

**KAWAR SOLAR INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
Register number: 09094448**



KAWAR SOLAR INVESTMENTS LIMITED

FOR THE YEAR ENDED DECEMBER 31, 2021

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KAWAR SOLAR INVESTMENTS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the period ended 31 December 2021.

Principal activities

The company is an investment holding company.

Dividends

The directors paid a dividend during the period of \$370,000 (2020: \$nil).

Return of capital contribution

During the period, the directors paid \$212,000 (2020: \$nil) as a return of the initial capital contribution.

Directors

The directors, who served throughout the period and up to the date of this report were:

Rudain Tawfiq Amin Kwar
Karim Tawfiq Amin Kwar

Small company's exemption

The above report has been prepared taking advantage of the small companies' exemption of section 415A of the Companies Act 2006.

Disclosure of information to the auditor

In the case of each person who was a director at the time this report was approved:

- so far as that director was aware there was no relevant audit information of which the company's auditors were unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors were aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

The auditors, CLA Evelyn Partners Limited (formerly Nexia Smith & Williamson Audit Limited) will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

By order of the board

Karim Kwar
Karim Kwar (Sep 30, 2022 17:58 GMT+3)

Karim Tawfiq Amin Kwar
Director

Winnington House
2 Woodberry Grove
North Finchley
London
N12 0DR

Date: 30 September 2022

KAWAR SOLAR INVESTMENTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAWAR SOLAR INVESTMENTS LIMITED

Opinion

We have audited the financial statements of Kavar Solar Investments Limited (the 'company') for the year ended 31 December 2021 which comprise the Statement of financial position, Statement of profit or loss and other comprehensive Income, Statement of changes in equity, Statement of cash flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report and financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

KAWAR SOLAR INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAWAR SOLAR INVESTMENTS LIMITED (Continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained a general understanding of the company's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations, the entity's policies and procedures regarding compliance, and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the company's industry and regulation. We understand that the Company complies with the framework through:

- Outsourcing statutory accounts preparation, company secretarial and tax compliance to external experts.
- Engaging with external experts, and updating internal procedures and controls as necessary as legal and regulatory requirements change.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the company's ability to conduct its business and/or where there is a risk that failure to comply could result in material penalties.

We identified the following laws and regulations as being of significance in the context of the Company:

- The Companies Act 2006 and international accounting standards in respect of the preparation and presentation of the financial statements.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. The areas identified in this discussion were:

- Manipulation of the financial statements via fraudulent journal entries, particularly as the size of the company means that there is little opportunity for segregation of duties.

KAWAR SOLAR INVESTMENTS LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KAWAR SOLAR INVESTMENTS LIMITED
(Continued)**

The procedures we carried out to gain evidence in the above area included:

- Testing a sample of journal entries, selected through applying specific risk assessments based on the Company's processes and controls surrounding journal entries.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

CLA Evelyn Partners Limited

Kelly Jones
Senior Statutory Auditor, for and on behalf of

CLA Evelyn Partners Limited
Statutory Auditor
Chartered Accountants
Portwall Place
Portwall Lane
Bristol
BS1 6NA

Date: 30 September 2022

KAWAR SOLAR INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

<i>US Dollars</i>	<i>Note</i>	<i>As of December 31, 2021</i>	<i>As of December 31, 2020</i>
Assets			
Non-Current Assets			
Bank deposit	5	787,500	787,500
Due from a related party	6-1	2,307,501	2,136,609
Investment in associate Company	7	6,628,002	6,628,002
Total non-current assets		9,723,003	9,552,111
Current Assets			
Cash and cash equivalents	5	660,330	11,711
Due from a related party	6-1	-	100,635
Total current assets		660,330	112,346
Total Assets		10,383,333	9,664,457
Liabilities and Equity			
Liabilities			
Current liabilities			
Loan from a related party	6-2	9,277,265	10,010,830
Other credit balances		36,922	-
Total current liabilities		9,314,187	10,010,830
Total Liabilities		9,314,187	10,010,830
Equity			
Paid-up capital		2	2
Accumulated losses		(860,083)	(2,857,602)
Capital contribution	8	1,929,227	2,511,227
Total equity		1,069,146	(346,373)
Total liabilities and equity		10,383,333	9,664,457

These financial statements were approved by the board of directors on 30 September 2022 and were signed on its behalf by:

Karim Kawar

Karim Kawar (Sep 30, 2022 17:58 GMT+3)

Karim Tawfiq Amin Kawar
Director

Company registered number: 09094448

The accompanying notes from page 10 to 18 are an integral part of these financial statements

KAWAR SOLAR INVESTMENTS LIMITED

**STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

<i>US Dollars</i>	Note	For the year ended December 31	
		2021	2020
Dividend income	9	2,553,409	171,000
Administrative Expenses	10	(53,923)	(25,517)
Finance Expense	11	(501,967)	(628,196)
Profit/(loss) for the year before tax		1,997,519	(482,713)
Tax expenses	12	-	-
Profit/(loss) for the year after tax		1,997,519	(482,713)
Other Comprehensive income		-	-
Total comprehensive income/(expense) for the year		1,997,519	(482,713)

The accompanying notes from page 10 to 18 are an integral part of these financial statements

KAWAR SOLAR INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

<i>US Dollars</i>	<u>Paid-up capital</u>	<u>Accumulated Losses</u>	<u>Capital Contribution</u>	<u>Total</u>
<u>For the year ended December 31, 2021</u>				
Balance as of January 1, 2021	2	(2,857,602)	2,511,227	(346,373)
Profit for the year	-	1,997,519	-	1,997,519
Return of capital contribution	-	-	(212,000)	(212,000)
Dividends paid	-	-	(370,000)	(370,000)
Balance as of December 31, 2021	2	(860,083)	1,929,227	1,069,146

<i>US Dollars</i>	<u>Paid-up capital</u>	<u>Accumulated Losses</u>	<u>Capital Contribution</u>	<u>Total</u>
<u>For the year ended December 31, 2020</u>				
Balance as of January 1, 2020	2	(2,374,889)	2,511,227	136,340
Loss for the year	-	(482,713)	-	(482,713)
Balance as of December 31, 2020	2	(2,857,602)	2,511,227	(346,373)

The accompanying notes from page 10 to 18 are an integral part of these financial statements

KAWAR SOLAR INVESTMENTS LIMITED

STATEMENT OF CASH FLOWS

<i>US Dollar</i>	Note	For the year ended December 31,	
		2021	2020
Cash flows from operating activities:			
Profit/(Loss) for the year		1,997,519	(482,713)
Change in:			
Interest accrual	6-2	(24,549)	194,551
Change in:			
Other credit balances		36,922	(8,176)
Net cash used in operating activities		2,009,892	(296,338)
Cash flows from investing activities:			
Repayment (loan to)/from parent company	6-1	(70,257)	49,365
Net cash from investing activities		(70,257)	49,365
Cash flows from financing activities			
Repayment of related party loan	6-2	(709,016)	(82,098)
Return of capital contribution		(212,000)	-
Dividend paid		(370,000)	-
Net cash used in financing activities		(1,291,016)	(82,098)
Net change in cash and cash equivalents		648,619	(329,071)
Cash and cash equivalents at the beginning of the year		11,711	340,782
Cash and cash equivalents at the end of the year	5	660,330	11,711

The accompanying notes from page 10 to 19 are an integral part of these financial statements

KAWAR SOLAR INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1) GENERAL

KAWAR SOLAR INVESTMENTS LIMITED ("The Company") was established and registered as a Private Limited Company at the company's registration office for England and Wales under number 09094448 and with paid in capital of 2 Ordinary A shares of GBP 1 each on June 19, 2014.

2) BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and they present the Company's equity and financial position as at December 31, 2021 and the result of its operations, the changes in net equity and cash flows for the year ended December 31, 2021.

(b) Basis of measurement

The financial statements have been prepared based on the historical cost and fair value for relevant assets and liabilities.

(c) Functional and presentation currency

These financial statements are presented in USD, which is the Company's functional currency.

(d) Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the year-end date and the reported amounts of revenues and expenses during the reporting period.

Key sources of estimation uncertainty

Impairment of Investment

Kawar Solar UK Limited has an investment in an associate company which is measured at cost and reviewed for impairment indicators on an annual basis. Details of the impairment considerations have been set out in note 7.

Impairment of amounts due from a related party

Kawar Solar UK Limited has amounts owed by related parties. The recoverable amount is assessed for impairment indicators on an annual basis. The balance owed will be offset against the declaration of dividends to the related party in future years and as such no impairment losses have been recognised (2020: nil).

(e) Going concern

Notwithstanding net current liabilities of \$8,653,857 (2020: \$9,898,484) at the year end, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared a forecast for a period of at least twelve months from the date of approval of these financial statements which indicates that the company will have sufficient funds, through receipts from dividends to meet its liabilities as they fall due for that period.

The 2022 forecast assumed that during the period dividends of USD 1,980,000 will be received from Shams Ma'an Solar UK Limited (in which the Company holds its investment "SMUK"). This has since occurred as forecast. The 2023 forecast assumes further dividends will be received of USD 1,549,272.

The directors are also directors of SMUK. The forecast dividends receivable by the Company are those forecast to be declared and paid by SMUK. The directors understand that SMUK's operations are stable, and that SMUK is highly likely to pay the forecast level of dividends.

Amin Kawar and Sons has confirmed that they will not seek repayment of the loan from Kawar Solar Investments Limited for a period of at least 12 months from the approval date of these financial statements if it was to cause financial hardship to the entity.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

3) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these financial statements for the year ended December 31, 2021 are the same as those applied by the Company in its financial statements for the year ended December 31, 2020.

The following are the significant accounting policies applied by the Company:

(a) Financial assets and liabilities

IFRS 9 states the requirements for the classification and measurement of financial assets and financial liabilities and the impairment of financial assets.

Financial assets and financial liabilities are recognized in the Statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets are de-recognised when the contractual rights to the cashflows from the financial asset expire or when the contractual rights to those assets are transferred.

Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Subsequent to initial recognition, assets are measured at either amortized cost, fair value through other comprehensive income or fair value through profit and loss.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the company's cash management.

Impairment of financial assets

Impairment loss is measured on either of the following bases:

- 12 months ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date.
- Lifetime ECLs: These ECLs result from all possible default events over the expected life of a financial instrument.

In estimating the expected credit loss, the Company relies on reasonable and supportive information available and relevant, including quantitative and qualitative information and analysis of this information based on the Company's past experience and credit study.

The Company considers financial assets to be impaired when the borrower will likely be unable to pay its credit obligations to the Company without recourse to the procedures for using the collateral held against such obligations (if any). The expected credit loss calculation mechanism depends on the (probability of default), which is calculated according to the credit risk and future economic factors, (loss given default), which depends on the value of the existing collateral, the (exposure at default), the expected credit loss is discounted at the effective interest rate of the financial asset.

At each financial period, the Company evaluates the credit rating of financial assets at amortized cost and debt securities at fair value through other statement of comprehensive income. The credit rating of financial assets is considered to be impaired when one or more events that have a negative impact on the estimated future cash flows of the financial asset occur.

Provisions loss for financial assets measured at amortized cost are deducted from the total carrying amount of the financial asset.

(b) Offsetting

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

KAWAR SOLAR INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(c) Finance expenses

Finance costs comprise interest expense on borrowings. All borrowing costs are recognized in the statement of profit or loss and other comprehensive income using the effective interest method.

(d) Date of recognition of financial assets

Purchase and sale of financial assets are recognized on the trading date (the date of Company's commitment to sell or buy financial assets).

(e) Dividend income

Dividend income comprises dividends received from the investment in associate. Dividend income is recognized in the statement of profit or loss.

(f) Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax.

The current tax charge is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle on a net basis.

(g) Dividends paid

Dividends are recognised when they become legally payable.

(h) Investments

Investments are stated at cost less any provision for impairment.

4) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new and revised IFRSs have been issued but are not effective yet, the Company has not applied any new and revised IFRSs that are available for early application:

Amendment to IAS 1: 'Classification of Liabilities as Current or Non-current'

Amendment to IAS 12 'Deferred tax related to assets and liabilities arising from a single transaction'

IAS 8: Definition of accounting estimates

IAS 1: Disclosure initiative – accounting policies

IFRS 9: Fees in the '10 per cent' test for derecognition of financial liabilities

IAS 41: Taxation in fair value measurements

KAWAR SOLAR INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5) CASH AND CASH EQUIVALENTS AND BANK DEPOSITS

US Dollar	As of December 31, 2021	As of December 31, 2020
Current accounts	635,047	470
Bank deposit account*	812,783	798,741
	1,447,830	799,211
Non-current*	787,500	787,500
Current (cash and cash equivalents)	660,330	11,711
	1,447,830	799,211

*The bank deposit account is a demand deposit, generally classified as cash. However, USD 787,500 (2020: USD 787,500) is restricted because it is held by the bank as security for the guarantee issued by the bank on behalf of the Company (see note 15). The deposit earns interest at 0% (2020: 0%).

6) RELATED PARTIES

The Company transacts with its related parties in the ordinary course of business. Related parties transactions generally relate to financing and development services. Transactions with related parties are undertaken at mutually agreed terms and are approved by the management.

6-1 DUE FROM A RELATED PARTY

US Dollar	Nature of Trans- action	Nature. of Relation- ship	Volume 2021	Volume 2020	As of December 31, 2021	As of December 31, 2020
Kawar Holding Co.	Financing	Parent Company	70,257	(49,365)	2,307,501	2,237,244
					2,307,501	2,237,244
				Non-current	2,307,501	2,136,609
				Current	-	100,635
					2,307,501	2,237,244

6-2 LOAN FROM A RELATED PARTY

Amin Kawar and Sons Company has obtained a bank loan to provide funds to the Company. Amin Kawar and Sons Company has loaned to the Company the funds obtained via its bank loan. Amin Kawar and Sons Company is a related party since the shareholders of Kawar Holding Company (the Company's ultimate parent and controlling party) are also shareholders of Amin Kawar and Sons Company.

The Company has no formal terms of repayment but the expectation of the directors is that they will repay the company's loan in line with the terms of the bank loan Amin Kawar and Sons Company have agreed to. The interest rate for 2021 was 5.25% (2020 – 5.75%). The repayment schedule extends to February 2027.

KAWAR SOLAR INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6-2 LOAN FROM A RELATED PARTY (continued)

<i>US Dollar</i>	2021	2020
Balance as at 1 January	9,816,279	9,898,377
Loan repayments	(709,016)	(82,098)
Balance as at 31 December	9,107,263	9,816,279
Interest accrual included in amounts owed to related parties	170,002	194,551
Total amount owed to related parties	9,277,265	10,010,830

6-3 KEY MANAGEMENT BENEFIT

There were no salaries or benefits of the key management personnel for the year ended December 31, 2021 or for the period ended December 31, 2020.

6-4 ULTIMATE CONTROLLING PARTY

The Company is a subsidiary undertaking of Kawar Holding Company, which is also the ultimate parent company and ultimate controlling party, a limited liability company established in the Cayman Islands. (PO Box. 309 UGLAND HOUSE KY1-1104 CAMAN ISLANDS). There is no group in which the results of the Company are consolidated.

7) INVESTMENT IN ASSOCIATE COMPANY

The Company holds 30% of the share capital of Shams Ma'an Solar UK Limited as of December 31, 2021 and December 31, 2020 which are carried at cost of USD 6,628,002. There was no impairment loss recognized on the investment in the associate company during the year (2020: nil).

8) CAPITAL CONTRIBUTION

The shareholders provided the Company with a contribution to support its operation. This contribution does not bear any interest and there is no requirement to repay. During the year \$582,000 of the initial capital contribution was returned.

KAWAR SOLAR INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9) DIVIDEND INCOME

US Dollar

	For the year ended December 31,	
	2021	2020
Dividend income	2,553,409	171,000
	<u>2,553,409</u>	<u>171,000</u>

10) ADMINISTRATIVE EXPENSES

US Dollar

	For the year ended December 31,	
	2021	2020
Professional fees	47,279	16,759
Guarantee expenses	6,644	8,758
	<u>53,923</u>	<u>25,517</u>

11) FINANCE EXPENSE

US Dollar

	For the year ended December 31,	
	2021	2020
Loan interest	501,967	628,196

12) TAX EXPENSE

Analysis of charge in the year

US Dollar

	For the year ended December 31,	
	2021	2020
Current Tax		
UK Corporation tax at 19 % (2020:19%)	-	-
Deferred Tax		
Current year tax charge	-	-
Total tax expense	<u>-</u>	<u>-</u>

KAWAR SOLAR INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

The difference between the actual and expected tax charge is explained below:

<i>US Dollar</i>	For the year ended December 31,	
	2021	2020
Profit/(Loss) for the year	1,997,519	(482,713)
Tax on profit/(loss) on ordinary activities at standard current tax rate of 19%	379,529	(91,715)
Expenses not deductible for tax purposes	66,762	82,904
Exempt income	(485,148)	(32,490)
Movements in unrecognized deferred tax	38,857	41,301
Tax charge for the period	-	-

Factors that may affect future tax charges

The UK Government's 2021 Budget announced that the standard rate of UK corporation tax will increase from 19% to 25%, this change being effective from 1 April 2023. A further announcement was made by the UK Government on 23 September 2022 such that the rate is now expected to remain at 19% however this has not yet been enacted.

13) AUDITOR'S REMUNERATION

<i>US Dollar</i>	For the year ended December 31,	
	2021	2020
Audit fee for auditor and affiliates	26,539	27,460
Fees for non-audit services	10,014	9,119
	36,553	36,579

14) FINANCIAL RISK MANAGEMENT

Overview

The company has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk
- Capital management

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

Risk management general framework

The management has overall responsibility for the establishment and oversight of Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of the company's exposure to the financial loss if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables.

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The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit-risk at the reporting date was as follows:

<i>US Dollar</i>	Carrying Amount	
	As of December 31, 2021	As of December 31, 2020
Cash at bank and bank deposits	1,447,830	799,211
Due from a related party	2,307,501	2,237,244
	3,755,331	3,036,455

The Company's exposure to credit risk is influenced mainly by the ability of the Holding Company to repay the outstanding loan. As the loan amount will be offset against future dividends declared the credit risk is considered minimal.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contracted maturities of financial liabilities:

<i>US Dollar</i>	As of December 31, 2021			
	Carrying Amount	Contractual Cash Flows	One year or less	More than one year
Non-Derivative financial liabilities				
Other credit balances	36,922	(36,922)	(36,922)	-
Loan from a related party	9,277,265	(9,277,265)	(9,277,265)	-
Total	9,314,187	(9,314,187)	(9,314,187)	-

<i>US Dollar</i>	As of December 31, 2020			
	Carrying Amount	Contractual Cash Flows	One year or less	More than one year
Non-Derivative financial liabilities				
Other credit balances	-	-	-	-
Loan from a related party	10,010,830	(10,010,830)	(10,010,830)	-
Total	10,010,830	(10,010,830)	(10,010,830)	-

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the Company's profit or the value of its financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency Exchange Rate Fluctuation Risk

Most of the Company's financial assets and liabilities are in US Dollar. Most of the Company's transactions in general are in US Dollar and Jordanian Dinar. Due to the fact that the Jordanian Dinar is pegged with US Dollar, the Company's management believes that the foreign currency risk is not material to the financial statements.

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Interest rate risk

The Company is subject to interest rate risk as a result of a financial liability. The financial liability attracts interest at a fixed rate during the year. At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was as follows:

<i>US Dollar</i>	As of December 31,	
	2021	2020
Fixed rate instruments:		
Financial liabilities	(9,107,263)	(9,816,279)

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital contribution and retained earnings of the Company.

The management monitors the return on capital, which the management defined as net operating income divided by total equity. The management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a strong capital position. There have been no changes in the Company's approach to capital management during the period, neither is the company subject to externally imposed capital requirements.

15) CONTINGENT LIABILITIES

Contingent liabilities are as follows:

<i>US Dollar</i>	December 31, 2021	December 31, 2020
Bank guarantees	787,500	787,500
	<u>787,500</u>	<u>787,500</u>