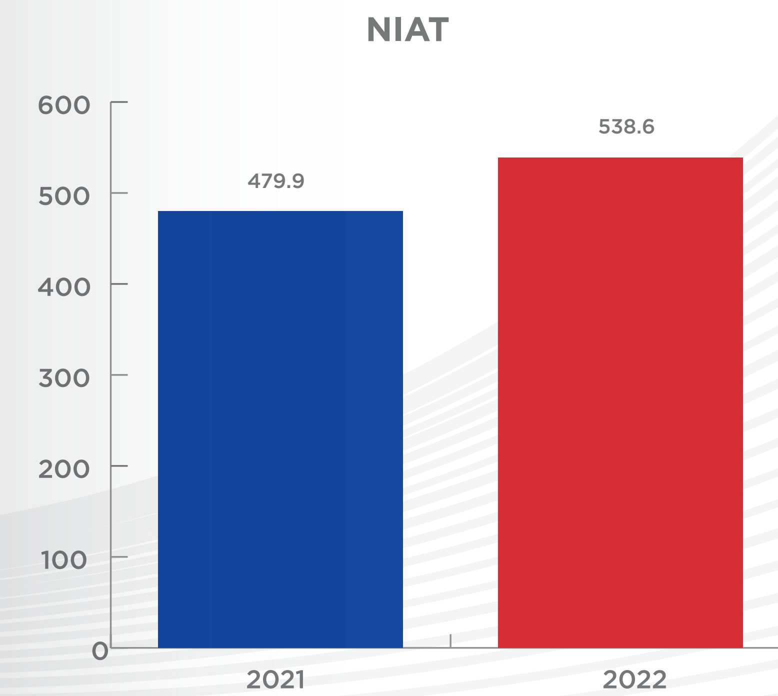
Asset	Revenue	%	Gross profit	%
Gas	2,682.4	25%	751.0	50%
Power	2,051.7	19%	546.3	36%
Oil	6,031.8	56%	219.0	14%
Water	1.3	0%	1.5	0%
Other	(39.4)	0%	-1.4	0%
Total	10,727.8		1,516.4	

Finanancial Results









FINANCIAL STATEMENT

Auditor's report

To the Shareholders of TAQA Arabia Company (S.A.E.)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of TAQA Arabia Company "S.A.E." (the "Company") and its Subsidiaries (together the "Group") which comprise the consolidated statement of financial position as of 31 December 2022 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other notes

Management's responsibility for the consolidated financial statements

These consolidated financial statements are the responsibility of the Group's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Egyptian Accounting Standards and in light of the prevailing Egyptian laws. Management responsibility includes, designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and in light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies and the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these consolidated financial statements.

...erhouseCoopers Ezzeldeen, Diab & Co., Public Accountants
...t, Second Sector, City Center, New Cairo 11835, Egypt, PO Box 170 New Cairo
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Auditor's report (continued)
Page 2

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TAQA Arabia Company "S.A.E." and its Subsidiaries as of 31 December 2022, and their financial performance and their cash flows for the financial year then ended in accordance with Egyptian Accounting Standards and in light of the related Egyptian laws and regulations.

Wael Sakr
R.A.A. 26144
F.R.A. 381

9 February 2023
Cairo

Consolidated statement of financial position – As of 31 December 2022

(All amounts in EGP)	Note	2022	2021
Assets			
Non-current assets			
Property, plant and equipment	5	3,354,803,808	2,322,953,285
Assets under construction	6	704,015,117	310,976,916
Goodwill	8	393,100,684	393,100,684
Intangible assets	7	20,913,098	20,547,144
Right of use assets	10	663,901,237	469,464,899
Deferred tax assets	24	85,741,808	48,993,119
Financial assets at fair value through other comprehensive income	13	51,261,460	51,261,460
Other investments		834,000	803,000
Due from related parties - noncurrent	14	39,200,000	39,200,000
Trade receivables and other debit balances	12	308,819,974	251,831,554
		5,622,591,186	3,909,132,061
Current assets			
Inventories	11	837,323,769	408,698,349
Trade receivables and other debit balances	12	2,268,938,961	1,925,288,589
Due from related parties		27,417,145	-
Investments in treasury bills		-	694,191,823
Cash on hand and at bank and highly liquid investment	15	5,941,520,176	4,984,964,775
		9,075,200,071	8,013,143,536
Total assets		14,697,791,257	11,922,275,597
Equity			
Paid up capital	20	676,176,900	676,176,900
Share premium		6,501,700	6,501,700
Reserves	21	282,436,366	102,071,679
Retained earnings		1,048,352,104	773,421,760
Total equity attributable to owners of TAQA Arabia company		2,013,467,070	1,558,172,039
Non-controlling interests		384,006,246	233,537,481
Total equity		2,397,473,316	1,791,709,520
Non-current liabilities			
Borrowings	17	2,430,897,468	1,584,592,068
Long term liabilities	22	328,752,388	360,653,736
Lease liabilities	23	691,640,105	467,052,879
Deferred tax liabilities	24	159,191,792	92,537,144
		3,610,481,753	2,504,835,827
Current liabilities			
Trade payables and other credit balances	18	3,407,872,666	2,904,361,841
Due to related parties	14	75,672,392	57,462,670
Bank facilities	16	4,489,812,254	4,131,012,473
Borrowings	17	298,268,594	212,883,190
Lease liabilities	23	42,381,066	41,403,959
Provisions	19	375,929,216	278,606,117
		8,689,836,188	7,625,730,250
Total equity and liabilities		14,697,791,257	11,922,275,597

- The accompanying notes on pages 8 - 82 form an integral part of these consolidated financial statements.
- Auditor's report attached.

Deputy Chief Financial Officer
Mr. Ahmed El-Rouby

Chief Financial Officer
Mr. Peter Mofeed

Managing Director
Mrs. Pakinam Kafafi

31 January 2023

Consolidated statement of profit or loss - For the year ended 31 December 2022

(All amounts in EGP)	Note	2022	2021
Revenues	27	10,727,836,426	9,102,016,307
Cost of revenues	28	(9,433,854,173)	(8,034,731,632)
Gross profit		1,293,982,253	1,067,284,675
Administrative expenses	29	(302,572,743)	(261,859,922)
Other expenses	30	(152,001,111)	(135,490,168)
Other income		7,829,922	4,751,811
Operating profit		847,238,321	674,686,396
Finance income		827,722,110	535,591,347
Finance cost		(872,674,973)	(493,989,039)
Finance (cost) / income - net	31	(44,952,863)	41,602,308
Profit for the year before income tax		802,285,458	716,288,704
Income tax	32	(200,434,320)	(181,950,213)
Net profit for the year		601,851,138	534,338,491
Profit attributable to:			
Shareholders of the parent Company		538,606,208	479,879,017
Non-controlling interest		63,244,930	54,459,474
Net profit for the year		601,851,138	534,338,491
Basic earnings per share	33	0.398	0.355

- The accompanying notes on pages 8 - 82 form an integral part of these consolidated financial statements.

TAQA ARABIA COMPANY (S.A.E.) AND ITS SUBSIDIARIES

Consolidated statement of comprehensive income - For the year ended 31 December 2022

(All amounts in EGP)	Note	2022	2021
Net profit for the year		601,851,138	534,338,491
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		202,126,104	(838,489)
Derivative financial instruments - cash flow hedge		89,087,563	32,285,547
Other comprehensive income for the year		291,213,667	31,447,058
Total comprehensive income for the year		893,064,805	565,785,549
Attributed to:			
Owners of the parent Company		708,712,499	498,934,077
Non-controlling interests		184,352,306	66,851,472
Total comprehensive income for the year		893,064,805	565,785,549

- The accompanying notes on pages 8 - 82 form an integral part of these consolidated financial statements.

TAQA ARABIA COMPANY (S.A.E.) AND ITS SUBSIDIARIES

Consolidated statement of change in equity - For the year ended 31 December 2022

(All amounts in EGP)

			Reserves							
	Paid up capital	Share premium	Legal reserve	Translation reserve	Hedging reserve	Other reserve	Retained earnings	Net equity attributable to owners of the parent company	Non-controlling interest	Net equity
Balance at 1 January 2021	676,176,900	6,501,700	58,550,253	14,590,729	(56,186,867)	50,465,949	707,544,547	1,457,643,211	180,686,662	1,638,329,873
Total comprehensive income for the year	-	-	-	(316,268)	19,371,328	-	479,879,017	498,934,077	66,851,472	565,785,549
Non-controlling interest dividends	-	-	-	-	-	-	-	-	(14,000,653)	(14,000,653)
Adj	-	-	-	-	-	-	(629,690)	(629,690)	-	(629,690)
Transfer to legal reserve	-	-	15,596,555	-	-	-	(15,596,555)	-	-	-
Dividends for shareholders	-	-	-	-	-	-	(199,708,174)	(199,708,174)	-	(199,708,174)
Board of directors and employees profit share	-	-	-	-	-	-	(198,067,385)	(198,067,385)	-	(198,067,385)
Balance at 31 December 2021	676,176,900	6,501,700	74,146,808	14,274,461	(36,815,539)	50,465,949	773,421,760	1,558,172,039	233,537,481	1,791,709,520
Balance at 1 January 2022	676,176,900	6,501,700	74,146,808	14,274,461	(36,815,539)	50,465,949	773,421,760	1,558,172,039	233,537,481	1,791,709,520
Total comprehensive income for the year	-	-	-	116,653,753	53,452,538	-	538,606,208	708,712,499	184,352,306	893,064,805
Transfer to legal reserve	-	-	10,258,396	-	-	-	(10,258,396)	-	-	-
Non-controlling interests share from increase in the share capital of subsidiaries	-	-	-	-	-	-	-	-	4,943,195	4,943,195
Dividends for shareholders	-	-	-	-	-	-	(174,000,000)	(174,000,000)	(36,187,497)	(210,187,497)
Board of directors and employees profit share	-	-	-	-	-	-	(79,417,468)	(79,417,468)	(2,639,239)	(82,056,707)
Balance at 31 December 2022	676,176,900	6,501,700	84,405,204	130,928,214	16,636,999	50,465,949	1,048,352,104	3,013,467,070	384,006,246	2,397,473,316

- The accompanying notes on pages 8 - 82 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows – For the year ended 31 December 2022

(All amounts in EGP)	Note	2022	2021
Cash flows from operating activities			
Profit for the year before income tax		802,285,458	716,288,704
Adjustments for:			
Depreciation of property, plant and equipment	5	192,210,438	146,175,145
Amortization of intangible assets	7	3,563,789	4,576,539
Amortization of right of use	10	47,136,326	30,348,904
Impairment of trade receivables	(3.C)	4,242,787	-
Impairment of trade receivables no longer required		(3,454,657)	(133,935)
Provision formed	19	151,212,741	103,840,859
Provision formed - Inventory		-	723,478
Provision no longer required - inventory	11	-	-
Provision formed - treasury bills	(3.C)	-	14,563,224
Provision no longer required - treasury bills	(3.C)	(16,941,627)	(13,459,630)
Gain on sale of property, plant and equipment		(3,442,109)	1,508,738
Interest expense for lease liabilities	23	66,173,557	43,098,507
Operating profit before changes in working capital		1,242,986,685	1,047,030,533
Changes in working capital			
Trade receivables and other debit balances		(381,104,784)	(562,182,147)
Inventories		(428,625,440)	(70,939,192)
Related parties		(6,150,352)	38,147,537
Trade payables and other credit balances		458,239,367	222,477,934
Board of directors and employees profit share		(79,417,468)	(198,067,385)
Provision used		(71,825,715)	(55,375,380)
Cash flows generated from operating activities		734,102,293	421,091,900
Income tax paid		(58,711,832)	(76,212,579)
Net cash flows generated from operating activities		675,390,461	344,879,321
Cash flows from investing activities			
Payments for purchase of property, plant and equipment and projects under construction		(1,081,428,704)	(560,450,839)
Investments in treasury bills		695,489,281	257,810,988
Payments for intangible assets		(707,611)	(612,260)
Proceeds from sale of property, plant and equipment		20,479,015	4,728,618
Net cash flows used in investing activities		(366,168,019)	(298,523,493)
Cash flows from financing activities			
Proceeds from borrowings		710,409,135	337,764,763
Repayment of borrowings		(231,642,369)	(149,803,031)
Bank facilities		358,799,781	2,977,199,709
Principal element of lease payment	23	(80,046,173)	(37,594,298)
Non-controlling interests share from increase in the share capital of subsidiaries		4,943,195	-
Non-controlling interest dividends		(38,826,736)	(14,000,653)
Dividends paid to shareholders		(177,950,000)	(239,391,871)
Net cash flows generated from financing activities		545,686,833	2,874,174,619
Net changes in cash and cash equivalents		854,909,275	2,920,330,447
Cash and cash equivalents at the beginning of the year		4,618,811,178	1,698,670,985
Effects of exchange rate changes on cash and cash equivalents		86,001,957	(390,254)
Cash and cash equivalents at the end of the year	15	5,559,722,410	4,618,811,178
Non-cash transactions			
This amount has been excluded from Payments for intangible assets against the same amount from payment for additions for PUC		3,222,133	4,332,636
This amount has been excluded from ROU against the same amount from Lease liability as a result of the adoption of EAS 49		248,843,123	154,968,531
This amount has been excluded from trade and other receivable against the same amount from ROU as a result of the adoption of EAS 49		-	-
This amount has been excluded from long term assets/liabilities against the same amount from other comprehensive income and DTA		98,694,224	41,638,830
This amount has been excluded from Board of directors and employees profit share and Dividends paid to shareholders against the same amount from Trade payables and other credit balances		-	39,663,697

- The accompanying notes on pages 8 - 82 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements - For the year ended 31 December 2022

(In the notes all amounts are shown in EGP unless otherwise stated)

1. General information

TAQA Arabia Company S.A.E "the Company" was established under the provisions of Law No. 159 of 1981 and its executive regulations.

The registered office of the company is 2 Simon Bolivar Sq., Garden City, Cairo, Egypt.

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group").

The group is primarily involved in the following activities:

- Construct, manage, operate and maintain natural gas transmission and distribution lines.
- Construct, manage, operate and maintain power plants, electricity transformers and distribution networks.
- Construct, manage, operate and maintain water desalination stations, refineries, water purification, distribution networks, transmission lines, as well as pumping stations, processing and purification, sewage and industrial drainage grid.
- Distribute electricity, natural gas and water to the company or to third parties, subject to the provision of laws, regulations and decrees applicable licensing condition for the exercise of such activities.

The ultimate parent company for the group is Citadel Capital S.A.E (Qalaa Holdings), which is the controlling party.

During 2022 the Company's registered address has been changed to be G2, El Morshedy St. El Lasilky Area, Maadi Cairo - Egypt. The Group's principal place of business is Egypt.

The Consolidated financial statements have been approved for issuance by the Board of Directors on 31 January 2023. The General Assembly meeting of shareholders has the right to amend the financial statements after its issuance.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements comprise the financial statements of TAQA Arabia Company (the Parent) and its subsidiaries listed below.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Name of subsidiary company	Origin country	Percentage of ownership	December 2022	December 2021
Investment in subsidiaries				
Gas and Energy Company "TAQA Gas" - SAE (Subsidiary)**	Egypt	99.99 %	382,668,179	382,668,179
TAQA for Electricity, Water and Cooling - SAE (Subsidiary)	Egypt	99.99 %	162,197,500	162,197,500
TAQA for producing and distributing Electricity at free zones - SAE (Subsidiary)	Egypt	99.99 %	33,762,500	33,762,500
TAQA Arabia BV (Subsidiary)	Netherlands	100 %	159,299,990	159,299,990
TAQA for Marketing Petroleum Products - SAE (Subsidiary)	Egypt	99.99 %	51,000,000	51,000,000
International Company for Gas works (House gas) (Subsidiary)	Egypt	99.85 %	30,862,526	30,862,526
Pharaonic Gas Company – SAE (Subsidiary)	Egypt	99.99 %	16,455,865	16,455,865
Qatar Group for Gas - LLC *(Subsidiary)	Qatar	45 %	14,837,327	14,837,327
Master Gas Company (Subsidiary) - LLC	Egypt	56.7%	56,700,000	56,700,000
Arab Company for Gas Services – LLC *(Subsidiary)	Libya	49 %	11,038,773	11,038,773
TAQA Gas Services (Subsidiary)	Egypt	99.2 %	7,326,705	7,326,705
Gas and Energy Group Limited – LLC (Subsidiary)	B.V. I	100 %	1,231,723	1,231,723
TAQA for producing and distributing Electricity	Egypt	99.99%	500,000	500,000
Genco for Mechanical and Electricity Work - LLC(Subsidiary)	Qatar	100 %	320,880	320,880
TAQA Arabia PV for solar energy	Egypt	99.97 %	749,750	749,750
TAQA Arabia for solar power	Egypt	.000004%	10	10
TAQA for Water Desalination & Treatment	Egypt	99.98%	17,499,995	4,998,998
TAQA Arabia International Holding LTD	UAE	100 %	6,942,937	-
Rosetta for Energy Solutions	Egypt	50.0003%	1,500,000	-
Investment in Associates				
Castrol Egypt (associate)	Egypt	49%	9,800,000	9,800,000

* TAQA Arabia Company has an effective control over these companies in accordance with the agreement with other shareholders.

** January 2021 Nile valley Gas company, City Gas company and Repco Gas company have been merged with TAQA Gas company.

The Consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) and applicable laws and regulations in Egypt. The Consolidated financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities (including derivative instruments and financial assets at fair value thorough other comprehensive income) measured at fair value.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

- Expected to be realised or intended to be sold or used in normal operating course;
- Held primarily for trading.
- Expected to be realised within 12 months after the end of the reporting period, or
- Cash or cash equivalents 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.

The liability is classified as current when:

- It is expected to be settled in normal operating course;
- Held primarily for trading.
- Expected to be realized within 12 months after the end of the reporting period, or
- The entity does not have an unconditional right to defer the settlement of the liability for at least twelve months after the end of the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current.

The preparation of consolidated financial statements in conformity with EAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas, where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Going concern. Management is of the view that the Group remains a going concern, and the consolidated financial statements of the Group have been prepared on a going concern basis. and, therefore, to continue realizing its assets and discharging its liabilities in the normal course of business.

The EASs require the reference to the International Financial Reporting Standard (IFRSs) when there is no EAS, or legal requirements that explain the treatment of specific balances and transactions.

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2. Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

(a) Subsidiaries (continued)

(1) Acquisition method

The Group applies the acquisition method to account for business combinations.

The consideration transferred in a business combination is measured at the fair value of the assets transferred and the liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date.

In any business combination, the Group recognises any non-controlling interests in the subsidiary at the proportionate share of the recognised amounts of acquiree's identifiable net assets at the date of acquisition.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised within statement of profit or loss.

Inter-company assets, liabilities, equity, income, expenses and cash flows related to transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(2) Changes in ownership interests held within controlling interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate

2. Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

(a) Subsidiaries (continued)

(3) Disposal of subsidiaries

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss.

(4) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired, and contingent liabilities at the date of acquisition.

If the consideration transferred, non-controlling interest in the acquiree and the date of acquisition fair value of the Group's equity previously held at the acquiree is less than the net of the identifiable acquired assets and liabilities assumed at the date of acquisition, the Group recognise the resulting gain is directly recognised in consolidated statement of profit or loss at the date of acquisition and the gains are attributed to the parent shareholders.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored inside the Group at the operating segments level.

The Group undertakes impairment reviews of goodwill acquired in a business combination. Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired by comparing its carrying amount including goodwill with its recoverable amount, which is the higher of fair value less costs of sale and value in use. The Group recognise any impairment loss immediately in profit or loss and is not subsequently reversed.

(5) Measurement period

The measurement period is the year required for the Group to obtain the information needed for initial measurement of the items resulting from the acquisition of the subsidiary, and does not exceed one year from the date of acquisition. In case the Group obtains new information during the measurement period relative to the acquisition, amendment is made retrospectively for the amounts recognised at the date of acquisition.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights in the associate.

2. Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

(b) Associates (continued)

(1) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

(2) Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(3) Losses of associates

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. When those companies realise profits in subsequent years, the Group resumes to recognise its share in those profits, but only after its share of profits equals its share in unrecognised losses.

2. Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

(b) Associates (continued)

(4) Transactions with associates

Profits and losses resulting from upstream and downstream transactions between the Group (including its subsidiaries) and the associates are recognised only to the extent of unrelated investor's interests in the associate.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Egyptian Pounds, which is the Group's presentation currency.

(b) Transactions and balances

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end are recognised in profit or loss as finance income or costs, net, except when deferred in other comprehensive income as qualifying Gains on cash flow hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "finance income or costs". Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

(c) Group companies

The results and financial positions of the Group's companies that have a functional currency different from the Group's presentation currency, and their functional currency is not the currency of a hyperinflationary economy, are translated into the presentation currency of the consolidated financial statements as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each statement of profit or loss presented are translated at average exchange rates during the year (unless there are fluctuations affecting exchange rates during the year, in which case the average exchange rate for that year is not considered appropriate, instead, the exchange rate prevailing at the dates of these transactions is used).
- All foreign currency differences are recognised as a separate item in other comprehensive income.

2. Summary of significant accounting policies (continued)

2.3 Foreign currency translation (continued)

(c) Group companies (continued)

Exchange differences arising on translation of the net investment in foreign entities are recognised in other comprehensive income, as well as loans and financial instruments denominated in foreign currencies and allocated as investment hedges. When the investment in a foreign entity is disposed of, the foreign currency differences transferred to equity are recognised as part of the gain or loss of the investment disposal.

The Group treats any goodwill arising from the acquisition of a foreign activity, and any fair value adjustments to the carrying values of assets and liabilities arising from the acquisition of foreign activity, as assets and liabilities of the foreign activity - and they are thus reported in the functional currency of foreign activity and translated at the closing rate. All foreign currency differences are recognised in other comprehensive income.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the asset and bringing it to a ready-for-use condition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year within other income/(expenses).

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

Depreciation. Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

Asset	Estimated useful lives in years
Buildings	20 -50
Buildings on lands leased from others	Contract period
Machinery & equipment	3 -5
Motor vehicles	3 -5
Furniture, office equipment & computer	4 -10
Pipelines & stations equipment	15
Generators	20
Networks	25
Leasehold improvements	3-5 or the lease term, whichever is lower

2.5 Intangible assets and goodwill

Recognition and measurement

(a) Goodwill:

Goodwill is carried at cost less accumulated impairment losses, if any. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. The carrying value of the cash-generating unit containing goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

(b) Other intangible assets:

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(c) Subsequent expenditure

Subsequent expenditure is capitalised only when the intangible asset will increase the future economic benefits embodied in project, research, and development under construction which is recognised as intangible assets. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

2. Summary of significant accounting policies (continued)

2.5 Intangible assets and goodwill (continued)

(d) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the (straight - line method) over their estimated useful lives and is generally recognised in profit or loss. Goodwill is not amortised.

2.6 Assets under construction

Assets under construction are stated at cost and transferred to property, plant and equipment when they meet all the fixed assets recognition conditions and ready for use. When the assets under construction cost exceed the value expected to be recoverable, it is reduced to the expected refundable cost and the difference is recoverable directly to the consolidated statement of profit and loss.

2.7 Impairment of non-financial asset

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.8 Financial instrument

Key measurement terms

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 best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment in estimating the fair value of derivative financial instruments. Derivative financial instruments held by the Group do not have observable market price and so the Group is required to identify appropriate valuation models in calculating these fair values in making its estimates, priority is given to observable inputs.

2. Summary of significant accounting policies (continued)

2.8 Financial instrument (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

(a) Financial instruments – initial recognition

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

(b) Classification and subsequent measurement – measurement categories.

The Group classifies financial assets in the following measurement categories: FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

2. Summary of significant accounting policies (continued)

2.8 Financial instrument (continued)

(c) Classification and subsequent measurement – business model.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

(d) Financial assets – classification and subsequent measurement – cash flow characteristics.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

(E) Financial assets – reclassification.

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

(F) Financial assets impairment - credit loss allowance for ECL

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

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(In the notes all amounts are shown in EGP unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.8 Financial instrument (continued)

Debt instruments measured at AC, trade and other receivables and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Group applies a simplified approach for impairment of trade receivable. For other financial assets the Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in (3.C). Note (3.C) provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models

(G) Financial assets – write off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

(H) Financial assets – derecognition

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

2. Summary of significant accounting policies (continued)

2.9 Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Offsetting financial instruments.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes as well as movements on the hedging reserve in other comprehensive income are disclosed in (Note 26). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

Amounts accumulated in other comprehensive income are reclassified to profit or loss in the years when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps is recognised in the consolidated statement of profit or loss within 'finance costs'.

2. Summary of significant accounting policies (continued)

2.10 Financial instrument (continued)

The gain or loss relating to the ineffective portion is recognised in the statement of profit or loss within 'other income/ (expenses) – net'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the consolidated statement of profit or loss within 'other gains/ (losses) – net'.

2.11 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with EAS 28 provisions, contingent liabilities and contingent assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows.

2.13 Inventory

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

2.14 Trade receivables

Trade receivables are amounts due from customers for goods sold or services rendered in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2. Summary of significant accounting policies (continued)

2.15 Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are expensed into profit or loss when the services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Employees' benefits

(a) Profit sharing

According to Companies law, employees are entitled to a profit sharing according to the proposals made by the board of directors and subject to approval by the general assembly of shareholders. Profit sharing is recognised as a dividend distribution through equity and as a liability when approved by the shareholders.

(b) Defined contribution plan

The Group contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law No. 79 for the year 1975 and its amendments. The Group's liability is confined to the amount of its contribution. Contributions are charged to the consolidated statement of profit and loss using the accrual basis of accounting.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2. Summary of significant accounting policies (continued)

2.18 Borrowings (continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the financial position date.

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The group recognises the necessary commitments for restructuring and non-related activities of the Group in the provision for restructuring costs.

Contingent liability is a present obligation that arises from past events but not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. The contingent liabilities are disclosed only in the consolidated financial statement and not recognised.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

When the time value of money assumption is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. Summary of significant accounting policies (continued)

2.20 Provisions (continued)

When it is expected to recharge some or all required expenditures to settle a provision to a third party outside the group, the group recognises the recoverable amount when its assured that the recovery will take place if the group settled the obligation. The recoverable amount is presented as consolidated asset in the consolidated statement of financial position, and the recoverable amount should not exceed the amount of the provision.

2.21 Share capital

Ordinary shares are classified as equity. Incremental costs (if any) directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.22 Income tax

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid, or recovered, in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

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2. Summary of significant accounting policies (continued)

2.23 Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and a liability. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

2.24 Revenue recognition

The Group recognizes revenue to depict the transfer of the control of the promised services or products to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services or products. Revenue is measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment and excluding discounts, rebates, customer returns and other sales taxes or duty.

The Group recognises revenue from contracts with customers based on a five-step model as set out in EAS 48:

(1) Identify the 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.

(2) Identify the 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. The Group accounts for all distinct goods or services as a separate performance obligation.

(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.

(4) Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate 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.

(5) Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

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

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

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied. 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 of recognizing revenue.

2. Summary of significant accounting policies (continued)

2.24 Revenue recognition (continued)

The Group has the following revenue streams:

- Revenue from Construction contracts;
- Revenue from Gas sales commission;
- Revenue from Cars conversion revenues;
- Revenue from Natural gas revenues
- Revenue from Refined oil and lubes revenues; and
- Revenue from Power service revenues.
- Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a good or service to a customer at a point in time and over time.

(a) Construction contracts

Revenue from construction contracts is recognised over the accounting period in which the service is rendered to the customers. The revenue relating to revenue from construction contracts is accounted for as a single performance obligation. As the satisfaction of this performance obligation not create an asset with an alternative use to the customer and the customer has an enforceable right to payment for performance completed to date, therefore, revenue is recognised over time.

Revenue from construction contracts is recognised in the consolidated statement of comprehensive income in according to the percentage of completion through calculating what is actually accomplished from the clauses of the contract to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably

The contract costs are measured through calculating what is spent from the clauses of contract for the stage in which the revenue is recognised. The contract costs include all direct costs from materials, labor, subcontractors and overheads related to the execution of contract clauses like indirect labor and maintenance expenses as it also includes the general and administrative expenses spent directly on the contracting works.

The provision for estimated losses according to the construction contracts in progress is formed, if any, in the financial period during which those losses are assessed.

(b) Gas sales commission

Revenue from gas sales commission is recognised in the accounting period in which the gas is delivered to customers, where the group remits the funds it collects to EGPC net of its actual commission, which is calculated as a percentage of gas consumption. The revenue relating to gas sale commission is accounted for as a single performance obligation. The payment is due after transfer of the control. Therefore, revenue is recognised at point in time once the gas is transferred to the customer.

Revenue is recognised in the consolidated statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

2. Summary of significant accounting policies (continued)

2.24 Revenue recognition (continued)

(c) Cars conversion revenues

Revenue from cars conversion is recognised in the accounting period in which the service is rendered upon the completion of preparing cars to function using natural gas. The revenue relating to cars conversion is accounted for as a single performance obligation. The payment is due after transfer of the control. Therefore, revenue is recognised at point in time once the conversion service is rendered to the customer.

Revenue is recognised in the consolidated statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

(d) Natural gas revenues

Revenue from sale of natural gas is recognised in the accounting period in which the natural gas is supplied to the cars. The revenue relating to sale of natural gas is accounted for as a single performance obligation. The payment is due after transfer of the control. Therefore, revenue is recognised at point in time once the natural gas is transferred to the customer.

Revenue is recognised in the consolidated statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

(e) Refined oil and lubes revenues

Revenue from sale of refined oil and lubes is recognised in the accounting period in which the refined oil and lubes are delivered to the wholesalers. The revenue relating to sale of refined oil and lubes are accounted for as a single performance obligation. The payment is due after transfer of the control. Therefore, revenue is recognised at point in time once the refined oil and lubes are transferred to the wholesalers.

Revenue is recognised in the consolidated statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

(f) Power service revenues

Revenue from sale of power services through the generation and distribution of electricity is recognised in the accounting period in which the electricity is supplied to the customers. The revenue relating to sale of electricity is accounted for as a single performance obligation. The payment is due after transfer of the control. Therefore, revenue is recognised overtime once the electricity transferred to the customers.

Revenue is recognised in the consolidated statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

2. Summary of significant accounting policies (continued)

2.24 Revenue recognition (continued)

(g) Construction contracts

Revenue from construction contracts is recognised in the consolidated statement of profit or loss according to the percentage of completion through calculating what is actually accomplished from the clauses of the contract.

The contract costs are measured through calculating what is spent from the clauses of contract for the stage in which the revenue is recognised. The contract costs include all direct costs from materials, labor, subcontractors and overheads related to the execution of contract clauses like indirect labor and maintenance expenses as it also includes the general and administrative expenses spent directly on the contracting works.

The provision for estimated losses according to the construction contracts in progress is formed, if any, in the financial period during which those losses are assessed.

(h) Gas sales commission

For actual gas sales, the company remits the funds it collects to EGPC net of its actual commission, which is calculated as a percentage of gas consumption.

(i) Cars conversion revenues

Revenue is recognised upon the completion of preparing cars to function using natural gas instead of Benzene upon issuing the invoice to the client.

(j) Natural gas revenues

Revenues is recognised when supplying cars with natural gas.

(k) Refined oil and lubes revenues

Revenues is recognised when refined oil products and lubes products are delivered to the customers.

(l) Power service revenues

Revenues of services is recognised when the conditions of the signed contracts are fulfilled with others on accrual basis and according to the specified period in the contracts.

2.25 Interest income

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the group.

TAQA ARABIA COMPANY (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2022

(In the notes all amounts are shown in EGP unless otherwise stated)

2.26 Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. legislation identifies the basis of distribution as the current year net profit.

2.27 Leases

The group leases various properties, rental contracts are typically made for fixed periods of 3 to 15 years lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

To determine the incremental borrowing rate, the Group:
- where possible, uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- makes adjustments specific to the lease, e.g. term, country, currency and collateral.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2. Summary of significant accounting policies (continued)

2.27 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

2.28 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held – for - sale.

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

2.29 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker (CODM). The executive committee is responsible for allocating resources and assessing performance of the operating segments.

The executive committee assesses the performance of the operating segments based on the total revenues / gross profit/ EBITDA/operating profit/ total assets of segment and the total liabilities. This measurement basis excludes discontinued operations. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the Group's head office, which manages the cash flows and liquidity requirements.

2.30 Earnings per share

Preference shares are not redeemable and are considered to be participating shares. Earnings per share are determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year.

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3. Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including, foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The group's management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance.

The group's risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies and evaluates financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognized financial assets and liabilities not denominated in Egyptian pounds.	Cash flow forecasting Sensitivity analysis	By local banks that the Company deals with in official rates
Market risk – interest rate	Long-term borrowing at variable rates	Sensitivity analysis	Investment in short treasury bills and interest rate swaps
Market risk – security prices	No investment in a quoted equity securities	Not applicable	Not applicable
Credit risk	Cash and cash equivalents, trade receivables, derivative financial and debt investments.	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and governmental treasury bills
Liquidity risk	Loans and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

A Derivatives

The Group uses derivative financial instruments to hedge certain risk exposures. Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating interest rate loans.

The Group has the following derivative financial instruments:

	2022	2021
Non-current assets (liabilities)		
Interest rate swap contracts – cash flow hedge	25,627,628	(73,066,596)
Total non-current derivative financial instrument assets (liabilities) – (Note.12 – Note.22)	25,627,628	(73,066,596)

3. Financial risk management (continued)

A Derivatives (continued)

(i) Classification of derivatives

Derivatives are accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting year.

The Group's accounting policy for its cash flow hedges is set out in note (2.10).

All derivative financial instruments are represented in interest rate swaps which have maturities of more than twelve months and are classified within 'non-current liabilities.

(ii) Hedge effectiveness

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability, such as all or some future interest payments on variable rate debt or a highly probable forecast transaction and could affect profit or loss.

A hedge is normally regarded as highly effective if, at inception and throughout the life of the hedge, the enterprise can expect changes in the cash flows of the hedged item to be almost fully offset by the changes in the cash flows of the hedging instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

In hedges of interest rate swap, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the derivative counterparty. It may occur due to:

- The credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- Differences in critical terms between the interest rate swaps and loans.

There was no ineffectiveness during the year in relation to the interest rate swaps.

B Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency and (b) interest rates, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

3. Financial risk management (continued)

B Market risk (continued)

(i) Currency risk

The Group is exposed to foreign exchange rates risk arising from various foreign currency exposures primarily with respect to currencies other than EGP.

Foreign exchange rates risks are the risks of fluctuations in the fair value of future cash flows of a financial instrument due to changes in foreign currency exchange rates.

The following analysis shows the foreign currencies position presented in Egyptian Pound at 31 December 2022 and 31 December 2021

	2022			2021
	Monetary financial assets	Monetary financial liability	Net position	Net position
USD	129,364,416	(148,581,792)	(19,217,376)	(58,203,837)
Euro	20,794,133	(8,927,557)	11,866,576	2,907,310
GBP	1,946,260	(3,446,500)	(1,500,240)	(381,341)
AED	29,113	-	29,113	68,350
SAR	-	(16,060,744)	(16,060,744)	(2,146,648)

There is no significant impact on the group's profits if the exchange rate of the Egyptian pound is strengthened or weakened by 10% against foreign currencies.

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

(ii) Price risk

The Group has no investments in a quoted equity security, so it's not exposed to the fair value risk due to changes in the prices.

(iii) Interest rate risk

The Group's interest rate risk arises from financial instruments issued at variable rates which expose the group to cash flow interest rate risk. During 31 December 2022 and 31 December 2021, the group's borrowings at variable rate were mainly denominated in Egyptian Pounds and US Dollars.

The Group's borrowings and receivables are carried at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant.

3. Financial risk management (continued)

B Market risk (continued)

(iii) Interest rate risk (continued)

The sensitivity of the consolidated statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for a year, based on the floating rate financial assets and financial liabilities held at 31 December 2022 and 31 December 2021.

	Increase / decrease in basis points	Effect on profit for the year EGP
31 December 2022		
EGP	10%	38,232,190
31 December 2021		
EGP	10%	16,328,563

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the Group agrees with other parties to exchange, at specified intervals (Semi-annually), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

The exposure of the Group's borrowing to interest rate changes and the contractual at the end of the reporting year are as follows:

	2022	% of loans	2021	% of loans
Variable rate borrowings	1,701,377,864	62%	1,220,805,288	68%

An analysis by maturities is provided in note (3.D) below. The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings.

The Group's income and operating cash flows are independent of changes in market interest rates. As the market dictates, the Group sometimes borrows at variable rates leaving certain exposure to changes in interest rate risk.

C Credit risk

The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

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3. Financial risk management (continued)

C Credit risk (continued)

Credit risk management

Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Limits

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

Credit risk grading system

For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies an approach based on risk grades estimated by external international rating agencies (Standard & Poor's – "S&P", Fitch, Moody's). Internal and external credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default as disclosed in the table below:

Corporates

Master scale credit risk grade	Corresponding ratings of external international rating agencies	Corresponding PD interval
Excellent	AAA to BB+	0,05% – 0,32%
Good	BB to B+	0,48% – 1,98%
Satisfactory	B, B-	3,13% – 6,52%
Special monitoring	CCC+ to C	28,3%
Default	D	100%

Sovereign

Master scale credit risk grade	Corresponding ratings of external international rating agencies	Corresponding PD interval
Excellent	AAA to BB+	0,05% – 0,443%
Good	BB to C	2,435% – 12,350%
Default	D	100%

3. Financial risk management (continued)

C Credit risk (continued)

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- Excellent – strong credit quality with low expected credit risk;
- Good – adequate credit quality with a moderate credit risk;
- Satisfactory – moderate credit quality with a satisfactory credit risk;
- Special monitoring – facilities that require closer monitoring and remedial management; and
- Default – facilities in which a default has occurred.

The rating models are regularly reviewed by management, back tested on actual default data and updated, if necessary. Despite the method used, the Group regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available.

Expected credit loss (ECL) measurement.

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof. Expected credit losses are modelled over the instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any.

Management models Lifetime ECL, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 12-month ECL, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these consolidated financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider forward looking information, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

3. Financial risk management (continued)

C Credit risk (continued)

For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- the borrower meets the unlikeliness-to-pay criteria listed below:
  - the borrower is deceased;
  - the borrower is insolvent;
  - the borrower is in breach of contract (s);
  - it is becoming likely that the borrower will enter bankruptcy; and

For purposes of disclosure, the Group fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Group's Management. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

The Group considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For trade and other receivable and contract assets:

- 360 days past due;
- Relative threshold defined on the basis of a portfolio for products without existing scoring models: the company regularly monitors debtors with increased credit risk and considers such portfolios to have a SICR;

The level of ECL that is recognised in these financial statements depends on whether the credit risk of the customer has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

3. Financial risk management (continued)

C Credit risk (continued)

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed. The Group therefore only recognises the cumulative changes in lifetime expected credit losses.

The Group has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings.

When assessment is performed on a portfolio basis, the Group determines the staging of the exposures and measures the loss allowance on a collective basis. The Group analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings is monitored and reviewed on a periodic basis.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for the future during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The key principles of calculating the credit risk parameters.

The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. For revolving products, the EAD is predicted by taking the current drawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. The Group uses different statistical approaches depending on the segment and product type to calculated lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data, hazard rate approach or other.

3. Financial risk management (continued)

C Credit risk (continued)

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support. The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event. The approach to LGD measurement can be divided into three possible approaches:

- measurement of LGD based on the specific characteristics of the collateral;
- calculation of LGD on a portfolio basis based on recovery statistics; or
- individually defined LGD depending on different factors and scenarios.

The Group calculates LGD based on specific characteristics of the collateral, such as projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash and liquid securities. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of the corporate loan portfolio and for retail secured and unsecured products.

Principles of assessment based on external ratings.

Certain exposures have external credit risk ratings and these are used to estimate credit risk parameters PD and LGD from the default and recovery statistics published by the respective rating agencies.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Group identified certain key economic variables that correlate with developments in credit risk and ECLs. Forecasts of economic variables (the "base economic scenario") are provided by the Group's management and provide the best estimate of the expected macro-economic development over the next five years. After five years, a mean reversion approach is used, which means that economic variables tend to revert to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP). The impact of the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Group's management also provides other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure that non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking into account the range of possible outcomes of which each chosen scenario is representative. The assessment of SICR is performed using the Lifetime PD under each of the bases and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether a 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability-weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

3. Financial risk management (continued)

C Credit risk (continued)

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such back testing is performed at least once a year.

The group has the following types of financial assets that are subject to the expected credit loss model:

- Trade receivables, and
- Debt investments carried at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of EAS 47, the identified impairment loss was immaterial.

Balances exposed to credit risks are as follows:

	2022	2021
Trade receivables and other debit balances	2,638,866,823	2,239,197,502
Cash on hand and at bank and highly liquid investment	5,942,747,824	5,001,836,592
Investments in treasury bills	-	695,489,281
	8,581,614,647	7,936,523,375

i- Trade receivables

The group applied the EAS 47 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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3. Financial risk management (continued)

C Credit risk (continued)

On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for trade receivables:

	Carrying amount – trade receivables	Expected credit loss rate	Loss allowance
31 December 2022			
House Gas	3,451,154	11.21%	(386,959)
TAQA Gas Services	10,154,033	2.76%	(280,072)
TAQA Gas	76,261,905	2.41%	(1,834,386)
Trans Gas	32,916,373	1.06%	(347,861)
Master Gas	99,991,152	0.70%	(696,131)
Qatar Gas Group Limited	81,930,095	19.65%	(16,096,112)
Global for Energy	301,153,299	12.15%	(37,936,873)
TAQA Electricity Generation & Distribution	4,629,926	-	-
TAQA Energy limited	10,962,488	-	-
TAQA for industrial zone	78,571,678	3.96%	(3,114,815)
TAQA Arabia for solar energy	33,129,549	1.25%	(414,679)
TAQA Arabia Solar PV	7,756,916	-	-
TAQA for Marketing Petroleum Products	27,541,433	-	-
	768,450,001		(61,107,888)

	Carrying amount – trade receivables	Expected credit loss rate	Loss allowance
31 December 2021			
House Gas	1,257,224	23.92%	(300,754)
TAQA Gas Services	8,162,702	3.43%	(280,072)
TAQA Gas	163,196,363	3.46%	(5,644,529)
Trans Gas	30,686,230	0.98%	(299,546)
Master Gas	23,247,545	20.42%	(4,746,682)
Qatar Gas Group Limited	49,598,771	16.9%	(8,374,473)
Global for Energy	480,205,165	7.9%	(37,936,873)
TAQA for industrial zone	26,383,163	16.39%	(4,323,345)
TAQA Arabia for solar energy	23,367,918	0.73%	(171,085)
TAQA for Marketing Petroleum Products	34,453,583	0%	-
	840,558,664		(62,077,359)

The closing loss allowances for trade receivables as at 31 December 2022 reconcile to the opening loss allowances as follows:

	2022
Opening loss allowance as at 1 January 2021	62,077,359
Provision formed	4,242,787
Provision utilized	(7,032,091)
Forex	5,274,490
Provision no longer required	(3,454,657)
Balance	61,107,888

3. Financial risk management (continued)

C Credit risk (continued)

(i) Trade receivables (continued)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period predetermined by the group.

Impairment losses on trade receivables is presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

ii) Debt investments (treasury bills)

All of the Group's debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months expected losses.

	2022	2021
Investment in treasury bills more than 3 months	-	695,489,281
loss allowances for treasury bills	-	(1,297,458)
	-	694,191,823
Investments in treasury bills less than 3 months	4,838,696,537	3,944,079,748
loss allowances for treasury bills	(1,123,893)	(16,768,062)
	4,837,572,644	3,927,311,686

The closing loss allowances for treasury bills as at 31 December 2022 reconcile to the opening loss allowances as follows:

	2022
Opening loss allowance as at 1 January	18,065,520
Allowance no longer required	(16,941,627)
Balance	1,123,893

D Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

3. Financial risk management (continued)

D Liquidity risk (continued)

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for: all non-derivative financial liabilities, and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2022	Less than 6 months	6 months to 1 year	1-2 Years	More than 2 years
Non derivatives				
Trade payables and other credit balances	3,407,872,666	-	-	328,752,388
Due to related parties	75,672,392	-	-	-
Borrowings	141,185,269	157,083,325	361,366,515	2,069,530,953
Future interest payments	176,048,218	172,929,185	306,635,073	1,230,443,823
Bank facilities	4,489,812,254	-	-	-
Lease liability	23,303,391	19,077,675	62,745,839	628,894,266
Financial guarantee less likely to be paid	383,025,414	-	-	-

31 December 2021	Less than 6 months	6 months to 1 year	1-2 Years	More than 2 years
Non derivatives				
Trade payables and other credit balances	2,904,361,841	-	-	360,653,736
Due to related parties	57,462,670	-	-	-
Borrowings	96,893,110	115,990,080	220,475,933	1,364,116,135
Future interest payments	70,252,764	66,792,456	178,599,384	528,270,972
Bank facilities	4,131,012,473	-	-	-
Lease liability	26,757,600	14,646,359	55,237,829	411,815,050
Financial guarantee less likely to be paid	383,025,414	-	-	-

(3.1) Management of capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders using the financial statements. The Groups also aims to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce the Group's debts.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity (as shown in the consolidated statement of financial position, including non-controlling interests). Net debt is calculated as total borrowings, bank overdrafts and lease liabilities less cash and bank balances and liquid investments. The total share capital comprises the amount of equity and net loans.

3. **Financial risk management (continued)**

(3.1) Management of capital (continued)

During 2022, the Group's strategy, which was unchanged from 2021, was to maintain a gearing ratio within 30% to 50%. The gearing ratios at 31 December were as follows:

	31 December 2022	31 December 2021
Total borrowings		
Borrowings	2,729,166,062	1,797,475,258
Bank facilities	4,489,812,254	4,131,012,473
Lease liabilities	734,021,171	508,456,838
Total borrowings	7,952,999,487	6,436,944,569
Less:		
Cash on hand and at bank and highly liquid investment	(5,941,520,176)	(4,984,964,775)
Investment in treasury bills	-	(694,191,823)
Net debt	2,011,479,311	757,787,971
Total equity	2,397,473,316	1,791,709,520
Total capital	4,408,952,627	2,549,497,491
Gearing ratio	46%	30%

Capital management

The Group manages its capital through the composition of net debt and total equity.

Debt covenants

The Group is required to comply with certain financial covenants (note17) for bank loan facilities and as at the consolidated statement of financial position date the group has complied with these covenants.

(3.2) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to settle 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 pay the liability takes place either:

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

The Group should be able to have access to the principal market or the most advantageous market. In the absence of principal market, the Group does not need to conduct a thorough search of all possible markets to determine the principal or the most advantageous market. However, the Group takes into consideration all information reasonably available.

3. **Financial risk management (continued)**

(3.2) Fair value estimation (continued)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards.

The following table presents the Group's financial instruments at 31 December 2022:

	Level 3	Total
Financial assets at fair value		
Financial assets at fair value through other comprehensive income (Note.13)	51,261,460	51,261,460
	Level 2	**Total**
Financial assets at fair value		
Hedging derivatives – Interest rate swaps (Note.12)	25,627,628	25,627,628

The following table presents the Group's financial instruments at 31 December 2021:

	Level 3	Total
Financial assets at fair value		
Financial assets at fair value through other comprehensive income (Note.13)	51,261,460	51,261,460
	Level 2	**Total**
Financial liabilities at fair value		
Hedging derivatives – Interest rate swaps (Note.22)	(73,066,596)	(73,066,596)

3. Financial risk management (continued)

3.2 Fair value estimation (continued)

Financial liabilities at fair value

Financial instruments represented in interest rate swaps are not traded in an active market, accordingly their fair value is determined by using valuation techniques.

(a) Valuation techniques used to determine fair values

These valuation techniques maximize the use of observable market data where it is available; and rely as little as possible on the Group's specific estimates.

If all significant inputs required to measure the fair value of the instrument are observable, the instrument is included in Level 2, otherwise it is included under Level 3.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date

The fair value for available for sale (level 3) has been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

(b) Valuation inputs and relationships to fair value

The following table summaries the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

	Fair value at		Un-observable inputs
	2022	2021	
Description			
Financial assets at fair value through other comprehensive income	51,261,460	51,261,460	DCF

(c) Valuation processes

- The finance department of relevant subsidiary includes a team that performs the valuations on quarterly basis. The finance department places a partial reliance on experts in the valuation of hedging derivatives.
- The main level 3 inputs used by the group are derived and evaluated as follows:
- Risk rate adjustment specific to the company is derived from the assessment of one-year default probability.

(d) Sensitivity analysis

Financial assets at fair value through other comprehensive income

There is no significant impact on the group's profits if the discount rate was lower or higher by 10% from management's estimates.

4. Critical accounting estimates and judgements in applying accounting policies

Estimates and adjustments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Accounting estimates and assumptions

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

(a) Impairment in goodwill

The Group tests annually whether it is probable that goodwill may suffer any impairment in value, based on the recoverable amount for the cash generating unit which estimated by calculating value in use using net estimated cash flows before taxes based on approved budgets from the Group management during next five years. Group management determines assumptions related to discount rates and cash flow forecasting based on sales growth, operating costs, estimated profits. Taking into consideration capital expenditures for future renewable plans.

(b) Expected credit losses for trade receivables

Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note (3.C). The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs o the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

(c) Deferred income tax assets recognition

The recognised deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

4 Critical accounting estimates and adjustments (continued)

4.1 Accounting estimates and assumptions (continued)

(d) Provisions

Provisions are related to claims expected to be made by third parties in connection with the Group's operations. Provisions is recognised based on management study and in-light of its advisors opinion and shall be used for its intended purposes. In case of any differences between the actual claims received and the preliminary recorded amounts, such differences will affect the year in which these differences are occurred.

(E) Useful lives of property, plant, and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.

4.2 Critical Judgements in applying the Group accounting policies

In general, applying the Group accounting policies does not require judgments (apart from those involving estimates, refer to Note 4-1) that have significant effects on the amounts recognised in the consolidated financial statements.

5. Property, plant and equipment

	Land	Buildings	Leasehold improvement	Machinery & Equipment	Motor vehicles	Furniture, office equipment, & computer	Generators, networks & pipelines, & station equipment	Solar power plant	Total
At 1 January 2021									
Cost	10,470,621	205,343,546	54,318,149	161,155,460	39,337,881	56,604,312	652,973,757	1,052,203,601	2,232,407,327
Accumulated Depreciation	-	(59,904,015)	(17,132,652)	(77,047,719)	(29,400,417)	(40,667,766)	(252,643,061)	(74,988,647)	(551,784,277)
Net book value	10,470,621	145,439,531	37,185,497	84,107,741	9,937,464	15,936,546	400,330,696	977,214,954	1,680,623,050
Year ended 31 December 2021									
Opening net book value	10,470,621	145,439,531	37,185,497	84,107,741	9,937,464	15,936,546	400,330,696	977,214,954	1,680,623,050
Additions	-	71,353,634	115,653,768	173,149,007	17,654,400	9,326,922	343,098,931	62,938,742	793,175,404
Depreciation charge	-	(11,470,416)	(9,280,852)	(19,853,613)	(4,980,822)	(7,713,648)	(48,069,428)	(44,806,366)	(146,175,145)
Disposals	-	(1,055,480)	(37,985)	(1,868,255)	(1,838,540)	(17,656)	(14,148,150)	-	(18,966,066)
Accumulated depreciation of disposals	-	423,494	20,692	1,084,055	1,748,607	17,656	9,434,206	-	12,728,710
Translation difference of cost	-	(1,052,820)	(511)	(63,125)	(38,321)	(33,923)	-	-	(1,188,240)
Translation difference of depreciation	-	94,470	32	52,761	37,138	24,198	-	2,546,973	2,755,572
Closing net book value	10,470,621	203,732,413	143,541,101	236,608,573	22,519,926	17,540,095	690,646,255	997,894,303	2,322,953,285
At 31 December 2021									
Cost	10,470,621	274,588,880	169,933,881	332,373,087	55,115,420	65,879,655	981,924,538	1,115,142,343	3,005,428,425
Accumulated Depreciation	-	(70,856,467)	(26,392,780)	(95,764,516)	(32,595,494)	(48,339,560)	(291,278,283)	(117,248,040)	(682,475,140)
Net book value	10,470,621	203,732,413	143,541,101	236,608,573	22,519,926	17,540,095	690,646,255	997,894,303	2,322,953,285
Year ended 31 December 2022									
Opening net book value	10,470,621	203,732,413	143,541,101	236,608,573	22,519,926	17,540,095	690,646,255	997,894,303	2,322,953,285
Additions	-	22,273,506	183,555,476	32,032,728	6,708,744	13,399,958	212,221,148	214,976,809*	685,168,369
Depreciation charge	-	(13,143,752)	(18,733,849)	(24,753,841)	(6,334,105)	(9,527,858)	(58,846,431)	(60,870,602)	(192,210,438)
Disposals	-	(22,350,781)	-	(1,903,778)	(688,750)	(3,136,691)	(1,643,037)	-	(29,723,037)
Accumulated depreciation of disposals	-	5,494,567	-	1,782,134	606,083	3,160,310	1,643,037	-	12,686,131
Translation difference of cost	-	-	30,717	1,824,778	1,781,040	1,549,659	-	634,559,958	639,746,152
Translation difference of depreciation	-	-	(26,878)	(1,385,853)	(1,633,244)	(899,365)	-	(79,871,314)	(83,816,654)
Closing net book value	10,470,621	196,005,953	308,366,567	244,204,739	22,959,694	22,086,108	844,020,972	1,706,689,154	3,354,803,808
At 31 December 2022									
Cost	10,470,621	274,511,605	353,520,074	364,326,815	62,916,454	77,692,581	1,192,502,649	1,964,679,110	4,300,619,909
Accumulated Depreciation	-	(78,505,652)	(45,153,507)	(120,122,076)	(39,956,760)	(55,606,473)	(348,481,677)	(257,989,956)	(945,816,101)
Net book value	10,470,621	196,005,953	308,366,567	244,204,739	22,959,694	22,086,108	844,020,972	1,706,689,154	3,354,803,808

5. Property, plant and equipment (continued)

* As a result of the reduction in the value of the Egyptian pound against the foreign currencies during the year ended 2022, the group has capitalized foreign exchange losses with an amount of EGP 37,498,768 as part of Solar power plant and this was according to appendix C of the Egyptian accounting standard (EAS 37) which has been added in respect to the decision of the prime mister no 4706 for year 2022

Depreciation expense is allocated in the consolidated statement of profit or loss, as follows:

	2022	2021
Cost of sales	184,783,854	140,582,939
General and administration expenses	7,426,584	5,592,206
	192,210,438	146,175,145

6. Assets under construction

	2022	2021
Power stations	30,856,987	2,971,162
Fuel stations	455,959,694	203,803,844
CNG stations	183,296,995	99,901,466
Water Station	15,967,822	2,344,731
Networks and pipelines	14,819,707	-
IT equipment and others	3,113,912	1,955,713
	704,015,117	310,976,916

The below table shows the movement of projects under construction during the year:

	2022	2021
Balance as at 1 January	310,976,916	548,034,097
Additions during the year	1,045,469,758	469,450,213
Transferred to fixed assets	(649,209,424)	(702,174,778)
Transferred to intangible assets	(3,222,133)	(4,332,616)
Balance at end of the year	704,015,117	310,976,916

7. Intangible assets

	Balance
Cost at 1 January 2020	24,083,546
Additions	1,203,328
Accumulated amortization	(5,108,067)
Net Book Value as at 31 December 2020 and 1 January 2021	20,178,807
Additions	4,944,876
amortization	(4,576,539)
Net book value 31 December 2021 and 1 January 2022	20,547,144
Transfer from PUC	3,222,133
Additions	707,610
Amortization	(3,563,789)
Net book value 31 December 2022	20,913,098

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7. Intangible assets (continued)

Amortization expense is allocated in the consolidated statement of profit or loss, as follows:

	2022	2021
Cost of sales	998,250	954,630
General and administrative expenses	2,565,539	3,621,909
	3,563,789	4,576,539

8. Goodwill

Goodwill arising on the acquisition of the following companies:

	2022	2021
Gas and Energy Company (TAQA Gas) *	314,649,020	314,649,020
Global Energy Company (Subsidiary of TAQA Electricity, Water and Cooling)	56,073,463	56,073,463
Qatar Gas Group	15,489,459	15,489,459
Trans Gas (Subsidiary of TAQA Gas)	5,648,763	5,648,763
House Gas (Subsidiary of TAQA Gas)	673,508	673,508
Master Gas (Subsidiary of TAQA Gas)	566,471	566,471
	393,100,684	393,100,684

* During 2021 City Gas that was registered in commercial register under number 513, Nile Valley Gas that was registered in commercial register under number 34689 and Repco Gas that was registered in commercial register under number 99360 have been merged with TAQA Gas that was registered in commercial register under number 1280 and this merge has been approved in the commercial register in 10 January 2021.

Impairment

The Group test the Goodwill impairment based on recoverable amount of cash-generating unit, which is estimated by calculating the value in use, using pre-tax cash flows based on financial budgets approved by management, which cover a period of five years maximum. The management determines the specific assumptions of cash flow forecasts based on past experience and expectations of the market.

(a) Goodwill Impairment Test

Goodwill is allocated to cash-generating units (CGUs, which represent the lowest level within the Group at which the goodwill is monitored by management which is the level of the operating segment) as follows:

8. Goodwill (continued)

(a) Goodwill Impairment Test (continued)

	2022	2021
Gas and Energy Company (TAQA Gas)	314,649,020	314,649,020
Global Energy Company (Subsidiary of TAQA Electricity, Water and Cooling)	56,073,463	56,073,463
Qatar Gas Group	15,489,459	15,489,459
Trans Gas (Subsidiary of TAQA Gas)	5,648,763	5,648,763
House Gas (Subsidiary of TAQA Gas)	673,508	673,508
Master Gas (Subsidiary of TAQA Gas)	566,471	566,471
	393,100,684	393,100,684

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

31 December 2022	Gas and Energy Company (TAQA Gas)	Global Energy Company (Subsidiary of TAQA Electricity, Water and Cooling)	Trans Gas (Subsidiary of TAQA Gas)	Qatar Gas Group
Growth rate beyond five years	3%	3%	3%	3%
Pre-tax discount rate	23.1%	21.3%	23.1%	12.4%

Growth rate: represent the average growth rate used to extrapolate the cash flows beyond the budget period. The growth rates are consistent with the forecast of the industry's reports.

Pre-tax discount rate: A weighted-average cost of capital was applied specific to each CGU as a hurdle rate to discount cash flows. The discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

(b) Sensitivity to the changes in the assumptions:

Management believe that no reasonable change in any of the above key assumptions (growth rate, and discount rate) would cause the carrying value of the CGU including goodwill to materially exceed its recoverable amount.

9. Subsidiaries financial highlights

Below is the main financial information of the subsidiaries at 31 December 2022 and 31 December 2021:

31 December 2022	Assets	Total equity	Revenue	Net profit (loss)
Gas and Energy Company "TAQA Gas" - SAE (Subsidiary)	2,565,438,715	237,542,888	1,631,777,686	219,287,565
TAQA for Electricity, Water and Cooling – SAE (Subsidiary)	314,781,331	213,529,994	-	(150,647)
TAQA Arabia BV(Subsidiary)	159,332,587	154,601,630	-	(1,756,849)
TAQA for Marketing Petroleum Products – SAE (Subsidiary)	1,518,042,929	219,511,757	6,031,788,475	99,147,513
Gas and Energy Group Limited – LLC(Subsidiary)	22,531,909	(300,370,943)	-	(76,888,430)
joint Libyan-Egyptian gas company	3,810,000	3,348,628	-	-
International Company for Gas works (House gas) (Subsidiary)	298,187,454	69,021,827	328,035,369	41,896,726
Pharaonic Gas Company – SAE(Subsidiary)	14,459,315	9,428,621	-	905,237
Qatar Group for Gas – LLC *(Subsidiary)	257,171,606	72,284,573	281,011,390	33,583,368
TAQA for Water Desalination & Treatment (Subsidiary)	60,831,171	9,105,327	1,347,386	(1,563,250)
Arab Company for Gas Services – LLC *(Subsidiary)	26,993,177	24,470,250	-	-
TAQA Gas Services (Subsidiary)	59,247,081	23,728,774	69,113,025	7,806,639
TAQA Arabia for Solar Power	1,790,384,709	483,273,744	218,170,366	27,738,216
TAQA for producing and distributing Electricity at free zones – SAE (Subsidiary	70,506,437	68,053,747	-	34,808,871
TAQA Arabia PV for solar energy	330,322,093	7,556,818	34,837,116	5,324,792
TAQA for producing and distributing Electricity	17,681,643	1,189,821	3,446,204	638,791
Master Gas	1,527,746,399	224,428,225	556,369,034	73,798,843
Rosetta for Energy Solutions	1,465,119	(13,269,603)	-	(16,269,603)
TAQA Arabia international Holding LTD	67,862,280	2,828,030	-	(1,206,759)

9. Subsidiaries financial highlights (continued)

31 December 2021	Assets	Total equity	Revenue	Net profi (loss)
Gas and Energy Company "TAQA Gas" - SAE (Subsidiary)	2,288,935,276	221,405,702	1,254,988,960	280,907,5
TAQA for Electricity, Water and Cooling - SAE (Subsidiary)	238,222,992	213,680,641	-	(673,7
TAQA Arabia BV(Subsidiary)	159,300,771	156,947,681	-	(594,6
TAQA for Marketing Petroleum Products - SAE (Subsidiary)	1,055,568,591	146,717,004	5,448,151,733	100,826,8
Gas and Energy Group Limited – LLC(Subsidiary)	9,628,357	(223,482,513)	–	(32,128,8
joint Libyan-Egyptian gas company	3,810,000	3,348,628	-	
International Company for Gas works (House gas) (Subsidiary)	231,503,198	49,068,351	229,490,312	11,164,4
Pharaonic Gas Company – SAE(Subsidiary)	11,567,020	8,523,384	–	(294,1
Qatar Group for Gas - LLC *(Subsidiary)	138,884,008	29,528,668	181,624,524	23,871,5
TAQA for Water Desalination & Treatment (Subsidiary)	6,961,401	5,668,576	-	(6,831,4
Arab Company for Gas Services – LLC *(Subsidiary)	26,993,177	24,470,250	-	
TAQA Gas Services (Subsidiary)	30,415,959	16,711,611	51,126,567	5,540,1
TAQA Arabia for Solar Power	1,168,344,292	241,782,392	169,827,310	28,144,3
TAQA for producing and distributing Electricity at free zones - SAE (Subsidiary	34,700,000	33,244,876	-	(517,6
TAQA Arabia PV for solar energy	75,943,829	2,232,027	1,610,395	732,0
TAQA for producing and distributing Electricity	4,225,758	551,030	506,613	51,0

10. Right of use assets

	2022	2021
Balance at 1 January	469,464,899	347,420,549
Additions during the year	248,843,124	154,968,531
Amortization expenses	(47,136,326)	(30,348,904)
Exchange differences	1,972,632	(45,660)
Disposal	(9,243,092)	-
Adjustment	-	(2,529,617)
Balance as of 31 December	663,901,237	469,464,899

Right of use assets represent properties rented by the group.

10. Right of use assets (continued)

Amortization expense is allocated in the consolidated statement of profit or loss, as follows:

	2022	2021
Cost of sales	36,612,943	24,788,477
General and administrative expenses	10,523,383	5,560,427
	47,136,326	30,348,904

11. Inventories

	2022	2021
Raw materials	654,879,595	276,140,775
Finished goods	95,901,866	65,281,335
Spare parts	94,649,264	75,383,175
	845,430,725	416,805,285
Less: provision of inventory write-downs	(8,106,936)	(8,106,936)
	837,323,789	408,698,349

12. Trade receivables and other debit balances

(a) Non-current

	2022	2021
Deposits with others	193,745,218	179,834,060
Trade receivables	88,132,524	71,564,793
Prepaid expenses	1,314,604	432,701
Derivative financial instrument – interest rate swap	25,627,628	-
	308,819,974	251,831,554

(b) Current

	2022	2021
Trade receivables	768,450,001	840,558,664
Prepayments and advance to suppliers	177,516,922	185,924,264
Notes receivable	140,393,718	141,285,647
Construction contracts in progress	114,497,995	83,790,044
Deposits with other	29,919,031	20,498,263
Staff loans	18,067,441	13,189,856
Other receivables	1,081,201,741	702,119,210
	2,330,046,849	1,987,365,948
Less		
Impairment of trade receivables and other debit balances (3C)	(61,107,888)	(62,077,359)
	2,268,938,961	1,925,288,589

12. Trade receivables and other debit balances (continued)

(b) Current (continued)

(1) Classification of trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in Note (3C).

(2) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the group. Interest may be charged at commercial rates.

(3) Impairment of trade receivables

For information about the impairment of trade receivables refer to Note (3C).

13. Financial assets at fair value through other comprehensive income

	2022	2021
Orient investment properties ltd.	51,261,460	51,261,460
	51,261,460	51,261,460

During the year 2019, TAQA Arabia Company acquired 3,000,000 ordinary shares in Orient Investment Properties at USD 1.00 per share, amounting to USD 3,000,000 (equivalent to EGP 51,261,460) Ltd.

TAQA Arabia Company did not exert significant influence over the above investment as the company does not participate in policy making processes, has no material transactions, and does not exchange managerial personnel or provide essential technical assistance. The company does not have control, or joint control over this investment.

14. Related parties

The Group entered into several transactions with companies and entities that are included within the definition of related parties, as stated in EAS 15, "Disclosure of related parties". The related parties comprise the Group's board of directors, their entities, companies under common control, and/ or joint management and control, and their partners and employees of senior management. The management decides the terms and conditions of transactions and services provided from/ to related parties, as well as other expenses.

The ultimate parent is Citadel Capital Company S.A.E

14. Related parties (continued)

14.1 The below table summarises the nature and volume of transactions with related parties during the year.

Name of the Company	Nature of relationship	Nature of transactions	2022	2021
Castrol Egypt	Associate	Sale of lubricants	140,786,927	81,111,303
ARESCO	Affiliate	Construction works	43,317,714	-
ASIC Automation	Affiliate	Construction works	30,553,898	-

The transactions with related parties resulted in the following balances at year end:

14.2 Due from related parties – non-current

	2022	2021
Castrol Egypt	39,200,000	39,200,000
	39,200,000	39,200,000

14.3 Due from related parties – current

	2022	2021
ASEC Automation	27,299,985	-
ARESCO	117,160	-
	27,417,145	-

14.4 Due to related parties

	2022	2021
Castrol Egypt	58,645,664	37,378,871
Silverstone Capital Investments ltd	15,801,405	18,638,475
Trimestone Assets Holdings Limited B.V.I.	1,107,023	1,305,784
Citadel Capital for International Investment ltd.	118,300	139,540
	75,672,392	57,462,670

14.5 Key management compensation

TAQA group key management compensation within all the Group Companies represents short term employee benefits which is amounting to EGP 107,447,787 for 31 December 2022 and EGP 205,935,245 for 31 December 2021 and does not include post-employment benefits, termination benefits or shared based payments.

15. Cash on hand and at bank and highly liquid investment

	2022	2021
Cash on hand and at banks*	692,581,405	641,307,093
Time deposit **	411,469,882	416,449,751
Investments in treasury bills less than 3 months	4,838,696,537	3,944,079,748
	5,942,747,824	5,001,836,592
Loss allowances for treasury bills ***	(1,123,893)	(16,768,062)
Loss allowances for time	(103,755)	(103,755)
	5,941,520,176	4,984,964,775

* Cash on hand and at Banks disclosed above and in the statement of cash flows include EGP 84 M represent debt service reserve account for TAQA solar loan with IFC against interest and instalment payment for the period of 6 months and foreign currency availability reserve for 3 months of interest and instalment.

** Time deposits disclosed above include short-term deposits amounting to EGP 383M that are held by HSBC bank as collateral against the loan granted by HSBC Bank Egypt to Citadel Capital for International Investments and its renewal every 6 months and last renew was on 31 December 2022.

Impairment of treasury bills

*** For information about the impairment of treasury bills refer to Note (3C).

For cash flow purposes, cash and cash equivalents comprise the following:

	2022	2021
Cash on hand and at banks	692,581,405	641,307,093
Time deposits	411,469,882	416,449,751
Investments in treasury bills less than 3 months	4,838,696,537	3,944,079,748
Less: restricted cash	(383,025,414)	(383,025,414)
	5,559,722,410	4,618,811,178

16. Bank facilities

	2022	2021
TAQA Gas Group	687,112,141	856,316,853
Power Group	1,622,249,584	1,365,751,375
TAQA Marketing	346,925,837	177,506,491
Qatar Gas Group	16,992,155	2,382,809
TAQA Arabia	1,816,532,537	1,729,054,945
	4,489,812,254	4,131,012,473

The above bank facilities are represented in bank overdrafts that are mainly secured by the treasury bills.

17. Borrowings

	2022	2021
Non-current portion		
HSBC	264,231,267	223,172,550
NBE	735,887,684	259,448,158
Emirates NBD	329,389,554	352,327,542
European bank for reconstruction & development EBRD	88,785,655	56,283,952
IFC	1,012,603,308	693,359,866
	2,430,897,468	1,584,592,068

	2022	2021
Current portion		
HSBC	90,000,000	90,000,000
NBE	85,435,323	39,486,173
Emirates NBD	28,181,741	24,148,085
European bank for reconstruction & development EBRD	13,659,330	8,662,265
IFC	80,992,200	50,586,667
	298,268,594	212,883,190
	2,729,166,062	1,797,475,258

	2022	2021
Accrued interest	348,977,403	137,045,221

Loans repayment schedule:

	Less than six months	6 months to 1 year	1-2 Years	More than 2 years
31 December 2022				
Loans principal	141,185,269	157,083,325	361,366,515	2,069,530,953

	Less than six months	6 months to 1 year	1-2 Years	More than 2 years
31 December 2021				
Loans principal	96,893,110	115,990,080	220,475,933	1,364,116,135

The main terms and conditions of outstanding loans are as follows:

(a) TAQA Marketing

(1) National Bank of Egypt

- A loan of EGP 20 million was obtained from the Bank. The amount of the loan drawdown as of 31 December 2022 amounted to EGP 16.8 million in addition to accrued interest. The payment is made on 20 equal quarterly instalments. The premium is EGP 914,265 and the first instalment is due in December 2017. The last instalment is due in July 2022.

17. Borrowings (continued)

(a) TAQA Marketing (continued)

(1) National Bank of Egypt (continued)

- A loan of EGP 50 million was obtained from the Bank. The amount of the loan drawdown as of 31 December 2022 amounted to EGP 50 million in addition to accrued interest. The payment is made on 20 equal quarterly instalments. The premium is EGP 2,500,000 and the first instalment is due in August 2021. The last instalment is due in Aug 2026.
- loan of EGP 15.8 million was obtained from the Bank. The amount of the loan drawdown as of 31 December 2022 amounted to EGP 15.8 million in addition to accrued interest. The payment is made on 20 equal quarterly instalments. The premium is EGP 790,000 and the first instalment is due in March 2021. The last instalment is due in December 2025.

Securities

- The company shall undertake an irrevocable power of attorney to authorize the Bank to activate a commercial mortgage of the first class on new tank in Suez Terminal financed through 15.8 million loan
- Not to distribute any profits until after payment of all the bank's receivables in that year including the original amount and its proceeds.
- The "financial leverage" ratio shall not exceed 2 for the duration of the loan.
- The ratio of "total bank debt to total equity" shall not exceed 1.5: 1 throughout the term of the loan.
- The rate of coverage of loans and returns shall not be less than (1) times.
- Total liabilities to total equity not to exceed 3:1
- Not to arrange any mortgage or any power of attorney for sale or mortgage for any projects financed through NBE.

Med-term loan to finance the construction of Alexandria warehouse

- The loan was signed on 3 June 2021
- The loan was obtained in the amount of EGP 337.9 million from the Bank with an interest rate of the corridor rate declared by the central bank of Egypt plus margin.
- The loan term is 8 years, including a 3 year withdrawal period and a 3 year grace period.
- The amount of the loan drawdown as of 31 December 2022 is EGP 232.8 M.

Securities

TAQA Arabia undertakes to pay the rent of the warehouse in case that the lender was not able to pay it.

Med-term loan to finance construction of 7 car refueling stations

- The loan was obtained in the amount of EGP 70.2 million from the Bank with an interest rate of the corridor rate declared by the central bank of Egypt plus margin.
- The term of the loan is 6.5 years, including a withdrawal period and a grace period of one and a half years.
- The amount of the loan drawdown as of 31 December 2022 is 37 M.

TAQA ARABIA COMPANY (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2022

(In the notes all amounts are shown in EGP unless otherwise stated)

17. Borrowings (continued)

(a) TAQA Marketing (continued)

(1) National Bank of Egypt (continued)

Securities

There should be an insurance policy for these stations in favor of the bank.

(2) Emirates NBD

The loan was obtained in the amount of EGP 25 million from the Bank. The amount of the loan drawdown as of 31 December 2022 amounted to EGP 18.4 million in addition to the accrued interest.

The payment is made on 24 equal quarterly instalments. The premium is EGP 1,086,625. The first instalment is repayable in May 2019. The last instalment is due in January 2024.

Securities

The company shall undertake an irrevocable power of attorney to authorize the Bank to activate a commercial mortgage of the first class on the assets of the company subject to the loan.

The company undertakes the following:

- Not to distribute any profits until after payment of all the bank's receivables in that year including the original amount and its proceeds.
- Debt service shall not be less than 1.1: 1 loan period.
- The "leverage" ratio shall not exceed 2.5: 1 throughout the loan period.

(b) TAQA Arabia

HSBC bank

A loan of EGP 450 million was obtained from the bank on 17 October 2017, the amount of the loan drawdown as of 31 December 2022 amounted of EGP 225 million in addition to the accrued interest.

- Payment is made on 12 semi-annual instalments and is due to be repaid first instalment in March 2019. The final instalment is due in March 2025.

Securities

- Pledge the shares of the Gas Group and its subsidiaries.
- Has pledged to transfer the profits of the gas group and its subsidiaries to TAQA Arabia with HSBC, so that the transferred amounts will be covered by 1.25 times of the annual paid.
- Non-distribution of dividends to TAQA Arabia's shareholders in the event of a breach or failure of the Bank to satisfy the debt service rate.

17. Borrowings (continued)

(c) TAQA industrial zone

ENBD

A loan of EGP 366.7M was obtained from the bank on 1 September 2019 with interest rate of corridor plus margin, the amount of the loan drawdown as of 31 December 2022 amounted of EGP 366.7 M. in addition to the accrued interest.

- Payment is made on quarterly instalments and is due to be repaid first instalment in June 2022. The final instalment is due in March 2031.

Securities

- The bank has been granted a power of attorney for commercial mortgage of TAQA for industrial zones.
- Assigning all cash and financial revenues and revenues generated by the funded project.

(d) TAQA Solar

IFC

The company signed the contract with a group of international lenders led by international finance corporation (IFC) and other international corporations on October 2017 to obtain a loan to finance a construction of the solar power plant in Benban zone of Aswan Governorate with an amount of USD 54.2M with interest rate of LIBOR for six months plus margin. The loan will be repaid on 33 equal instalments due from 15 July 2019 to 15 July 2035.

The Securities created to the Lenders under TAQA Solar project

- Offshore securities
- Equity Subordination And Assignment Deed
- Offshore Assignment Deed
- Reinsurance Assignment Deed
- Offshore Share Pledge Agreement
- Onshore securities
- Moveable Collateral Register POA
- Movables Pledge Agreement
- Onshore Share Pledge (TAQA Solar- Swenett Solar B.V)
- Onshore Share Pledge POA
- Assignment of Onshore Accounts Agreement
- Onshore Assignment Agreement
- Onshore Assignment of Insurance Agreement
- Assignment of Equity Subordinated Lender Loan Agreement (TAQA Arabia S.A.E)
- Assignment of Equity Subordinated Lender Loan Agreement (Hassan Allam Holding S.A.E)

17. Borrowings (continued)

(d) TAQA Solar (continued)

IFC (continued)

Debt covenants

- The Borrower must not make, pay or permit a Distribution unless the Prospective Debt Service Cover Ratio is not less than 1.2:1
- No default has occurred and is continuing at the time of any planned distribution
- The Borrower is maintaining the Required balances of the Maintenance Reserve Account, Debt Service Reserve Account and CSA Reserve Account
- Sponsors should retain at least 51% ownership at all the loan duration

The Borrower must ensure that, at any time following the Commercial Operation Date, the average Performance Factor over any twelve (12) Billing Periods (as defined in the PPA) is not less than zero point eight (0.8)

(e) Master gas Company

National Bank of Egypt:

(1) A loan of EGP 200 million was obtained from the Bank. The amount of the loan drawdown as of 31 December 2022 amounted to EGP 192 million in addition to accrued interest. The payment is made on 28 equals quarterly instalments. and the first instalment is due in 31 October 2021. The last instalment is due in July 2028. The balance as of 31 December 2022 is 157M

Securities

- Not to make any dividend distributions during the life of the financing with the possibility of making distributions in the case of the Borrower's obligation to pay all the amounts due thereon to the Bank and obligation to financial undertakings after obtaining the Bank's prior written consent.
- Not to sell, mortgage and/or issue a power of attorney to sell, mortgage, waive or lease any of its assets, before obtaining the Bank's prior written consent.
- Insure the stations, subject of financing, during the construction period against the risks of contractors and after operation against the risk of fire within the user's limits of financing, provided that the insurance policies for the stations financed by the Bank shall be waived in favor of the Bank.
- Not to increase the ratio of total liabilities to total equity for 1:3.5
- Not to increase the ratio of total Bank debts to total equity for 1:3
- The coverage rate of loan instalments and returns for the Borrower shall not be less than 1 time.

(2) Long term loan to finance construction of 40 stations to supply cars with natural gas

- The loan was obtained in the amount of EGP 508 million from the Bank with an interest rate of margin above the corridor (Lending) declared by the central bank of Egypt.

17. Borrowings (continued)

(e) Master Gas (continued)

National Bank of Egypt (continued)

- The term of the loan is 8 years, including a withdrawal period and a grace period of one year since the contract signing date. The Company extended withdrawal and grace period another six months without any extension in the loan period. The first instalment is due on June 2023.
- The amount of the loan drawdown as of 31 December 2022 is EGP 350 M.

Securities

There should be an insurance policy for these stations in favor of the bank.

(f) TAQA Solar PV

(1) European bank for reconstruction & development EBRD

- On December 10, 2020, the company signed a long-term loan contract with Global Energy Company "associate" and EBRD bank for the purpose of financing the company's projects from investment costs, the total amount of financing amounted to 10 million dollars divided into three Tranches, each tranche shall be withdrawn after completing the requirements, at a variable interest rate at an average.

- The loan is repaid in semi-annual instalments over 8 years, either (a) after six months from the date of completion of the project, or (b) after two years from the date of signing the contract, whichever is earlier.

- On December 31, 2022, the balance of the long-term loan amounted to 4,147,000 US dollars, equivalent to 102,444,985 Egyptian pounds.

(2) HSBC

- On May 16, 2022, the company signed a medium-term loan contract from HSBC bank for the purpose of financing the company's projects from investment costs, the total amount of financing amounted to 70,959,230 EGP.
  Payment is made on Semi-annual instalments and is due to be repaid first instalment in November 2023.
- On December 31, 2022, the balance of the loan amounted to 45,184,201 EGP.

- On November 14, 2022, the company signed a medium-term loan contract from HSBC bank for the purpose of financing the company's projects from investment costs, the total amount of financing amounted to 182,919,700 EGP.
- Payment is made on Semi-annual instalments and is due to be repaid first instalment in May 2024.
- On December 31, 2022, the balance of the loan amounted to 85,285,235 EGP.

Compliance with loan covenants

The group has complied with the financial covenants of its borrowing facilities as of the year ended 31 December 2022 and year ended 31 December 2021.

TAQA ARABIA COMPANY (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2022

(In the notes all amounts are shown in EGP unless otherwise stated)

18. Trade payables and other credit balances

	2022	2021
Accounts payable	1,423,443,912	1,377,666,564
Deposits from others	155,623,116	131,370,601
Accrued expenses	729,093,949	461,110,033
Deferred revenue*	769,137,591	499,837,621
Other payables	135,825,656	230,036,108
Notes payables	17,804,932	39,023,577
Tax authority	176,943,511	165,317,337
	3,407,872,666	2,904,361,841

* The below table shows the movement of deferred revenues.

	2022	2021
Balance at the beginning of the year	499,837,621	196,735,865
Additions	7,443,239,635	6,586,808,014
Released to revenue	(7,173,939,665)	(6,283,706,258)
	769,137,591	499,837,621

19. Provisions

	2022	2021
Beginning balance	278,606,117	230,140,638
Provisions formed	151,212,743	103,840,859
Provisions used	(71,825,715)	(55,375,380)
Transfer from liabilities	17,836,071	-
Ending balance	375,829,216	278,606,117

The provisions for claims have been formed against the probable claims from external parties in relation to group activities. Information usually published on the provisions made according to accounting standards was not disclosed, as the management believes that doing so may seriously affect the outcome of negotiations with that party. The management reviews these provisions on a yearly basis, and the allocated amount is adjusted according to the latest developments, discussions and agreements with such parties.

20. Paid up capital

The Group's authorized capital is EGP 1,200,000,000 represented in 120,000,000 ordinary shares of EGP 10, each.

The issued and fully paid up share capital of the Company is EGP 676,176,900 represented in 67,617,690 ordinary shares of EGP 10, each.

the Extraordinary General Assembly meeting held on December 22, 2019, approved to implement the stock split by adjusting the par value of the share from 10 Egyptian pound (Ten Egyptian pounds) to 0.5 Egyptian pounds (Half Egyptian pound) and it was authenticated on December 24, 2019.

Accordingly, the group's authorized capital will be EGP 1,200,000,000 represented in 2,400,000,000 ordinary shares of EGP 0.5, each.

The issued and fully paid up share capital of the Company is EGP 676,176,900 represented in 1,352,353,800 ordinary shares of EGP 0.5 (Half Egyptian pound), each.

The ultimate parent is Citadel Capital Company S.A.E
The following table presents the paid-up capital for the year ended December 2022:

Shareholders	Number of shares	Capital EGP	Participation %
Financial Holdings International LTD	48,086,481	24,043,240	3.55%
Silverstone Capital Investment LTD	1,079,246,964	539,623,482	79.80%
Citadel Capital for International Investments LTD	8,079,980	4,039,990	0.60%
Rolaco EGB for investment	53,031,300	26,515,650	3.92%
Trimstone Assets Holdings LTD	75,610,440	37,805,220	5.59%
Hana investment Co (W.L.L)	67,617,700	33,808,850	5%
Other investors	20,680,935	10,340,468	1.54%
	1,352,353,800	676,176,900	100%

The following table presents the paid-up capital for the year ended December 2021:

Shareholders	Number of shares	Capital EGP	Participation %
Financial Holdings International LTD	48,086,481	24,043,240	3.55%
Silverstone Capital Investment LTD	1,079,246,964	539,623,482	79.80%
Citadel Capital for International Investments LTD	8,079,980	4,039,990	0.60%
Rolaco EGB for investment	53,031,300	26,515,650	3.92%
Trimstone Assets Holdings LTD	75,610,440	37,805,220	5.59%
Hana investment Co (W.L.L)	67,617,700	33,808,850	5%
Other investors	20,680,935	10,340,468	1.54%
	1,352,353,800	676,176,900	%100

During the current year, Silverstone capital Investment LTD has disposed some of its shares totaling 8,079,980 shares with a nominal value of EGP 4,039,990 in the paid-up capital which was acquired by another investor. No change in the paid-up capital has occurred as a result of the disposal and the acquisition of these shares.

21. Reserves

	2022	2021
Legal reserve *	84,405,204	74,146,808
Translation reserve	130,928,214	14,274,461
Other reserve **	(2,670,051)	(2,670,051)
Hedging reserve - interest rate swap ***	16,636,999	(36,815,539)
Reclassification for a spilt of TAQA for Electricity, Water and Cooling - SAE (Subsidiary)****	53,136,000	53,136,000
	282,436,366	102,071,679

* According to the Egyptian Companies' Law 159 for the year 1981 and the Group companies' statue, the Group companies are required to set aside 5% of the annual net profit to form a legal reserve. The transfer to legal reserve ceases once the reserve reach 50% of the issued share capital. The reserve is not eligible for distribution to Shareholders.

If the reserve falls below the defined level (50% of the paid share capital, then the Group is required to resume setting aside 5% of the annual profit until it reaches 50% of the issued share capital.

** This amount is represented in the excess of paid amount over book value of acquired shares due to the change in the group ownership interest in subsidiaries that don't result in a loss of control.

*** TAQA Solar company a subsidiary of TAQA Arabia has entered into a finance agreement with International finance Corporation to obtain a loan to finance the Solar energy project, by which the company was obliged to cover the risk of change in variable interest rates for 6 months US dollar Libor rate and this by entering into an interest rate swap contract and this by fixing 6 months US dollar Libor rate to be % 3.417.

**** This reclassification represents the retained earnings of TAQA for electricity, water and cooling S.A.E. that was used to increase the capital of TAQA for electricity, water and cooling S.A.E and TAQA Electricity, Generation and Distribution in Industrial Zones as a result of the split of TAQA for electricity, water and cooling and based on the report issued by GAFI and at the consolidation level this retained earning cannot be distributed, accordingly it has been reclassed to other reserve.

22. Long term liabilities

	2022	2021
Gas consumption and meter deposits	7,866,961	7,866,961
Power consumption deposits	277,059,527	254,414,213
Derivative financial instrument – interest rate swap	-	73,066,596
Other long-term liabilities	43,825,900	25,305,966
	328,752,388	360,653,736

23. Lease liabilities

	2022	2021
Lease liability recognized as at the beginning of the year	508,456,838	347,823,528
(Less) lease payments during the year	(80,046,173)	(37,594,298)
Addition	248,843,124	154,968,532
Interest expense	66,173,537	43,098,507
Disposal	(11,406,970)	-
Forex	2,000,815	160,569
	734,021,171	508,456,838
(Less) Current lease liability	(42,381,066)	(41,403,959)
Non-current lease liability	**691,640,105**	**467,052,879**

	2022	2021
Commitments in relation to leases are payable as follows:		
Within one year	95,912,495	68,597,909
Later than one year	304,928,473	185,209,700
Later than five years	1,498,412,505	1,043,041,668
Minimum lease payments	**1,899,253,473**	**1,296,849,277**
The present value of lease liabilities is as follows:		
Within one year	42,381,066	41,403,959
Later than one year	195,691,359	157,574,424
Later than five years	495,948,746	309,478,455
Present Value of Minimum Lease Payments	**734,021,171**	**508,456,838**

24. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using an effective tax rate of 22.5%:

24. Deferred tax (continued)

24.1 Deferred tax assets

	Property & equipment	Right of use assets (EAS 47)	Impairment of treasury bills	Accumulated losses	Provisions	Un-realised foreign currency exchange losses	Derivative financial instruments cash flow hedge	Total
Opening balance as at 1 January 2021 –	-	8,758,980	-	1,361,209	-	1,381,362	26,131,580	37,633,131
Deferred income tax charged to statement of profit or loss	-	-	6,201,710	14,612,678	-	-	-	20,814,388
Deferred income tax recognised in equity statement (Cash flow hedge)	-	-	-	-	-	-	(9,454,400)	(9,454,400)
Balance at 31 December 2021	-	8,758,980	6,201,710	15,973,887	-	1,381,362	16,677,180	48,993,119
Opening balance as at 1 January 2022	-	8,758,980	6,201,710	15,973,887	-	1,381,362	16,677,180	48,993,119
Reclasses	1,832,211	761,599	(2,497,435)	(7,546,726)	11,313,006	93,544	-	3,956,199
Deferred income tax charged to statement of profit or loss	(565,782)	4,551,957	(3,575,561)	15,948,472	18,805,667	13,062,086	-	48,226,839
Deferred income tax recognised in equity statement (Cash flow hedge)	-	-	-	-	-	-	(21,153,082)	(21,153,082)
Forex	-	40,481	-	-	-	1,202,350	4,475,902	5,718,733
Balance at 31 December 2022	1,266,429	14,113,017	128,714	24,375,633	30,118,673	15,739,342	-	85,741,808

24. Deferred tax (continued)

24.2 Deferred tax liabilities

	Property & equipment	Right of use assets (EAS 47)	Un-realised foreign currency exchange losses	Derivative financial instruments cash flow hedge	Total
Balance at 1 January 2021	52,309,627	-	-	-	52,309,627
Deferred income tax charged to statement of profit or loss	40,227,517	-	-	-	40,227,517
Balance at 31 December 2021	92,537,144	-	-	-	92,537,144
Reclasses	3,953,254	2,945	-	-	3,956,199
Deferred income tax charged to statement of profit or loss	40,174,538	185,289	10,835,055	-	51,194,882
Deferred income tax recognised in equity statement (Cash flow hedge)	-	-	-	4,711,052	4,711,052
Forex	5,944,004	-	-	848,511	6,792,515
Balance at 31 December 2022	142,608,940	188,234	10,835,055	5,559,563	159,191,792

25. Current income tax liabilities

	2022	2021
Opening balance	145,466,865	132,547,082
Current income tax expense	197,466,277	162,537,084
Current income tax payment	(58,711,832)	(76,212,579)
Withholding tax payment	(111,141,115)	(61,661,952)
Adjustment	-	(11,742,770)
	173,080,195	145,466,865

26. Derivative financial instrument asset (liability)

	2022	2021
Derivative financial instrument - interest rate swap	25,627,628	(73,066,596)
	25,627,628	(73,066,596)

TAQA Solar company a subsidiary of TAQA Arabia has entered into a finance agreement with International finance Corporation to obtain a loan to finance the Solar energy project, by which the company was obliged to cover the risk of change in variable interest rates for 6 months US dollar Libor rate and this by entering an interest rate swap contract and this by fixing 6 months US dollar Libor rate to be 3.417%

The main terms of the transactions are as follows:
Effective date: 2 July 2018
Termination date: 15 Jan 2032.
Fixed rate paid by the company is 3.417%.

26. Derivative financial instrument asset (liability) (continued)

The following table summarizes the hedging asset (liabilitys) movement:

Interest rate swaps – cash flow hedges

Balance at 1 January 2021	(114,705,426)
Recognition of fair value of interest rate swaps contract	41,638,830
Balance at 31 December 2021 and 1 January 2022	(73,066,596)
Recognition of fair value of interest rate swaps contract	114,951,693
Cumulative translation differences	(16,257,469)
Balance at 31 December 2022	25,627,628

Notes to the consolidated financial statements - For the year ended 31 December 2022

(In the notes all amounts are shown in EGP unless otherwise stated)

27. Revenues

Disaggregation of revenue from contracts with customers

	Fuel & lubes revenue	Electricity supplies revenue	Gas networks construction revenue	Sales commission	Gas cars conversion & gas sales revenue	Total
31 December 2022						
Revenues from external customers	6,031,788,475	2,012,321,590	1,847,366,402	279,990,925	556,369,034	10,727,836,426
Timing of revenue recognition						
At a point in time	6,031,788,475	1,131,271,439	1,141,954,545	279,990,925	556,369,034	9,141,374,418
Over time	-	881,050,151	705,411,857	-	-	1,586,462,008
	6,031,788,475	2,012,321,590	1,847,366,402	279,990,925	556,369,034	10,727,836,426

	Fuel & lubes revenue	Electricity supplies revenue	Gas networks construction revenue	Sales commission	Gas cars conversion & gas sales revenue	Total
31 December 2021						
Revenues from external customers	5,448,151,733	1,753,937,263	1,252,993,463	333,199,542	313,734,306	9,102,016,307
Timing of revenue recognition						
At a point in time	5,448,151,733	982,952,422	926,582,811	333,199,542	313,734,306	8,004,620,814
Over time	-	770,984,841	326,410,652	-	-	1,097,395,493
	5,448,151,733	1,753,937,263	1,252,993,463	333,199,542	313,734,306	9,102,016,307

TAQA ARABIA COMPANY (S.A.E.) AND ITS SUBSIDIARIES

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(In the notes all amounts are shown in EGP unless otherwise stated)

28. Cost of revenues

	2022	2021
Fuel and lubes cost	5,858,079,395	5,265,797,450
Electricity supplies cost	1,412,463,187	1,301,800,722
Gas networks construction cost	1,357,030,853	900,473,613
Purchase of gas	278,148,085	128,745,281
Depreciation and amortization	222,395,047	166,326,046
Salaries and wages	199,139,347	161,994,367
Other	106,598,259	109,594,153
	9,433,854,173	8,034,731,632

29 Administrative expenses

	2022	2021
Salaries and wages	166,843,643	142,329,589
Professional fees	27,280,445	22,636,487
Maintenance and repair	3,571,586	2,142,435
Depreciation and amortization	20,515,506	14,774,541
IT and telecommunication expense	8,482,546	10,791,822
Other	44,470,331	42,713,679
Rent expense	3,049,787	9,119,486
Travel expense	14,977,408	7,303,114
Insurance expense	5,139,639	4,330,494
Publication and events	5,679,459	3,924,677
Utility	2,562,393	1,793,598
	302,572,743	261,859,922

30 Other expenses

	2022	2021
Other expenses	788,368	31,649,309
Provision *	151,212,743	103,840,859
	152,001,111	135,490,168

* Out of the total provision and other expenses EGP 9,128,299 as of 31 December 2022, and EGP 4,043,850 as at 31 December 2021, are related to items before EBITDA, which is one of the key parameters looked at by management (note 36).

31. Finance (cost) / income- net

	2022	2021
Interest expense	(872,674,973)	(493,170,775)
Foreign currency exchange losses	-	(818,264)
Finance costs	(872,674,973)	(493,989,039)
Treasury bills and interest revenues	796,581,294	535,591,347
Foreign currency exchange gain	31,140,816	-
Finance income	827,722,110	535,591,347
Finance (cost) / income -net	(44,952,863)	41,602,308

32 Income tax

The tax expense for the year differs from the theoretical amount that would arise using the tax rate applicable to the group as follows:

	2022	2021
Current income tax		
Income tax for the year	197,466,277	162,537,084
	197,466,277	162,537,084
Deferred tax		
Deferred tax for temporary differences	2,968,043	19,413,129
	2,968,043	19,413,129
Total current and deferred income tax	200,434,320	181,950,213

The tax expense on the Group's profit before tax differs from the theoretical amount of income tax expense that would arise using the weighted average tax rate, as follows:

	2022	2021
Profit for the year before income tax	802,285,458	716,288,704
Tax calculated using tax rate of 22.5%	180,514,228	161,164,959
Tax effect for expenses and income not deducted/added for tax purposes	16,952,049	1,372,125
Income tax for the year	197,466,277	162,537,084
Effective tax rate	24.6%	22.7%

33. Earnings profit per share

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders of the parent company by the weighted average number of ordinary shares issued, after considering the proposed employees' profit share.

	2022	2021
Net profit attributable to the shareholders of the parent company	538,606,208	479,879,017
Weighted average number of ordinary issued and paid shares	1,352,353,800	1,352,353,800
Basic earnings per share	0.398	0.355

34. Financial instruments by category

	31 December 2022		
Assets as per the consolidated statement of financial position	**Financial assets at fair value through other comprehensive income**	**Financial assets at amortized cost**	**Total**
Trade and other receivables (excluding non-financial assets)* (Note 12)	-	2,210,743,420	2,210,743,420
Due from related parties	-	66,617,145	66,617,145
Cash and cash equivalents	-	5,941,520,176	5,941,520,176
Treasury bills	-	-	-
Financial assets at fair value through other comprehensive income	25,627,628	-	25,627,628
Total	25,627,628	8,218,880,741	8,244,508,369

	31 December 2022		
Liabilities as per the consolidated statement of financial position	**Derivatives used for hedging**	**Financial liabilities at amortised cost**	**Total**
Trade and other payables (excluding non-financial liabilities)* (Note 18)	-	3,559,681,543	3,579,259,853
Borrowings	-	2,729,166,062	2,729,166,062
Bank facilities	-	4,489,812,254	4,489,812,254
Due to related parties	-	75,672,392	56,094,082
Derivatives for hedging purposes	-	-	-
Lease liabilities	-	734,021,171	734,021,171
Total	-	11,588,353,422	11,588,353,422

34. Financial instruments by category (continued)

Assets as per the consolidated statement of financial position	31 December 2021 Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Total
Trade and other receivables (excluding non-financial assets)* (Note 12)	-	1,790,430,855	1,790,430,855
Due from related parties	-	39,200,000	39,200,000
Cash and cash equivalents	-	4,984,964,775	4,984,964,775
Treasury bills	-	694,191,823	694,191,823
Financial assets at fair value through other comprehensive income	51,261,460	-	51,261,460
Total	51,261,460	7,508,787,453	7,560,048,913

Liabilities as per the consolidated statement of financial position	31 December 2021 Derivatives used for hedging	Financial liabilities at amortised cost	Total
Trade and other payables (excluding non-financial liabilities)* (Note 18)	-	2,935,852,222	2,935,852,222
Borrowings	-	1,797,475,258	1,797,475,258
Bank facilities	-	4,131,012,473	4,131,012,473
Due to related parties	-	57,462,670	57,462,670
Derivatives for hedging purposes	73,066,596	-	73,066,596
Lease liabilities	-	508,456,838	508,456,838
Total	73,066,596	9,430,259,461	9,503,326,057

* At the Balance sheet date, the carrying value of all short-term financial assets and liabilities approximates the fair value. Long-term borrowings also approximate the fair value as the loans bears a variable interest rate, so the fair value equals the principal amount.

Trade and other receivables presented above excludes prepaid expenses, advances to supplies and deposits with others.

Trade and other payables presented above excludes taxes payables, advances from customers and social insurances.

35. Tax position

The group's profits are subject to the corporate tax according to Tax Law No. (91) of 2005 and the tax status is as follows:-

Corporate income tax

- The group companies submit its tax return on the due dates.

36. Operating segments

The management assesses the performance of the operating segments based on the total revenues / gross profit/ EBITDA/operating profit/ total assets of segment and the total liabilities. This measurement basis excludes discontinued operations. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the Group's head office, which manages the cash flows and liquidity requirements. In terms of geography, the group operations are mainly in Egypt.

	Gas	Power	Marketing	Other	Total	Elimination	Total Cons
31 December 2022							
Operating results							
Revenue	2,682,378,975	2,051,710,605	6,031,788,475	82,216,782	10,848,094,837	(120,258,411)	10,727,836,426
Cost of revenue	(1,931,360,673)	(1,505,384,719)	(5,812,782,213)	(4,263,128)	(9,253,790,733)	42,331,607	(9,211,459,126)
Depreciation & Amortization (Cost)	(77,503,005)	(107,113,091)	(37,336,587)	(442,364)	(222,395,047)	-	(222,395,047)
Gross profit	673,515,297	439,212,795	181,669,675	77,511,290	1,371,909,057	(77,926,804)	1,293,982,253
Investment revenue	-	-	-	216,422,380	216,422,380	(216,422,380)	-
Other income	3,507,959	4,321,963	-	-	7,829,922	-	7,829,922
Administrative expenses	(163,487,935)	(75,124,729)	(23,977,100)	(99,941,250)	(362,531,014)	80,473,777	(282,057,237)
Depreciation & Amortization (Admin)	(8,502,506)	(6,028,738)	(3,268,753)	(2,715,509)	(20,515,506)	-	(20,515,506)
Other expenses	7,398,083	(7,200,451)	(2,671,550)	1,087,164	(1,386,754)	598,386	(788,368)
Provision	(28,483,848)	(60,082)	318,608	(122,987,421)	(151,212,743)	-	(151,212,743)
Results from operating activities	483,947,050	355,120,758	152,070,880	69,376,654	1,060,515,342	(213,277,021)	847,238,321
Financial position							
Total assets	4,529,894,797	6,192,976,591	1,518,042,929	3,837,979,786	16,078,894,103	(1,381,102,846)	14,697,791,257
Total liabilities	3,943,285,580	4,720,855,743	1,298,531,172	3,063,494,683	13,026,167,178	(725,849,237)	12,300,317,941

Notes to the consolidated financial statements - For the year ended 31 December 2022

(In the notes all amounts are shown in EGP unless otherwise stated)

36. Operating segments (continued)

	Gas	Power	Marketing	Other	Total	Elimination	Total Cons
31 December 2021							
Operating results							
Revenue	1,899,927,311	1,795,880,221	5,448,151,733	73,428,429	9,217,387,694	(115,371,387)	9,102,016,307
Cost of revenue	(1,296,602,255)	(1,382,069,437)	(5,223,440,164)	(4,171,962)	(7,906,283,818)	37,878,232	(7,868,405,586)
Depreciation & Amortization (Cost)	(45,168,413)	(86,413,380)	(34,739,828)	(4,425)	(166,326,046)	-	(166,326,046)
Gross profit	558,156,643	327,397,404	189,971,741	69,252,042	1,144,777,830	(77,493,155)	1,067,284,675
Investment revenue	-	-	-	437,374,442	437,374,442	(437,374,442)	-
Other income	1,502,115	3,249,696	-	-	4,751,811	-	4,751,811
Administrative expenses	(147,271,965)	(66,520,127)	(39,362,243)	(73,966,749)	(327,121,084)	80,035,703	(247,085,381)
Depreciation & Amortization (Admin)	(3,613,014)	(4,496,152)	(3,642,402)	(3,022,973)	(14,774,541)	-	(14,774,541)
Other expenses	(11,415,072)	(16,517,575)	(3,690,350)	(26,253,710)	(57,876,707)	(272,602)	(58,149,309)
Provision	(11,870,026)	-	-	(65,470,833)	(77,340,859)	-	(77,340,859)
Results from operating activities	385,488,681	243,113,246	143,276,746	337,912,219	1,109,790,892	(435,104,496)	674,686,396
Financial position							
Total assets	3,290,127,226	5,097,552,570	1,055,568,591	3,431,800,537	12,875,048,924	(952,773,327)	11,922,275,597
Total liabilities	2,857,634,212	4,092,984,934	908,851,586	2,591,358,651	10,450,829,383	(320,263,306)	10,130,566,077

TAQA ARABIA COMPANY (S.A.E.) AND ITS SUBSIDIARIES

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(In the notes all amounts are shown in EGP unless otherwise stated)

36. Operating segments (continued)

Statement of profit or loss

	Gas		Power		Marketing		Other		TAQA Cons	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Sales	2,682.4	1,899.9	2,051.7	1,795.9	6,031.8	5,448.2	82.2	73.4	10,727.8	9,102.0
Cost of Sales	(1,931.4)	(1,296.6)	(1,505.4)	(1,382.1)	(5,812.8)	(5,223.5)	(3.8)	(4.1)	(9,211.4)	(7,868.4)
Gross profit	751	603.3	546.3	413.8	219	224.7	78.4	69.3	1,516.4	1,233.6
Admin expenses	(163.4)	(147.3)	(75.1)	(66.5)	(24)	(39.4)	(99.9)	(74.0)	(282.1)	(247.1)
Other (expenses)/income	(1.9)	(1.0)	1.1	0.3	-	0.1	(8.4)	(3.5)	(9.1)	(4.0)
EBITDA	585.7	455	472.3	347.6	195	185.4	(29.9)	(8.2)	1,225.2	982.5
Investment revenue	-	-	-	-	-	-	216.4	437.4	-	-
Other non-recuring items	4.1	(22.2)	(13.5)	(13.4)	(2.1)	(3.9)	(93.1)	(87.7)	(103.9)	(127.5)
Depreciation and amortization	(86)	(48.8)	(113.1)	(90.9)	(40.6)	(38.4)	(3.1)	(3.0)	(242.9)	(181.1)
EBIT	503.8	384	345.7	243.3	152.3	143.1	90.3	338.5	878.4	673.9
Net Income	377.4	366.5	243.4	165.9	99.1	100.8	96.6	336.2	601.9	534.3
Minority share	(19.6)	(14.5)	(53.6)	(40.0)	-	-	-	-	(63.3)	(54.4)
Profit for the year	357.8	352.0	189.8	125.9	99.1	100.8	96.6	336.2	538.6	479.9

36. Operating segments (continued)

The following summary describes each reportable segment:

(a) Gas sector

Specialize in delivering natural gas to both residential and industrial customers.

This arm provides its customers with:
Connections construction, gas distribution and operations & maintenance services targeting both residential and industrial customers.

CNG vehicle conversions, gas supply station, in addition to Mobile CNG.

Engineering consultancy, gas retail appliances and market research and surveying services.

(b) Power Sector

Specialize in power generation systems, through combustible and solar energy stations, to off grid industrial customers.

Power distribution through building / owning substations and networks.

Excess capacity management.
Operation & maintenance services, including all activities necessary for TAQA clients' plants to operate in a safe and economical manner.

(c) Fuel and Lubricants

TAQA Oil Marketing is the first privately owned Egyptian company with a license to market petroleum products including fuels and lubricants, through a retail network of service stations under TAQA's brand name.

The Company is also the sole distributor of Castrol lubricants in Egypt since 2008.

Castrol Egypt has been established in 2018 with TAQA share 49.

The following summary describes the entities of each reportable segment:

Gas sector

- Trans Gas
- Master Gas
- TAQA Gas
- House Gas
- Pharaonic Gas
- TAQA Gas Services
- Qatar Gas Group

36. Operating segments (continued)

Power Sector

- Global for Energy
- TAQA Industrial zone
- TAQA for Electricity, Water, and cooling
- TAQA Arabia for Solar Energy
- TAQA Electricity, Generation and Distribution in Industrial Zones
- TAQA Electricity Generation and Distribution
- TAQA PV for Solar Energy

Fuel and lubricants

- TAQA for Marketing
- Castrol Egypt lubricants

Others

- TAQA Arabia Separate
- Fin Eng for Financial & Engineering Consultancy
- Gas and energy Group Limited.
- TAQA Arabia International Holding Ltd.
- Rosetta for Energy Solutions
- TAQA Water

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