5.1.6.1.1.1 Shamal Az-Zour FY 2022.pdf

5.1.6.1.1.2 Shamal Az-Zour FY 2021.pdf

5.1.6.1.1.5 Shamal Az-Zour FY 2023 FS USD ENG.pdf

5.2.4.1.1.3 AZNK - USD - 2021.pdf

5.2.4.1.1.4 AZNK - USD - 2022.pdf

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Shamal Az-Zour Al-Oula Power and Water Company KSC (Public)

Financial statements and independent auditor's report for the year ended 31 December 2022

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Shamal Az-Zour Al-Oula Power and Water Company KSC (Public)

Directors' report
for the year ended 31 December 2022

Dear Shareholders,

On behalf of the Board of Directors of the Company, it gives me great pleasure to present the Board of Directors' Report for the year ended 31 December 2022.

1. Operational performance

Shamal Az-Zour Al-Oula K.S.C. is the owner of the power and water facility known as Az-Zour North Phase.

The primary service of the Company under the Energy Conversion and Water Purchase Agreement is to make available exclusively to the off-taker the Ministry of Electricity and Water (MEW) the capacity of the power and water plant and in return the Company receives capacity payments based upon the demonstrated net dependable capacity. The secondary service of the Company is to sell to MEW (based upon its dispatch instructions) the electrical energy generated and water produced for a period of 40 years.

Following the successful share distribution in the fourth quarter of 2019, the Company listed on the Boursa Kuwait on 16 August 2020. 50% of the Company's shares were traded on the market, 5% are held by the Kuwait Investment Authority and 5% by the Public Institution for Social Security. The remaining 40% is held by Azour North One Holding Company K. S. C. C. (the Parent Company) and divided between the project sponsors; Engie (17.5%), Sumitomo Corporation (17.5%) and A.H. Al Sagar & Bros. (5%).

As at 31 December 2022, the shareholding interests were as follows – Public 49.06%, Kuwait Investment Authority 5.00%, Public Institution for Social Security 5.94% and the remaining 40.00% held by Azour North One Holding Company K. S. C. C.

The operation and maintenance of the plant is carried out by an exclusive sub-contractor, AZN O&M Company (O&M Company) who took over the responsibility for plant operation and maintenance on the Plant Commercial Operation Date of 26 November 2016. The plant has met its technical performance expectations in terms of available capacity and electricity generated and water produced during the period.

The plant technical issues that were found during the early operating years are being resolved via the Engineering, Procurement and Construction contract warranty process. The main warranty expired in November 2018 but has been extended for a small number of key plant items.

2. Financial performance

The Company generated a net profit for the period, before transfers to reserves, of USD 47.3 million.

The Company approved its a cash dividend of 5 fils per share for the financial year ended 2021 at the annual general meeting held on 31 March 2022 and this dividend was paid to shareholders on 28 April 2022. Furthermore, two interim dividends of 7 fils and 6 fils per share for the financial year 2022 were approved by the board on 11 May 2022 and 2 November 2022 respectively, based on the authorisation given by shareholders to the Board of directors at the AGM that took place on 31 March 2022. The approved interim dividends for 2022 were subsequently paid to shareholders on 20 June 2022 and 14 December 2022 respectively.

3. Corporate governance

The Company has a Board of Directors with six members. The Board of Directors held eight meetings during the year to 31 December 2022.

The day-to-day management of the Company has been delegated to the Chief Executive Officer and the Chief Financial Officer.

4. Directors

The directors of the Company during the period were as follows:

Eng. Ahmad Othman AlMujalham – Chairman

Mr Alexander Katon - Vice-Chairman

Mr Ghazi Abdulrahman AlSanie

Mr Laurent Furedi

Eng. Eyad Ali AlFalah

Mr Paul Frain – Chief Executive Officer

5. Auditor

The financial statements have been audited by KPMG Al Qenae & Partners. who retire and being eligible, offer themselves for re-appointment.

6. Future plans

The Company and the O&M Company will continue to operate the plant for the benefit of Kuwait in a responsible manner, with a focus on the health and safety of our employees and on minimizing our impact on the environment.

Signed by:

Eng. Ahmad Othman AlMujalham
Chairman

1 March 2023

KPMG Al-Qenae & Partners
Al Hamra Tower, 25th Floor
Abdulaziz Al Saqr Street
P.O Box 24, Safat 13001
State of Kuwait
+965 2228 7000

Independent auditor's report

The Shareholders
Shamal Az-Zour Al-Oula Power and Water Company KSC (Public)
State of Kuwait

Opinion

We have audited the financial statements of Shamal Az-Zour Al-Oula Power and Water Company KSC (Public) (the "Company"), which comprises the statement of financial position as at 31 December 2022, the statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board ("IFRS Standards").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Revenue recognition

See notes 3(f) and 13 to the financial statements.

The key audit matter

We focused on this area because:

- There is an inherent risk around the accuracy of revenue recorded given the complexity of tariffs and the multiple variables in the Energy Conversion and Water Purchase Agreement ("ECWPA") and system involved in processing revenue transactions.
- Significance of the revenue transactions to the financial statements of the Company.

How the matter was addressed in our audit

Our audit procedures in this area included, among others:

- Testing design of relevant controls over the revenue recognition process and determining if they had been appropriately implemented and operating effectively.
- Inspecting the ECWPA along with the relevant appendices that relate to calculation of payment, invoicing and payment procedures.
- Gaining an understanding of the system involved in the calculation of revenue and generation of monthly invoices.
- Verifying monthly invoices issued to the Ministry of Electricity and Water ("MEW").
- Inspecting the supporting documents attached to each invoice, which includes the breakdown in terms of the various elements set out in the ECWPA.
- Testing the monthly journal entries posted to verify the revenue recorded is the same amount which was automatically calculated by the PASS system.
- Reperforming the management's calculation to convert the revenue in KD to USD.
- Evaluating the adequacy of the Company disclosures related to revenue recognition by reference to the relevant accounting standards.

Finance lease receivables

See note 6 to the financial statements.

The key audit matter

The finance lease receivable is based on the IFRS 16 model developed by the Company with guidance from Sumitomo Corporation and Engie, its shareholders. As the lease model was developed in 2016 for a period of 25 years, due to the involvement of management estimates and assumptions in the inputs, this could result in misstatements in arriving at the finance lease receivables balance. Due to assumptions used at inception, and the magnitude of the lease receivables, this is identified as a key audit matter.

How the matter was addressed in our audit

- As part of our audit procedures we, have obtained and reviewed the IFRS 16 finance lease receivables model.
- Verified that the initial inputs in the model are aligned with the ECWPA 40 year agreement.
- Assessed and challenged the appropriateness of the assumptions and estimates used in terms of cash flow projections and interest rate used.
- Used the inputs from the ECWPA and performed re-calculation of the finance lease receivable for the current year.
- Agreed the current and non-current portions of the finance lease receivable with the IFRS 16 model.
- Evaluated the adequacy of the Company's disclosure in relation to use of significant estimates and judgement and assessed the presence of trigger events in order to identify updates to the finance lease model, if required.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon. Prior to the date of this auditor's report, we obtained the Board of Directors report which forms part of the annual report and the remaining sections of the annual report are expected to be made available to us after that date.

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Standards, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the financial statements include the information required by the Companies Law No. 1 of 2016, as amended and its Executive Regulations and the Company's Memorandum and Articles of Association, as amended. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognised procedures and the accounting information given in the Board of Directors' report agrees with the books of accounts of the Company. We have not become aware of any violations of the provisions of the Companies Law No. 1 of 2016, as amended and its Executive Regulations, or of the Company's Memorandum and Articles of Association, as amended, during the year ended 31 December 2022 that might have had a material effect on the business of the Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 7 of 2010, as amended, concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2022 that might have had a material effect on the business of the Company or on its financial position.

Safi A. Al-Mutawa
License No 138
of KPMG Al Qenae & Partners
Member firm of KPMG International

Kuwait: 1 March 2023

Shamal Az-Zour Al-Oula Power and Water Company KSC (Public)

Statement of financial position
as at 31 December 2022

	Notes	2022 USD	2021 USD
Assets			
Current assets			
Cash and bank balances	*4*	43,676,691	58,278,665
Trade and other receivables	*5*	39,493,937	55,239,905
Due from related parties	*9*	9,585	508,974
Finance lease receivable	*6*	45,511,515	42,046,576
Derivative financial assets	*17*	20,103,261	-
		148,794,989	156,074,120
Non-current assets			
Finance lease receivable	*6*	1,416,259,921	1,461,771,435
Property, plant and equipment	*7*	2,135,577	1,655,922
		1,418,395,498	1,463,427,357
Total assets		1,567,190,487	1,619,501,477
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	*8*	17,157,512	17,462,492
Due to related parties	*9*	13,130,047	11,104,769
Dividends payable	*11*	18,117,471	16,819,557
Term loans	*10*	55,858,329	57,535,306
Derivative financial liabilities	*17*	-	39,020,418
		104,263,359	141,942,542
Non-current liabilities			
Provision for staff indemnities		122,023	107,503
Term loans	*10*	1,016,425,237	1,072,283,572
Derivative financial liabilities	*17*	64,526,756	212,097,972
		1,081,074,016	1,284,489,047
Total liabilities		1,185,337,375	1,426,431,589
Equity			
Share capital	*11*	372,065,655	372,065,655
Statutory reserve	*12*	29,446,633	24,487,627
Retained earnings		24,764,319	47,634,996
Hedge reserve	*17*	(44,423,495)	(251,118,390)
Total equity		381,853,112	193,069,888
Total liabilities and equity		1,567,190,487	1,619,501,477

Eng. Ahmad Othman AlMujalham
Chairman

Andrew Paul Frain
Chief Executive Officer

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

Shamal Az-Zour Al-Oula Power and Water Company KSC (Public)

Statement of profit or loss
for the year ended 31 December 2022

	Notes	**2022**	**2021**
		USD	**USD**
Revenue	13	172,447,558	166,186,841
Operating costs	9	(54,238,070)	(49,664,917)
Gross profit		118,209,488	116,521,924
Finance and other income		569,407	90,869
Finance costs		(59,906,059)	(61,580,771)
Staff costs and related expenses		(2,070,023)	(2,134,779)
General and administrative expenses		(7,212,749)	(5,789,463)
Profit before contribution to National Labor Support Tax ("NLST"), Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat and Board of Directors' remuneration		49,590,064	47,107,780
NLST		(1,243,918)	(1,195,755)
KFAS		(459,610)	(463,248)
Zakat		(474,313)	(475,773)
Board of Directors' remuneration	9	(124,241)	(114,876)
Profit for the year		47,287,982	44,858,128
Earnings per share (basic and diluted) (cents)	*14*	4.30	4.08

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

Shamal Az-Zour Al-Oula Power and Water Company KSC (Public)

Statement of other comprehensive income
for the year ended 31 December 2022

	Notes	**2022**	**2021**
		USD	**USD**
Profit for the year		47,287,982	44,858,128
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Change in fair value of cash flow hedge	*17*	206,694,895	90,865,837
Total other comprehensive income		206,694,895	90,865,837
Total comprehensive income for the year		253,982,877	135,723,965

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

Shamal Az-Zour Al-Oula Power and Water Company KSC (Public)

Statement of changes in equity
for the year ended 31 December 2022

	Share capital USD	Statutory reserve USD	Retained earnings USD	Hedge reserve USD	Total USD
Balance as at 1 January 2021	372,065,655	19,776,849	83,775,110	(341,984,227)	133,633,387
Total comprehensive income for the year					
Profit for the year	-	-	44,858,128	-	44,858,128
Change in fair value of cash flow hedge (note 17)	-	-	-	90,865,837	90,865,837
Total comprehensive income for the year	-	-	44,858,128	90,865,837	135,723,965
Dividends (note 11)	-	-	(76,287,464)	-	(76,287,464)
Transfer to statutory reserve (note 12)	-	4,710,778	(4,710,778)	-	-
Balance as at 31 December 2021	372,065,655	24,487,627	47,634,996	(251,118,390)	193,069,888
Total comprehensive income for the year					
Profit for the year	-	-	47,287,982	-	47,287,982
Change in fair value of cash flow hedge (note 17)	-	-	-	206,694,895	206,694,895
Total comprehensive income for the year	-	-	47,287,983	206,694,895	253,982,877
Dividends (note 11)	-	-	(65,199,653)	-	(65,199,653)
Transfer to statutory reserve (note 12)	-	4,959,006	(4,959,006)	-	-
Balance as at 31 December 2022	372,065,655	29,446,633	24,764,319	(44,423,495)	381,853,112

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

Shamal Az-Zour Al-Oula Power and Water Company KSC (Public)

Statement of cash flows
for the year ended 31 December 2022

	Notes	2022 USD	2021 USD
Cash flows from operating activities			
Profit before contribution to NLST, KFAS, Zakat and Board remuneration		49,590,064	47,107,780
Adjustments for:			
Depreciation	7	88,100	84,687
Finance costs		59,906,059	61,580,771
Net (gain) / loss from sale of fixed assets		(28,352)	887
Provision for doubtful debts		484,878	-
Provision for staff indemnities		39,533	21,483
		110,080,282	108,795,608
Changes in:			
Trade and other receivables		15,745,968	(18,518,779)
Due from related parties		14,511	50,737
Finance lease receivable		42,046,575	39,852,326
Trade and other payables		(3,758,978)	666,821
Due to related parties		2,025,278	(1,818,172)
Cash generated from operating activities		166,153,636	129,028,541
Payment of staff indemnities		(25,013)	(8,196)
Net cash generated from operating activities		166,128,623	129,020,345
Cash flows used in investing activities			
Acquisition of property, plant and equipment	7	(567,755)	(281,082)
Proceeds from disposal of property, plant and equipment		28,352	50
Net cash used in investing activities		(539,403)	(281,032)
Cash flows used in financing activities			
Term loans	10	(57,535,306)	(54,317,697)
Payment of finance costs		(60,052,063)	(61,853,227)
Payment of dividends	11	(63,901,739)	(75,921,984)
Net cash used in financing activities		(181,489,108)	(192,092,908)
Net decrease in cash and cash equivalents		(15,899,888)	(63,353,595)
Cash and cash equivalents as at 1 January		41,459,108	104,812,703
Cash and cash equivalents as at 31 December	4	25,559,220	41,459,108

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

1. Reporting entity

Shamal Az-Zour Al-Oula Power and Water Company KSC (Public) (the "Company") is a Kuwaiti shareholding company incorporated on 19 August 2013, under trade license No. 349479 registered at the Ministry of Commerce and Industry on 23 October 2013.

The registered office of the Company is at 6th Floor, Mazaya Tower 2, Khalid Ibn Al Waleed Street, Block 3, Kuwait City, Kuwait.

The Company is deemed to be a partially owned subsidiary of Azour North One Holding K.S.C.C (the "Parent Company") as the Parent Company has the ability to direct the relevant activities of the Company, is exposed to variable returns from its involvement with the Company and has the ability to use its power over the Company to affect the amount of its returns.

In December 2013, the Company signed a Build, Operate and Transfer ("BOT") contract with Kuwait's Ministry of Electricity and Water ("MEW") for the development, financing, procurement, construction, testing and commissioning of a green field power generation and water desalination plant of 1,500 MW of power generation capacity, and 102 to 107 Million Imperial Gallons Per Day ("MIGD") of water desalination capacity (the "Plant"), together with associated infrastructure and facilities for 40 years at Az-Zour North, Kuwait. MEW will purchase the entire output of the Plant under a 40-year long-term Energy Conversion and Water Purchase Agreement ("ECWPA"). The Plant was commissioned on 26 November 2016.

In accordance with the ECWPA signed between the Company and MEW on 12 December 2013, the Company is obliged to produce electricity and desalinated water using the Plant and MEW has the ability to restrict the access of others to the economic benefits of the Plant. Furthermore, the ECPWA provides for capacity payments in addition to output payments. The Company determined that the ECWPA conveys a right to use the Plant by MEW and accordingly classified the ECWPA as a finance lease in accordance with the guidelines of IFRS 16, *Leases*.

The objectives of the Company are the following:

a) To develop, finance, design, engineer and provide services and build, implement, operate and manage an electricity power generation plant and a water desalination plant and related facilities including performing all work directly or indirectly related to or associated with its activities.

b) To carry out all works relating to the building works necessary for the Company to carry on its activity, including construction, purchase and lease of buildings, land, equipment and warehouses necessary for the realisation of the objectives of the Company and all the facilities relating thereto.

c) To carry out all works of generation, production, transmission, making, development and sale of electricity and water, or any product relating to any such works in and outside the State of Kuwait.

d) To carry out chemical cleaning, hot oil cleaning works and disinfection for all heat exchangers, and to carry out electrical and civil works necessary for electricity and water sector works (power plants, pipeline and electricity projects for desalination units and petrochemicals), to carry out all maintenance works including those relating to power generation, water, pipeline installations and installation of relay stations and installation of all insulation items.

e) To import and install equipment at electricity and water locations for monitoring and measurement of air pollutants and to use skilled labor specialised in fighting pollution of the environment surrounding water and electricity plants.

f) To purchase materials and equipment and all movable properties and instruments necessary for the Company to realise its objectives and to maintain the same by all modern means possible, and to import primary materials, equipment, and instruments necessary for the Company's objectives.

g) To supply and install security and safety equipment relating to the objectives of the Company.

h) To import all necessary equipment to implement its objects, including but not limited to, install, supply and maintain all types of power cables, electrical cables, water pumps, instruments and equipment relating to the activities of the Company.

i) To register patents relating directly to the Company’s experience.

j) To carry out technical research relating to the Company’s business with the aim to improve and develop the Company’s services in cooperation with specialised parties in and outside the State of Kuwait.

k) To directly participate in infrastructure zones and projects relevant to the objectives of the Company in BOT systems or in other similar systems including those referred to in Law No. 39 of 2010 (and its amendments) and to manage the facilities established thereby.

l) To invest the Company’s funds within the objectives and percentages set out by the board of directors.

The Company may carry out the activities listed above in and outside the State of Kuwait, whether as a principal or agent.

The Company is permitted to participate in, study, finance or implement any project or projects that have been tendered pursuant to Law No. 39 of 2010 (and its amendments) on Establishing Kuwaiti Joint Stock Companies Undertaking Building and Implementation of Electrical Power and Desalination Plants in Kuwait.

On 31 March 2022, the Annual General Assembly meeting of the shareholders approved the audited financial statements of the Company as at and for the year ended 31 December 2021.

The financial statements of the Company for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 1 March 2023 and are subject to the approval of the shareholders at their Annual General Assembly meeting. The Annual General Assembly meeting of shareholders has the power to amend these financial statements after issuance.

2. Basis of preparation

a) Statement of compliance
These financial statements have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (“IFRS Standards”).

b) Basis of measurement
The financial statements have been prepared on the historical cost or amortised cost basis, except for derivative financial instruments which are measured at fair value.

c) Functional and presentation currency
These financial statements are presented in United States Dollars (“USD”), which is the functional currency of the Company. The Company’s functional currency is not the currency of the country in which it is domiciled as majority of the transactions of the Company are denominated in USD. A separate set of financial statements is presented in Kuwaiti Dinar (“KWD”) for the purpose of submission to the Capitals Market Authority and Ministry of Commerce and Industry in the State of Kuwait.

d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of making the judgements about the carrying value of assets and liabilities that are not readily apparent from other sources.

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 3(p).

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for those listed in note 3(q).

a) Financial instruments

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

i) Financial assets

Initial recognition and measurement
Financial assets are measured at initial recognition at fair value plus, transaction costs and subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of deposits and amounts due from related parties, that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

The Company's financial assets at amortised cost include finance lease receivables, amounts due from related parties, trade and other receivables and cash and bank balances.

Subsequent measurement
For purposes of subsequent measurement, financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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

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

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

ii) Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at FVTPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL on financial assets is estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the customer, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on a significant increase in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of the financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments from the customer are more than 60 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

Definition of default
The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criteria are generally not recoverable.

- Information developed internally or obtained from external sources indicates that the customer is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company); or
- A breach of contract by the counterparty.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due from MEW unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Company determined no default event occurred during the year in respect of amounts receivable from MEW.

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or past due event; or
- it is becoming probable that the debtor will enter bankruptcy.

Write-off policy
The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the counterparty has been placed in liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the asset's gross carrying amount at the reporting date. For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

iii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or is designated as such on initial recognition.

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

The Company's financial liabilities include trade and other payables, amounts due to related parties, term loans and derivative financial instruments.

Subsequent measurement
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised or modified as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

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

iv) Offsetting of financial instruments

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

b) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its interest rate risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates its derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging, the Company documents the economic relationship between hedging instruments and the hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of the hedged items. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. Any gain or loss relating to any ineffective portion is recognised immediately in profit or loss within other income or other expense, as appropriate.

The 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.

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 other comprehensive income at that time, remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the statement of profit or loss.

The fair value of the derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models.

c) Property, plant, and equipment

Property, plant, and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its acquisition cost, borrowing costs and all directly attributable costs of bringing the asset to the working condition for its intended use. The depreciation of the property, plant and equipment is computed on the straight-line basis over the useful lives of the assets as follows:

	Useful life
Building improvements	25
Plant and equipment	Unexpired term of the ECWPA
IT equipment	3
Vehicles	3
Furniture and fixtures	3

Asset residual values and useful lives are reviewed and adjusted if appropriate, at each financial position date. The carrying amount of property, plant and equipment is reviewed at each financial position date to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognised in profit or loss. The carrying amount of property, plant and equipment is derecognised on disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

d) Impairment of non-financial assets

An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of the asset's fair value less cost to sell and value-in-use. Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific asset or a group of similar assets, may be impaired. If such evidence exists, an impairment loss is recognised in profit or loss. Assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) for the purpose of testing impairment. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

e) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank current accounts and short-term deposits with an original maturity of three months or less, net of restricted balance for dividends payable.

f) Revenue recognition

Revenue is measured based on the transaction prices specified in a contract with a customer and comprises the following:

- Capacity payments for power and water consisting of a fixed capital component and a fixed operation and maintenance component ("O&M").
- Electrical and water output payments consisting of a fuel adjustment component and a variable O&M component.

Finance lease income
Capacity payments reflect the availability of the Plant to deliver output. The customer pays for capacity at an amount representative of the availability of the asset for the defined time period. Capacity payments covering the fixed capital component are apportioned on the basis of their relative fair values between minimum lease payments (comprising capital repayments relating to the provision of the Plant and finance income) and service income. The finance lease income for the fixed capital component is recognised in the statement of profit or loss as part of the minimum lease payment and is recognised as disclosed in note 3(g).

Operation and maintenance services
Revenue from rendering services is recognised based on the ECWPA contract. The Company recognises revenue from O&M services over time because the customer simultaneously receives and consumes the benefits provided to them.

The fixed O&M revenue is recognised based on the tariffs in the ECWPA contract and upon performance of the relevant services.

The variable O&M revenue is recognised based on the tariffs in the ECWPA contract and the actual units of electricity and water delivered during the year. The Company uses an output method in measuring the variable revenue based on the value of the services provided.

The fuel adjustment fees are recognised based on the tariffs in the ECWPA contract and the actual operating efficiency during the period, subject to the MEW's approval. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Interest income
Interest income is accrued on effective interest rate basis, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

g) Leases

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

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

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If the ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

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

ii. Company as a lessor
At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract. The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

h) Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

i) Borrowing costs

The interest on borrowings specifically incurred to finance the construction of plant and equipment is capitalised as part of their cost during the period that is required to complete the construction. All other interest cost is recognised as an expense of the period in which it is incurred.

j) Foreign currencies transactions

Foreign currency transactions are translated into United States Dollars ("USD") at the rates prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into USD at the rates of exchange ruling at the financial position date. Resultant gains or losses are taken to the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

k) Employees' end of service benefits

Employees are entitled to an end of service indemnity payable under the Kuwait Labor Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. The expected costs of these benefits are accrued over the period of employment.

Kuwaiti employees

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security scheme, to which employees and employers contribute monthly on a fixed percentage-of-salaries basis. The Company's share of contributions to this scheme, which is a defined contribution scheme, are charged to the statement of profit or loss in the year to which they relate.

l) NLST

NLST represents the tax payable to Kuwait's Ministry of Finance under NLST Law No. 19 of 2000, computed at 2.5% of profit before deduction of the contributions to KFAS, Zakat and NLST.

m) Contribution to KFAS

This represents the contribution to the Kuwait Foundation for the Advancement of Science ("KFAS") computed at 1% of profit for the year after the transfer to statutory reserve and other adjustments.

n) Zakat

Zakat represents the tax payable to Kuwait's Ministry of Finance under Zakat Law No. 46 of 2006, computed at 1% of profit for the year after the transfer to statutory reserve and other adjustments.

o) Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in a normal operating cycle; or
- Held primarily for the purpose of trading; or
- Expected to be realised within twelve months after the reporting period; or
- Bank balances, cash and deposits unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

p) Critical accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Company's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are shown below with respect to the judgements/estimates involved.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Determining whether an arrangement contains a lease

Based on management's evaluation, the ECWPA with MEW is considered as a lease within the context of IFRS 16 and has been classified as a finance lease, since significant risks and rewards of ownership were transferred to MEW on the Project Commercial Operation Date, which is the date of commencement of the lease term. The primary basis for this conclusion is that the ECWPA is for the substantial portion of the life of the Plant and the present value of minimum lease payments substantially equates to the fair value of the Plant at the inception of the lease.

Minimum lease payments
Minimum lease payments from the ECWPA are estimated based on projections of available net electricity and water capacity, US producer price indices and Kuwaiti consumer price indices over a period of twenty-five years.

Key sources of estimation uncertainty

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

Fair value of derivatives
Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate portion of the debt. The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Company and of the counterparty.

q) New and amended standards and interpretations

A number of amendments to standards and interpretations are effective for annual periods beginning on 1 January 2022 as below, but they do not have material effect on the Company's financial statements:

- Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendments to IFRS 16;
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37;
- Annual improvements to IFRS Standards 2018 - 2020;
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16; and
- Reference to the Conceptual Framework – Amendments to IFRS 3

Amendments to IFRS Standards which are effective for annual accounting period starting from 1 January 2022 did not have any material impact on the accounting policies, financial position or performance of the Company.

r) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2;
- Disclosure of Accounting Estimates ((Amendments to IAS 8);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
- Sale or Contribution of Assets between an Investors and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28); and
- Lease liability in a Sale and Leaseback (Amendments to IFRS 16)

The new standards and amendments are not expected to have a material impact on the financial statements of the Company in the period of initial application.

4. Cash and bank balances

	2022 USD	2021 USD
Cash in hand	4,234	1,672
Cash with banks	19,772,457	28,410,993
Short-term deposits with original maturity of less than three months	23,900,000	29,866,000
Total cash and bank balances	43,676,691	58,278,665
Less: Restricted balance for dividends payable (note 11)	(18,117,471)	(16,819,557)
Total cash and cash equivalents	25,559,220	41,459,108

Short-term deposits are denominated in USD and are placed with a foreign bank and carry effective interest rates ranging from 4.32% to 4.57% (2021: 0.09% to 0.14%) per annum.

5. Trade and other receivables

	2022 USD	2021 USD
Trade receivables	18,535,975	34,690,335
Contract assets (a)	18,659,896	17,407,177
Prepaid expenses	1,932,639	1,819,267
Warranty claims receivable	-	1,019,838
Advance lease rent to MEW (b)	263,814	272,332
Other receivables	101,613	30,956
	39,493,937	55,239,905

(a) Contract assets relates to the Company's rights to consideration for work completed but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to MEW.

(b) The advance lease rent to MEW represents the total operating lease cost for the lease of the land paid in advance, on which the Plant is built. Advance lease rent to MEW is being amortised over the lease period of forty years.

The average credit period granted to the customer is 60 days. No interest is charged on the overdue trade receivables.

As of 31 December 2022, trade receivables of USD 18,535,975 (2021: USD 34,690,335) were neither past due nor impaired. All the trade receivables are denominated in KWD and are located in the State of Kuwait. The maximum exposure to credit risk at the statement of financial position date is disclosed in note 16 to these financial statements.

6. Finance lease receivable

Finance lease for which the Company acts as lessor
This lease falls within the scope of the IFRS 16 and applies to the ECWPA on the basis that it is an energy conversion and sale contract that conveys an exclusive right to use a production asset. The Company has recognised a finance lease receivable as follows:

	Minimum lease receipts	Present value of minimum lease receipts
	2022	2022
	USD	USD
Amounts receivable under finance lease		
Within one year	124,791,078	45,511,515
Year 2 to 5 inclusive	497,281,615	207,074,739
After year 5	1,733,640,027	1,209,185,182
Undiscounted future minimum lease payments	2,355,712,720	1,461,771,436
Unearned finance income	(893,941,284)	-
Net investment in finance lease at 31 December 2022	1,461,771,436	1,461,771,436

	Minimum lease receipts	Present value of minimum lease receipts
	2021	2021
	USD	USD
Amounts receivable under finance lease		
Within one year	123,748,022	42,046,576
Year 2 to 5 included	497,857,073	196,587,892
After year 5	1,857,855,646	1,265,183,543
Undiscounted future minimum lease payments	2,479,460,741	1,503,818,011
Unearned finance income	(975,642,730)	-
Net investment in finance lease at 31 December 2021	1,503,818,011	1,503,818,011

Included in the statement of financial position:

	2022	2021
	USD	USD
Current portion	45,511,515	42,046,576
Non-current portion	1,416,259,921	1,461,771,435
	1,461,771,436	1,503,818,011

The interest rate implicit in the finance lease is 5.5% (2021: 5.5%) per annum.

7. Property, plant and equipment

	Building improvements USD	Plant and equipment USD	IT equipment USD	Vehicles USD	Furniture and fixtures USD	Total USD
Cost						
As at 1 January 2021	27,179	1,521,791	59,432	547,457	7,971	2,163,830
Additions for the year	-	270,281	10,801	-	-	281,082
Disposals for the year	-	-	(1,798)	-	-	(1,798)
As at 31 December 2021	27,179	1,792,072	68,435	547,457	7,971	2,443,114
Additions for the year	-	468,948	18,260	80,286	261	567,755
Disposals for the year	-	-	(5,760)	(69,978)	-	75,738
As at 31 December 2022	27,179	2,261,020	80,935	557,765	8,232	2,935,131
Accumulated depreciation						
As at 1 January 2021	1,909	140,840	16,901	540,579	3,138	703,367
Charge for the year	1,087	55,506	18,860	6,878	2,356	84,687
Relating to disposals	-	-	(862)	-	-	(862)
As at 31 December 2021	2,996	196,346	34,899	547,457	5,494	787,192
Charge for the year	1,087	57,785	22,568	4,913	1,747	88,100
Relating to disposals	-	-	(5,760)	(69,978)	-	(75,738)
As at 31 December 2022	4,083	254,131	51,708	482,392	7,241	799,554
Carrying amount						
As at 31 December 2022	23,096	2,006,889	29,228	75,373	991	2,135,577
As at 31 December 2021	24,183	1,595,726	33,536	-	2,477	1,655,922

8. Trade and other payables

	2022 USD	2021 USD
Accounts payable	3,784	39,072
Retentions payable*	2,001,661	1,992,388
Accruals and other payables	15,152,067	15,431,032
	17,157,512	17,462,492

* In accordance with the Ministerial Order 44 of 1985 and Articles 16, 37 and 39 of the Executive By laws to Law No. 2 of 2008, the Company retains 5% from all payments to all beneficiaries and releases such retentions upon receipt of a Tax Clearance Certificate or a No Objection Letter issued by the Ministry of Finance.

9. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Company has control or joint control, exercises significant influence, major shareholders, directors and key management personnel of the Company. The Company has a related party relationship with entities over which certain shareholders are able to exercise significant influence. These transactions are carried out on agreed terms basis.

Amounts due to/from related parties are interest free and have no agreed repayment schedule. Accordingly, these balances are considered receivable/payable on demand.

The related party transactions and balances included in these financial statements are as follows:

	2022 USD	2021 USD
Statement of financial position		
Due from related parties	9,585	508,974
Due to related parties	13,130,047	11,104,769
Statement of profit or loss and other comprehensive income		
Operating costs	54,222,515	49,664,917
Finance costs	88,260	168,388
General and administrative expenses	102,377	97,658

Key management compensation

Key management personnel comprise the Board of Directors and members of management having authority and responsibility for planning, directing and controlling the activities of the Company. The management compensation related to key management personnel was as follows:

	2022	2021
	USD	USD
Secondment fees of key management included in "staff costs and related expenses "	785,394	820,917
Board of Directors' remuneration	124,241	114,876

10. Term loans

	2022	2021
	USD	USD
Current portion	55,858,329	57,535,306
Non-current portion	1,016,425,237	1,072,283,572
	1,072,283,566	1,129,818,878

	2022	2021
	USD	USD
USD 645 million facility from Japan Bank for International Cooperation that bears a floating interest rate of Libor plus 1.25% per annum.	482,527,604	508,418,494
USD 283 million facility from various lenders under Nippon Export and Investment Insurance covered facilities agreement that bears a floating interest rate of Libor plus 1.10% - 1.30% per annum.	211,775,996	223,139,222
USD 505 million facility from various lenders under the Commercial facilities agreement that bears a floating interest rate of Libor plus 1.70% - 2.55% per annum.	377,979,966	398,261,162
	1,072,283,566	1,129,818,878

The loans are repayable in quarterly instalments with the final maturity in November 2036.

The loan agreements provide for the borrowings to be secured by assignment of receivables and residual rights under the ECWPA, as well as a pledge over the shares in the Company held by the Parent Company. Loan financial covenants include contribution of equity of at least 20% of the total project cost on the project commercial operation date and a debt service coverage ratio of 1.05:1 after that. At the reporting date, the Company is in compliance with above said customary covenants.

The Company is required to set up a debt service reserve account to maintain a certain level of cash to service its debt for a period of six months after taking into consideration any letter of credit issued. Certain related parties of the Company issued letters of credit in favor of the lenders of USD 62 million (2021: USD 56 million) to contribute to the amount required resulting in no further cash deposit required to be maintained in the debt service reserve account as at 31 December 2022 (31 December 2021: USD 3.9 million).

As at 31 December 2022, the Company has undrawn working capital facilities with a commercial bank in Kuwait amounting to KD 13.9 million (USD 45.2 million) (2021: KD 13.9 million (USD 45.8 million).

11. Share capital

The Company's authorised and issued share capital comprises 1,100,000,000 shares of 100 Kuwaiti fils (2021: 1,100,000,000 shares of 100 Kuwaiti fils) (USD 372,065,655) each, fully paid up in cash.

Dividends
On 11 May 2022, the Board of Directors proposed the first interim cash dividends of 7 fils per share amounting to KD 7,700,000 (USD 25,415,223) for the year ended 31 December 2022 (31 December 2021: 9 fils per share amounting to KD 9,900,000 (USD 32,759,023), which was subsequently distributed to the shareholders on 20 June 2022.

On 2 November 2022, the Board of Directors proposed the second interim cash dividends of 6 fils per share amounting to KD 6,600,000 (USD 21,602,612) for the year ended 31 December 2022 (31 December 2021: nil), which was subsequently distributed to the shareholders on 14 December 2022.

As at 31 December 2022, the Company has recorded dividends payable to its shareholders amounting to KD 5,549,381 (USD 18,117,471) relating to the dividend declared in prior periods (31 December 2021: KD 5,087,916 (USD 16,819,557)).

On 1 March 2023, the Board of Directors proposed cash dividends of 4 fils per share amounting to KD 4,400,000 (USD 14,365,002) for the year ended 31 December 2022 (31 December 2021: 5 fils per share amounting to KD 5,500,000 (USD 18,181,818)), which was subject to approval of the shareholders at the Annual General Assembly meeting.

12. Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association, 10% of the net profit before contribution to KFAS, NLST and Zakat has been transferred to the statutory reserve and must be done annually until the reserve reaches a minimum of 50% of the paid-up share capital. This reserve can be utilised only for distribution of a maximum dividend of 5% in years when retained earnings are inadequate for this purpose.

13. Revenue

	2022	2021
	USD	USD
Revenue from contract with customer		
Fixed operation and maintenance income	44,822,146	43,327,206
Electrical and water output income	19,368,355	13,709,195
Supplemental receipts and service income	26,555,612	25,211,063
	90,746,113	82,247,464
Finance lease income		
Interest income	81,701,445	83,939,377
	172,447,558	166,186,841

14. Basic and diluted earnings per share

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

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no outstanding dilutive instruments, the basic and diluted earnings per share are identical.

	2022	**2021**
Profit for the year (USD)	47,287,982	44,858,128
Weighted average number of ordinary shares outstanding during the year	1,100,000,000	1,100,000,000
Basic and diluted EPS (cents)	4.30	4.08

15. Operating segment

The Company produces water and electricity in the State of Kuwait on behalf of MEW from which it earns revenue and incurs expenses, the results of which are regularly reviewed by the Board of Directors of the Company. Accordingly, the Company has only one reportable segment and information relating to the reporting segment is set out in the statements of financial position and profit or loss and other comprehensive income.

16. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

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.

i. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse 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.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial assets, which potentially subject the Company to credit risk, consist principally of bank balances and short-term deposits, trade and other receivables, contract assets, due from related parties and the finance lease receivable. The Company manages credit risk by placing funds with financial institutions of high credit rating and transacting its principal business with counterparties of repute.

Exposure to credit risk
The carrying amount of following financial assets represents the maximum credit exposure of the Company:

	2022	2021
	USD	USD
Cash and bank balances	43,672,457	58,276,993
Trade and other receivables	37,297,484	53,148,306
Due from related parties	9,585	508,974
Finance lease receivable	1,461,771,436	1,503,818,011
	1,542,750,962	1,615,752,284

Cash and bank balances
Bank balances and deposits are held with banks and financial institution counterparties, which are highly rated. As at 31 December 2022, the 12 month ECL computed on bank balances was insignificant.

Trade and other receivables and finance lease receivables
The trade receivables, contract assets and finance lease receivable arise on dealing with only one customer, MEW of the State of Kuwait. Credit risk with respect to trade receivables, contract assets and finance lease receivable are considered low as they relate to sovereign risk.

Due from related parties
Transactions with related parties are carried out on a negotiated contract basis. As at 31 December 2022, the 12 month ECL computed on related party balances was insignificant.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. 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.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate funding reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity is managed by periodically ensuring its availability in an amount sufficient to meet any future commitments. The Company does not consider itself exposed to significant risks in relation to liquidity.

The following are the undiscounted contractual maturities of financial liabilities:

		Contractual cash flows				
	Carrying amount	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	USD	**USD**	**USD**	**USD**	**USD**	**USD**
2022						
Trade and other payables	17,157,512	17,157,512	-	-	-	17,157,512
Due to related parties	13,130,047	13,130,047	-	-	-	13,130,047
Dividends payable	18,117,471	18,117,471	-	-	-	18,117,471
Term loans	1,072,283,566	121,063,997	241,138,272	354,977,799	882,892,573	1,600,072,641
	1,120,688,596	169,469,027	241,138,272	354,977,799	882,892,573	1,648,477,671
2021						
Trade and other payables	17,508,773	17,508,773	-	-	-	17,508,773
Due to related parties	11,104,769	11,104,769	-	-	-	11,104,769
Dividends payable	16,819,557	16,819,557	-	-	-	16,819,557
Term loans	1,129,818,878	75,850,167	148,185,788	240,320,706	823,148,067	1,287,504,728
	1,175,251,977	121,283,266	148,185,788	240,320,706	823,148,067	1,332,937,827

(c) Market risk

Market risk is the risk that changes in market prices – e.g., foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency *risk*

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. At the reporting date, the Company is not significantly exposed to currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company manages this risk by hedging its long-term borrowings using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating to fixed rate and therefore the exposure to cash flow interest rate risk is limited.

At the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

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

A fundamental review and reform of major interest rate benchmarks is being undertaken globally which includes the replacement of interbank offered rates with alternative nearly risk-free rates (referred to as 'IBOR reform'). There is uncertainty as to the timing and the method of transition for replacing existing benchmark interbank offered rates (IBOR) with alternative rates.

As a result of uncertainties, significant accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the variability of foreign exchange and interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 December 2022. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. The Company believes the current market structure supports the continuation of hedge accounting as at 31 December 2022.

The Company has engaged legal advisors to review the finance documentation in order to make the necessary amendments for the IBOR transition. The exercise is expected to be completed in Q2 2023. The Company is expected to use Secured Overnight Financing Rate ('SOFR') compounded as replacement benchmark rate instead of LIBOR post the transition date of 30 June 2023. The same new rate will be used for both loans and derivatives.

At 31 December 2022, if interest rates at that date had been 0.5% higher / lower with all other variables held constant, profit before contribution to NLST, KFAS, Zakat and Board of Directors' remuneration would have been lower/higher by USD 370,684 (2021: USD 1,388,713).

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market. As at the reporting date, the Company is not exposed to equity price risk, as it has no investment in equity instruments.

ii. Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. Fair values are determined from quoted prices in active markets for identical financial assets or financial liabilities where these are available. Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data.

Determination of fair value and fair value hierarchy:
The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: quoted prices in an active market for the same instrument;
- Level 2: quoted prices in an active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: valuation techniques for which any significant input is not based on observable market data including the net asset value of private equity funds where the underlying investments are unquoted private companies / real estate assets.

Fair valuation of derivative financial instrument
Under IRS contracts, the Company agrees to settle the difference between the fixed and floating rate interest amounts that are calculated on agreed notional principal amounts. Such contract enables the Company to mitigate its risk of the changing interest rates on the cash flow exposures of its issued variable rate debt. The fair value represents the net present value of the estimated future cashflows. Estimates of future floating rate cashflows are based on quoted swap rates, future prices, and inter-bank borrowing rates. These cashflows are discounted using a yield curve that reflects a relevant benchmark inter-bank rate used by market participants for similar instruments when pricing such interest-rate swaps. The Company has determined that the fair value of interest-rate swaps as disclosed in note 17 to the financial statements which is classified as Level 2 as per its fair value measurement policy.

Other financial assets and liabilities
For other financial assets and liabilities carried at cost less impairment or amortised cost, the carrying value is not significantly different from their fair values as most of these assets and liabilities are of short-term maturity or re-priced immediately based on market movement in interest rates.

17. Hedge reserve account and derivative financial liabilities

In the ordinary course of business, the Company uses derivative financial instruments in the form of interest rate swaps to manage its exposure to fluctuations in interest rates. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instruments, reference rates or indices. Interest rate swaps are contractual agreements between two parties to exchange interest based on notional values in a single currency for a fixed period.

In accordance with the Common Terms Agreement signed with the lenders, the Company is required to swap the floating rate interest due on its borrowings to fixed rate interest through interest rate swaps. Accordingly, the Company entered into a number of forward starting interest rate swaps from January 2014 to August 2036 to hedge variable rate interest payments on its outstanding debt and future debt issuances. On 26 November 2020, the Company entered into two additional voluntary interest rate swaps to replace expiring swap coverage. All of these swaps have been classified as cash flow hedges. The decrease in the fair value of the outstanding interest rate swaps as of 31 December 2022 amounting to USD 206,694,895 (2021: decrease of USD 90,865,837) has been taken to other comprehensive income and classified as hedge reserve in equity.

Information about fair value hierarchy of derivative financial instrument is disclosed in note 16.

The table below shows the fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. Notional amounts represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

Derivatives held for hedging:

	2022	2021
	USD	**USD**
Cash flow hedges - Interest rate swaps		
Notional amount:		
At 31 December	1,018,670,248	1,073,328,624
Cash flow hedges - Interest rate swaps		
Negative fair value:		
Short term	20,103,261	(39,020,418)
Long term	(64,526,756)	(212,097,972)
	(44,423,495)	(251,118,390)

18. Embedded derivatives

The ECWPA and the O&M contain embedded derivatives in the form of price adjustments for inflation based on price indices.

These embedded derivatives are not separated from the host contracts and are not accounted for as stand-alone derivatives under IFRS 9, as management believes that the economic characteristics and risks associated with the embedded derivatives are closely related to those of the host contract.

19. Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents as per the statement of cash flows. Total capital is calculated as equity, excluding the hedge reserve (as shown in the statement of financial position) plus net debt.

	2022	2021
	USD	**USD**
Total borrowings (note 10)	1,072,283,566	1,129,818,878
Less: cash and cash equivalents as per the statement of cash flows	(25,559,220)	(41,459,108)
Net debt	1,046,724,346	1,088,359,770
Total equity (excluding hedge reserve)	426,276,607	444,141,997
Total capital	1,473,000,953	1,532,501,767
Gearing ratio	71%	71%

20. Commitments

The Company has an O&M agreement with AZN O&M Company W.L.L, which operates and maintains the Plant, for which the Company has agreed to pay fixed and variable operating fees, to be adjusted based on price indices.

Under the O&M agreement, the minimum future payments due are as follows:

	2022	2021
	USD	USD
Within one year	54,425,860	50,269,009
Year 2 to 5 inclusive	289,083,018	263,030,818
After year 5	870,211,023	867,998,519
	1,213,719,901	1,181,298,346

21. Contingencies

Contingent assets are not recognised as an asset until realisation becomes virtually certain. Contingent liabilities are not recognised as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation and the amount can be reliably estimated.

The Company had no contingencies at 31 December 2022 (2021: nil).

Shamal Az-Zour Al-Oula Power and Water Company KSC (Public)

Financial statements and independent auditor's report for the year ended 31 December 2021

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Shamal Az-Zour Al-Oula Power and Water Company KSC (Public)

Directors' report
for the year ended 31 December 2021

Dear Shareholders,

On behalf of the Board of Directors of the Company, it gives me great pleasure to present the Board of Directors' Report for the year ended 31 December 2021.

1. Operational performance

Shamal Az-Zour Al-Oula K.S.C. is the owner of the power and water facility known as Az-Zour North Phase.

The primary service of the Company under the Energy Conversion and Water Purchase Agreement is to make available exclusively to the off-taker the Ministry of Electricity and Water (MEW) the capacity of the power and water plant and in return the Company receives capacity payments based upon the demonstrated net dependable capacity. The secondary service of the Company is to sell to MEW (based upon its dispatch instructions) the electrical energy generated and water produced for a period of 40 years.

Following the successful share distribution in the fourth quarter of 2019, the Company listed on the Boursa Kuwait on 16 August 2020. 50% of the Company's shares were traded on the market, 5% are held by the Kuwait Investment Authority and 5% by the Public Institution for Social Security. The remaining 40% is held by Azour North One Holding Company K. S. C. C. (the Parent Company) and divided between the project sponsors; Engie (17.5%), Sumitomo Corporation (17.5%) and A.H. Al Sagar & Bros. (5%).

As at 31 December 2021, the shareholding interests were as follows – Public 49.52%, Kuwait Investment Authority 5.00%, Public Institution for Social Security 5.48% and the remaining 40.00% held by Azour North One Holding Company K. S. C. C.

The operation and maintenance of the plant is carried out by an exclusive sub-contractor, AZN O&M Company (O&M Company) who took over the responsibility for plant operation and maintenance on the Plant Commercial Operation Date of 26 November 2016. The plant has met its technical performance expectations in terms of available capacity and electricity generated and water produced during the period.

The plant technical issues that were found during the early operating years are being resolved via the Engineering, Procurement and Construction contract warranty process. The main warranty expired in November 2018 but has been extended for a small number of key plant items.

2. Financial performance

The Company generated a net profit for the period, before transfers to reserves, of USD 44.8 million.

The Company approved its a cash dividend of 12 fils per share for the financial year ended 2020 at the annual general meeting held on 12 April 2021 and this dividend was paid to shareholders on 3 May 2021. Furthermore, an interim dividend of 9 fils per share for the financial year 2021 approved at the ordinary general meeting held at 25 November 2021 and was paid to shareholders on 16 December 2021.

3. Corporate governance

The Company has a Board of Directors with five members. The Board of Directors held seven meetings during the year to 31 December 2021.

The day to management of the Company has been delegated to the Chief Executive Officer and the Chief Financial Officer.

4. Directors

The directors of the Company during the period were as follows:

Eng. Ahmad Othman AlMujalham – Chairman (replaced Eng. Huasam Abdullah AlRoumi in April 2021)

Mr Alexander Katon - Vice-Chairman

Mr Ghazi Abdulrahman AlSanie

Mr Laurent Furedi (replaced Mr Quentin des Cressonnieres in January 2021)

Eng. Eyad Ali AlFalah

Mr Paul Frain – Chief Executive Officer

5. Auditor

The financial statements have been audited by KPMG Safi Al-Mutawa & Partners. who retire and, being eligible, offer themselves for re-appointment.

6. Future plans

The Company and the O&M Company will continue to operate the plant for the benefit of Kuwait in a responsible manner, with a focus on the health and safety of our employees and on minimizing our impact on the environment.

Signed by:

Eng. Ahmad Othman AlMujalham
Chairman

8 March 2022

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Independent auditor's report

The Shareholders
Shamal Az-Zour Al-Oula Power and Water Company KSC (Public)
State of Kuwait

Opinion

We have audited the financial statements of Shamal Az-Zour Al-Oula Power and Water Company KSC (Public) ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

KPMG

Valuation of derivative financial instruments	
See Note 17 to the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The Company hedges its exposure to interest rate risk using derivatives such as interest rate swaps (IRS). The valuation of IRS is determined through the application of valuation techniques, which often involve the exercise of judgement, the use of assumptions and estimates. The Company designates IRS in hedge relationships. Due to the significance of derivative financial instruments and the related estimation and uncertainty, this is considered as key audit matter.	• Our audit procedures comprised of an assessment of the methodology and the appropriateness of the valuation technique used to value the derivative financial instruments. • As part of our audit procedures, we involved our internal valuation specialists to assess the valuation of derivative financial instruments. We have evaluated and challenged the methodology, and assumptions used in determining the fair value of derivative financial instruments and assessed the accuracy of key inputs such as contractual cash flows, discount rates and swap rates by benchmarking them with external data. • Further, we have assessed the appropriateness of the hedge documentation; eligibility of designations and hedge effectiveness testing performed by the management. • We have evaluated the adequacy of the financial statement disclosures, related to derivative financial instruments to assess compliance with the disclosure requirements.

Loan financial covenants compliance	
See Note 10 to the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
Loan financial covenants compliance is a key audit matter as the Company's term loan are subject to several covenants. The Company has to meet equity and Debt Service Coverage Ratio covenants specified in the term loans agreements. This test or assessment is largely based on the contribution of equity, profit from operational activities and the Company's ability to meet its financial covenants. The testing of whether the Company can continue to meet its loan financial covenants is a significant matter for our audit, as breach of loan financial covenants at any testing date could result in the term loans being repayable on demand and hence the full amount may be classified as a current liability. Accordingly, non-compliance with loan financial covenants can have a significant impact on the going concern assumption used in the preparation of the financial statements and classification of liabilities in the financial statements.	• As part of our audit procedures, we have checked the loan financial covenant ratios stated in the term loan agreements and events of default definition. We have also analysed the terms of waivers provided by the lenders. • We have reviewed and reperformed the loan financial covenants calculation and checked compliance with applicable covenants as at 31 December 2021. • We have reconciled the input data used in the loan financial covenants calculation with the financial statements and underlying records. • We have also compared classification of term loans as current or non-current liabilities with the results of assessment of compliance with the loan financial covenants. • We have assessed the adequacy of the Company's disclosure regarding the loan financial covenants which are disclosed in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon. Prior to the date of this auditor's report, we obtained the Board of Directors report which forms part of the annual report and the remaining sections of the annual report are expected to be made available to us after that date.

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the financial statements include the information required by the Companies Law No. 1 of 2016, as amended and its Executive Regulations and the Company's Memorandum and Articles of Association, as amended. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognised procedures and the accounting information given in the board of directors' report agrees with the books of accounts of the Company. We have not become aware of any violations of the provisions of the Companies Law No. 1 of 2016, as amended and its Executive Regulations, of the Law No 7 of 2010 concerning the Capital Markets Authority, and its related regulations, or of the Company's Memorandum and Articles of Association, as amended, during the year ended 31 December 2021 that might have had a material effect on the business of the Company or on its financial position.

Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Kuwait: 8 March 2022

Shamal Az-Zour Al-Oula Power and Water Company KSC (Public)

Statement of financial position
as at 31 December 2021

	Notes	2021 USD	2020 USD
Assets			
Current assets			
Cash and cash equivalents	*4*	58,278,665	121,266,780
Trade and other receivables	*5*	55,239,905	36,721,126
Due from related parties	*9*	508,974	559,711
Finance lease receivable	*6*	42,046,576	39,852,325
		156,074,120	198,399,942
Non-current assets			
Finance lease receivable	*6*	1,461,771,435	1,503,818,012
Property, plant and equipment	*7*	1,655,922	1,460,463
		1,463,427,357	1,505,278,475
Total assets		1,619,501,477	1,703,678,417
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables	*8*	17,462,492	14,452,994
Due to related parties	*9*	11,104,769	12,922,941
Dividends payable	*11*	16,819,557	16,454,077
Term loans	*10*	57,535,306	54,317,692
Derivative financial liabilities	*17*	39,020,418	42,913,497
		141,942,542	141,061,201
Non-current liabilities			
Provision for staff indemnities		107,503	94,216
Term loans	*10*	1,072,283,572	1,129,818,883
Derivative financial liabilities	*17*	212,097,972	299,070,730
		1,284,489,047	1,428,983,829
Total liabilities		1,426,431,589	1,570,045,030
Equity			
Share capital	*11*	372,065,655	372,065,655
Statutory reserve	*12*	24,487,627	19,776,849
Retained earnings		47,634,996	83,775,110
Hedge reserve	*17*	(251,118,390)	(341,984,227)
Total equity		193,069,888	133,633,387
Total liabilities and equity		1,619,501,477	1,703,678,417

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

Eng. Ahmad Othman AlMujalham
Chairman

Andrew Paul Frain
Chief Executive Officer

Shamal Az-Zour Al-Oula Power and Water Company KSC (Public)

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2021

	Notes	2021	2020
		USD	**USD**
Revenue	*13*	166,186,841	167,863,787
Operating costs	*9*	(49,664,917)	(51,083,721)
Gross profit		116,521,924	116,780,066
Finance and other income		90,869	1,365,093
Finance costs		(61,580,771)	(70,374,007)
Staff costs and related expenses		(2,134,779)	(1,885,894)
General and administrative expenses		(5,789,463)	(4,640,311)
Profit before contribution to National Labour Support Tax ("NLST"), Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat and Board of directors' remuneration		47,107,780	41,244,947
NLST		(1,195,755)	(382,917)
KFAS		(463,248)	(371,205)
Zakat		(475,773)	(412,527)
Board of directors' remuneration	*9*	(114,876)	-
Profit for the year		44,858,128	40,078,298
Other comprehensive income / (loss)			
Items that are or may be reclassified subsequently to profit or loss:			
Change in fair value of cash flow hedge	*17*	90,865,837	(68,605,060)
Total other comprehensive income / (loss)		90,865,837	(68,605,060)
Total comprehensive income / (loss) for the year		135,723,965	(28,526,762)
Earnings per share (basic and diluted) (cents)	*14*	4.08	3.64

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

Shamal Az-Zour Al-Oula Power and Water Company KSC (Public)

Statement of changes in equity
for the year ended 31 December 2021

	Share capital USD	**Statutory reserve USD**	**Retained earnings USD**	**Hedge reserve USD**	**Total USD**
Balance as at 1 January 2020	372,065,655	15,382,131	138,166,867	(273,379,167)	252,235,486
Total comprehensive income / (loss) for the year					
Profit for the year	-	-	40,078,298	-	40,078,298
Change in fair value of cash flow hedge (Note 17)	-	-	-	(68,605,060)	(68,605,060)
Total comprehensive income / (loss) for the year	-	-	40,078,298	(68,605,060)	(28,526,762)
Dividends (note 11)	-	-	(90,075,337)	-	(90,075,337)
Transfer to reserve relating to prior years	-	270,223	(270,223)	-	-
Transfer to reserve	-	4,124,495	(4,124,495)	-	-
Balance as at 31 December 2020	372,065,655	19,776,849	83,775,110	(341,984,227)	133,633,387
Total comprehensive income for the year					
Profit for the year	-	-	44,858,128	-	44,858,128
Change in fair value of cash flow hedge (Note 17)	-	-	-	90,865,837	90,865,837
Total comprehensive income for the year	-	-	44,858,128	90,865,837	135,723,965
Dividends (note 11)	-	-	(76,287,464)	-	(76,287,464)
Transfer to reserve	-	4,710,778	(4,710,778)	-	-
Balance as at 31 December 2021	372,065,655	24,487,627	47,634,996	(251,118,390)	193,069,888

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

Statement of cash flows
for the year ended 31 December 2021

	Notes	2021 USD	2020 USD
Cash flows from operating activities			
Profit before contribution to NLST, KFAS, Zakat and Board remuneration		47,107,780	41,244,947
Adjustments for:			
Depreciation	*7*	84,687	171,152
Finance costs		61,580,771	70,374,007
Loss / (gain) from sale of fixed assets		887	(98)
Trade and other receivables		(18,518,779)	17,810,231
Due from related parties		50,737	(504,431)
Finance lease receivable		39,852,326	39,061,517
Trade and other payables		666,821	(14,026,991)
Due to related parties		(1,818,172)	(4,406,960)
Provision for staff indemnities		21,483	38,613
Payment of staff indemnities		(8,196)	(30,888)
Net cash flows generated from operating activities		129,020,345	149,731,099
Cash flows used in investing activities			
Acquisition of property, plant and equipment	*7*	(281,082)	(41,495)
Proceeds from disposal of property, plant and equipment		50	98
Net cash flows used in investing activities		(281,032)	(41,397)
Cash flows used in financing activities			
Term loans	*10*	(54,317,697)	(51,509,101)
Payment of finance costs		(61,853,227)	(71,745,814)
Payment of dividends	*11*	(75,921,984)	(73,621,260)
Net cash flows used in financing activities		(192,092,908)	(196,876,175)
Net decrease in cash and cash equivalents		(63,353,595)	(47,186,473)
Cash and cash equivalents			
at beginning of the year		104,812,703	151,999,176
at end of the year	*4*	41,459,108	104,812,703

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

1. Reporting entity

Shamal Az-Zour Al-Oula Power and Water Company KSC (Public) ("the Company") is a Kuwaiti shareholding company incorporated on 19 August 2013, under trade license No. 349479 registered at the Ministry of Commerce and Industry on 23 October 2013.

The registered office of the Company is at 6th Floor, Mazaya Tower 2, Khalid Ibn Al Waleed Street, Block 3, Kuwait City, Kuwait.

The Company is deemed to be a partially owned subsidiary of Azour North One Holding K.S.C.C ("the Parent Company") as the Parent Company has the ability to direct the relevant activities of the Company, is exposed to variable returns from its involvement with the Company and has the ability to use its power over the Company to affect the amount of its returns.

In December 2013, the Company signed a Build, Operate and Transfer ("BOT") contract with Kuwait's Ministry of Electricity and Water ("MEW") for the development, financing, procurement, construction, testing and commissioning of a green field power generation and water desalination plant of 1,500 MW of power generation capacity, and 102 to 107 Million Imperial Gallons Per Day ("MIGD") of water desalination capacity ("the Plant"), together with associated infrastructure and facilities for 40 years at Az-Zour North, Kuwait. MEW ("the Buyer") will purchase the entire output of the Plant under a 40-year long-term Energy Conversion and Water Purchase Agreement ("ECWPA"). The Plant was commissioned on 26 November 2016.

The objectives of the Company are the following:

1. To develop, finance, design, engineer and provide services and build, implement, operate and manage an electricity power generation plant and a water desalination plant and related facilities including performing all work directly or indirectly related to or associated with its activities.

2. To carry on all works relating to the building works necessary for the Company to carry on its activity, including construction, purchase and lease of buildings, land, equipment and warehouses necessary for the realisation of the objectives of the Company and all the facilities relating thereto.

3. To carry on all works of generation, production, transmission, making, development and sale of electricity and water, or any product relating to any such works in and outside the State of Kuwait.

4. To carry on chemical cleaning, hot oil cleaning works and disinfection for all heat exchangers, and to carry on electrical and civil works necessary for electricity and water sector works (power plants, pipeline and electricity projects for desalination units and petrochemicals), to carry on all maintenance works including those relating to power generation, water, pipeline installations and installation of relay stations and installation of all insulation items.

5. To import and install equipment at electricity and water locations for monitoring and measurement of air pollutants and to use skilled labor specialised in fighting pollution of the environment surrounding water and electricity plants.

6. To purchase materials and equipment and all movable properties and instruments necessary for the Company to realise its objectives, and to maintain the same by all modern means possible, and to import primary materials, equipment and instruments necessary for the Company's objectives.

7. To supply and install security and safety equipment relating to the objectives of the Company.

8. To import all necessary equipment to implement its objects, including but not limited to, install, supply and maintain all types of power cables, electrical cables, water pumps, instruments and equipment relating to the activities of the Company.

9. To register patents relating directly to the Company's experience.

10. To carry out technical research relating to the Company's business with the aim to improve and develop the Company's services in cooperation with specialised parties in and outside the State of Kuwait.

11. To directly participate in infrastructure zones and projects relevant to the objectives of the Company in Build, Operate and Transfer (BOT) systems or in other similar systems including those referred to in Law No. 39 of 2010 (and its amendments), and to manage the facilities established thereby.

12. To invest the Company's funds within the objects and percentages set out by the board of directors.

The Company may carry on the activities listed above in and outside the State of Kuwait, whether as a principal or agent.

The Company is permitted to participate in, study, finance or implement any project or projects that have been tendered pursuant to Law No. 39 of 2010 (and its amendments) on Establishing Kuwaiti Joint Stock Companies Undertaking Building and Implementation of Electrical Power and Desalination Plants in Kuwait.

In accordance with the ECWPA signed between the Company and MEW on 12 December 2013, the Company is obliged to produce electricity and desalinated water using the Plant and MEW has the ability to restrict the access of others to the economic benefits of the Plant. Furthermore, the ECPWA provides for capacity payments in addition to output payments. The Company determined that the ECWPA conveys a right to use the Plant by MEW and accordingly classified the ECWPA as a finance lease in accordance with the guidelines of IFRS 16 Leases.

On 12 April 2021, the Annual General Assembly meeting of the shareholders approved the audited financial statements of the Company as at and for the year ended 31 December 2020.

The financial statements of the Company for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 8 March 2022 and are subject to the approval of the shareholders at their Annual General Assembly. The Annual General Assembly of shareholders has the power to amend these financial statements after issuance.

2. Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("IASB").

b) Basis of measurement

The financial statements have been prepared on the historical cost or amortised cost basis, except for derivative financial instruments which are measured at fair value.

c) Functional and presentation currency

These financial statements are presented in United States Dollars ("USD") which is the functional currency of the Company. The Company's functional currency is not the currency of the country in which it is domiciled as the majority of the transactions of the Company are denominated in USD. A separate set of financial statements is presented in Kuwaiti Dinar ("KWD") for the purpose of submission to the Capitals market authority and Ministry of Commerce and Industry, in the State of Kuwait.

d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of making the judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below in note 3(p).

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Financial Instruments

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

i) Financial assets

Initial recognition and measurement

Financial assets are measured at initial recognition at fair value plus transaction costs and subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of deposits and amounts due from related parties that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

Subsequent measurement

For purposes of subsequent measurement, financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost include finance lease receivables, amounts due from related parties, trade and other receivables and cash and cash equivalents.

Derecognition

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

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

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

ii) Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company recognises lifetime ECL for trade receivables, contract assets and finance lease receivables. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the customer, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on a significant increase in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Company's customer operates.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments from the customer are more than six months past due, unless the Company has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criteria are generally not recoverable.

- Information developed internally or obtained from external sources indicates that the customer is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company); or

- A breach of contract by the counterparty.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than six months past due from MEW unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Company determined no default event occurred during the year in respect of amounts receivable from MEW.

Credit-impaired financial assets

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

- significant financial difficulty of the debtor;

- a breach of contract, such as a default or past due event; or
- it is becoming probable that the debtor will enter bankruptcy.

Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed in liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the asset's gross carrying amount at the reporting date. For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are measured, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Company's financial liabilities include trade and other payables, amounts due to related parties, term loans and derivative financial instruments.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised or modified as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Derecognition

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

iv) Offsetting of financial instruments

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

b) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its interest rate risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates its derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging, the Company documents the economic relationship between hedging instruments and the hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of the hedged items. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. Any gain or loss relating to any ineffective portion is recognised immediately in profit or loss within other income or other expense, as appropriate.

The 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.

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 other comprehensive income at that time, remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the statement of profit or loss.

The fair value of the derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models.

c) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its acquisition cost, borrowing costs and all directly attributable costs of bringing the asset to the working condition for its intended use. The depreciation of the property, plant and equipment is computed on the straight-line basis over the useful lives of the assets as follows:

	Useful life
Buildings improvements	25
Plant and equipment	Unexpired term of the ECWPA
IT equipment	3
Vehicles	3
Furniture and fixtures	3

Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each financial position date. The carrying amount of property, plant and equipment is reviewed at each financial position date to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognised in profit or loss. The carrying amount of property, plant and equipment is derecognised on disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

d) Impairment of non-financial assets

An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of the asset's fair value less cost to sell and value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific asset, or a group of similar assets, may be impaired. If such evidence exists, an impairment loss is recognised in profit or loss. Assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) for the purpose of testing impairment.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

e) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank current accounts and short-term deposits with an original maturity of three months or less, net of restricted balance for dividends payable.

f) Revenue recognition

Revenue is measured based on the transaction prices specified in a contract with a customer and comprises the following:

- Capacity payments for power and water consisting of a fixed capital component and a fixed operation and maintenance component ("fixed O&M").
- Electrical and water output payments consisting of a fuel adjustment component and a variable operation and maintenance component.

Finance lease income

Capacity payments reflect the availability of the Plant to deliver output. The customer pays for capacity at an amount representative of the availability of the asset for the defined time period. Capacity payments covering the fixed capital component are apportioned on the basis of their relative fair values between minimum lease payments (comprising capital repayments relating to the provision of the Plant and finance income) and service income. The finance lease income for the fixed capital component is recognised in the statement of profit or loss as part of the minimum lease payment and is recognised as disclosed in note 3(g).

Operation and maintenance services

Revenue from rendering services is recognised based on the ECWPA contract. The Company recognises revenue from O&M services over time because the customer simultaneously receives and consumes the benefits provided to them.

The fixed O&M revenue is recognised based on the tariffs in the ECWPA contract and upon performance of the relevant services.

The variable revenue is recognised based on the tariffs in the ECWPA contract and the actual units of electricity and water delivered during the year. The Company uses an output method in measuring the variable revenue based on the value of the services provided.

The fuel adjustment fees are recognised based on the tariffs in the ECWPA contract and the actual operating efficiency during the period, subject to the MEW's approval. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Interest income

Interest income is accrued on effective yield basis, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

g) Leases

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

i. Company as a lessee

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

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If the ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

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

ii. Company as a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract. The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

h) Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented profit or loss net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

i) Borrowing costs

The interest on borrowings specifically incurred to finance the construction of property, plant and equipment is capitalised as part of their cost during the period that is required to complete the construction. All other interest cost is recognised as an expense of the period in which it is incurred.

j) Foreign currencies transactions

Foreign currency transactions are translated into US Dollars at the rates prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the rates of exchange ruling at the financial position date. Resultant gains or losses are taken to the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

k) Employees' end of service benefits

Employees are entitled to an end of service indemnity payable under the Kuwait Labor Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. The expected costs of these benefits are accrued over the period of employment.

Kuwaiti employees

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security scheme, to which employees and employers contribute monthly on a fixed percentage-of-salaries basis. The Company's share of contributions to this scheme, which is a defined contribution scheme, are charged to the statement of profit or loss in the year to which they relate.

l) NLST

NLST represents the tax payable to Kuwait's Ministry of Finance under NLST Law No. 19 of 2000, computed at 2.5% of profit before deduction of the contributions to KFAS, Zakat and NLST.

m) Contribution to KFAS

This represents the contribution to the Kuwait Foundation for the Advancement of Science ("KFAS") computed at 1% of profit for the year after the transfer to statutory reserve and other adjustments.

n) Zakat

Zakat represents the tax payable to Kuwait's Ministry of Finance under Zakat Law No. 46 of 2006, computed at 1% of profit for the year after the transfer to statutory reserve and other adjustments.

o) Current **versus** non-current classification

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

- Expected to be realised or intended to be sold or consumed in a normal operating cycle; or
- Held primarily for the purpose of trading; or
- Expected to be realised within twelve months after the reporting period, or
- Bank balances, cash and deposits unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

p) Critical accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Company's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are shown below with respect to the judgements/estimates involved.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Determining whether an arrangement contains a lease

Based on management's evaluation, the ECWPA with MEW is considered as a lease within the context of IFRS 16 and has been classified as a finance lease, since significant risks and rewards of ownership were transferred to MEW on the Project Commercial Operation Date which is the date of commencement of the lease term. The primary basis for this conclusion is that the ECWPA is for the substantial portion of the life of the Plant and the present value of minimum lease payments substantially equates to the fair value of the Plant at the inception of the lease.

Minimum lease payments

Minimum lease payments from the ECWPA are estimated based on projections of available net electricity and water capacity, US producer price indices and Kuwaiti consumer price indices over a period of twenty-five years.

Key sources of estimation uncertainty

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

Fair value of derivatives

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate portion of the debt. The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Company and of the counterparty.

q) Changes in accounting policies

The Company applied the following amendments effective from 1 January 2021.

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and

- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Amendments to IFRS which are effective for annual accounting period starting from 1 January 2021 did not have any material impact on the accounting policies, financial position or performance of the Company.

r) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements to IFRS Standards 2018-2020;
- Property Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;
- Disclosure of Accounting Estimates ((Amendments to IAS 8);
- Deferred Tax related to Assets And Liabilities arising from a Single Transaction (Amendments to IAS 12); and
- Sale or Contribution of Assets between an Investors and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The new standards and amendments are not expected to have a material impact on the financial statements of the Company in the period of initial application..

4. Cash and cash equivalents

	2021 USD	2020 USD
Cash in hand	1,672	5,021
Cash with banks	28,410,993	18,741,759
Short-term deposits with original maturity of less than three months	29,866,000	102,520,000
Total cash and bank balances	58,278,665	121,266,780
Less: Restricted balance for dividends payable (note 11)	(16,819,557)	(16,454,077)
Total cash and cash equivalents	41,459,108	104,812,703

Short-term deposits are denominated in USD and are placed with a foreign bank and carry interest rates ranging from 0.09% to 0.14% (2020: 0.09% to 0.16%) per annum.

5. Trade and other receivables

	2021 USD	2020 USD
Trade receivables	34,690,335	16,614,950
Contract assets (a)	17,407,177	16,906,884
Prepaid expenses	1,819,267	1,451,242
Warranty claims receivable	1,019,838	1,072,243
Advance lease rent to MEW (b)	272,332	280,851
Other receivables	30,956	394,956
	55,239,905	36,721,126

(a) Contract assets relates to the Company's rights to consideration for work completed but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to MEW.

(b) The advance lease rent to MEW represents the total operating lease cost for the lease of the land paid in advance, on which the Plant is built. Advance lease rent to MEW is being amortised over the lease period of forty years.

The average credit period granted to the customer is 60 days. No interest is charged on the overdue trade receivables.

As of 31 December 2021, trade receivables of USD 34,690,335 (2020: USD 16,614,950) were neither past due nor impaired. All the trade receivables are denominated in KWD and are located in the State of Kuwait. The maximum exposure to credit risk at the statement of financial position date is disclosed in note 16 to these financial statements.

6. Finance lease receivable

Finance lease for which the Company acts as lessor.

This lease falls within the scope of the IFRS 16 and applies to the ECWPA on the basis that it is an energy conversion and sale contract that conveys an exclusive right to use a production asset. The Company has recognised a finance lease receivable as follows:

	Minimum lease receipts	Present value of minimum lease receipts
	2021	**2021**
	USD	**USD**
Amounts receivable under finance lease		
Within one year	123,748,022	42,046,576
Year 2 to 5 inclusive	497,857,073	196,587,892
After year 5	1,857,855,646	1,265,183,543
Undiscounted future minimum lease payments	2,479,460,741	1,503,818,011
Unearned finance income	(975,642,730)	-
Net investment in finance lease at 31 December 2021	1,503,818,011	1,503,818,011

	Minimum lease receipts	Present value of minimum lease receipts
	2020	**2020**
	USD	**USD**
Amounts receivable under finance lease		
Within one year	123,791,702	39,852,325
Year 2 to 5 included	497,152,300	185,389,668
After year 5	1,982,308,441	1,318,428,344
Undiscounted future minimum lease payments	2,603,252,443	1,543,670,337
Unearned finance income	(1,059,582,106)	-
Net investment in finance lease at 31 December 2020	1,543,670,337	1,543,670,337

Included in the statement of financial position:

	2021	2020
	USD	**USD**
Current portion	42,046,576	39,852,325
Non-current portion	1,461,771,435	1,503,818,012
	1,503,818,011	1,543,670,337

The interest rate implicit in the finance lease is 5.5% (2020: 5.5%) per annum.

7. Property, plant and equipment

	Buildings improvements USD	Plant and equipment USD	IT equipment USD	Vehicles USD	Furniture and fixtures USD	Total USD
Cost						
As at 1 January 2020	27,179	1,521,791	22,703	547,457	4,650	2,123,780
Additions for the year	-	-	38,174	-	3,321	41,495
Disposals for the year	-	-	(1,445)	-	-	(1,445)
As at 31 December 2020	27,179	1,521,791	59,432	547,457	7,971	2,163,830
Additions for the year	-	270,281	10,801	-	-	281,082
Disposals for the year	-	-	(1,798)	-	-	(1,798)
As at 31 December 2021	27,179	1,792,072	68,435	547,457	7,971	2,443,114
Accumulated depreciation						
As at 1 January 2020	819	83,232	8,548	439,766	1,295	533,660
Charge for the year	1,090	57,608	9,798	100,813	1,843	171,152
Relating to disposals	-	-	(1,445)	-	-	(1,445)
As at 31 December 2020	1,909	140,840	16,901	540,579	3,138	703,367
Charge for the year	1,087	55,506	18,860	6,878	2,356	84,687
Relating to disposals	-	-	(862)	-	-	(862)
As at 31 December 2021	2,996	196,346	34,899	547,457	5,494	787,192
Carrying amount						
As at 31 December 2021	24,183	1,595,726	33,536	-	2,477	1,655,922
As at 31 December 2020	25,270	1,380,951	42,531	6,878	4,833	1,460,463

8. Trade and other payables

	2021 USD	2020 USD
Accounts payable	39,072	14,615
Retentions payable*	1,992,388	1,979,116
Accruals and other payables	15,431,032	12,459,263
	17,462,492	14,452,994

*In accordance with the Ministerial Order 44 of 1985 and Articles 16, 37 and 39 of the Executive By laws to Law No. 2 of 2008, the Company retains 5% from all payments to all beneficiaries and releases such retentions upon receipt of a Tax Clearance Certificate or a No Objection Letter issued by Kuwait Taxation Authority.

9. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Company has control or joint control, exercises significant influence, major shareholders, directors and key management personnel of the Company. The Company has a related party relationship with entities over which certain shareholders are able to exercise significant influence. The Company ensures that prices and terms for these transactions are such that the Board of Directors of the Company considers them comparable with those from unrelated third parties.

Amounts due to / from related parties are interest free and have no agreed repayment schedule. Accordingly, these balances are considered receivable/payable on demand.

The related party transactions and balances included in these financial statements are as follows:

	2021 USD	2020 USD
Statement of financial position		
Due from related parties	508,974	559,711
Due to related parties	11,104,769	12,922,941
Statement of profit or loss and other comprehensive income		
Operating costs	49,664,917	50,710,288
Finance costs	168,388	178,667
General and administrative expenses	97,658	93,685

Key management compensation

Key management personnel comprise the Board of Directors and members of management having authority and responsibility for planning, directing and controlling the activities of the Company. The management compensation related to key management personnel was as follows:

	2021 USD	2020 USD
Secondment fees of key management included in "staff costs and related expenses "	820,917	821,777
Board of directors' remuneration	114,876	-

10. Term loans

	2021 USD	2020 USD
Current portion	57,535,306	54,317,692
Non-current portion	1,072,283,572	1,129,818,883
	1,129,818,878	1,184,136,575

	2021 USD	2020 USD
USD 645 million facility from Japan Bank for International Cooperation that bears a floating interest rate of Libor plus 1.25% per annum.	508,418,494	532,861,457
USD 283 million facility from various lenders under Nippon Export and Investment Insurance covered facilities agreement that bears a floating interest rate of Libor plus 1.10% - 1.30% per annum.	223,139,222	233,866,970
USD 505 million facility from various lenders under the Commercial facilities agreement that bears a floating interest rate of Libor plus 1.70% - 2.55% per annum.	398,261,162	417,408,148
	1,129,818,878	1,184,136,575

The loans are repayable in quarterly instalments with the final maturity in November 2036.

The loan agreements provide for the borrowings to be secured by assignment of receivables and residual rights under the ECWPA, as well as a pledge over the shares in the Company held by the Parent Company. Loan financial covenants include contribution of equity of at least 20% of the total project cost on the project commercial operation date and a debt service coverage ratio of 1.05:1 after that. At the reporting date, the Company is in compliance with above said customary covenants.

The Company is required to set up a debt service reserve account to maintain a certain level of cash to service its debt for a period of six months. Certain related parties of the Company issued letters of credit in favor of the lenders of USD 56 million (2020: USD 56 million) to contribute to the amount required.

As at 31 December 2021, the Company has undrawn working capital facilities with a commercial bank in Kuwait amounting to KD 13.9 million (2020: KD 13.9 million).

11. Share capital

The Company's authorised and issued share capital comprises 1,100,000,000 shares of 100 Kuwaiti fils (2020: 1,100,000,000 shares of 100 Kuwaiti fils) (USD 372,065,655) each, fully paid up in cash.

Dividends
On 7 March 2021, the Board of Directors proposed cash dividends of 12 fils per share amounting to KD 13,200,000 (USD: 43,528,441) in total for the year ended 31 December 2020 (2019: 25 fils per share amounting to KD 27,500,000 (USD: 90,075,337)), which was subject to approval of the shareholders at the Annual General Meeting. On 12 April 2021, the Annual General Assembly meeting of the shareholders approved the cash dividends of 12 fils per share.

On 3 November 2021, the Board of Directors proposed interim cash dividends of 9 fils per share amounting to KD 9,900,000 (USD: 32,759,023) in total for the period ended 30 September 2021, which was subject to approval of the shareholders. On 25 November 2021, the Ordinary General Assembly meeting of the shareholders approved the interim cash dividends of 9 fils per share.

Dividends payable as at 31 December 2021 amounting to USD 16,819,557 (2020: USD 16,454,077) are recorded within "Dividends payable" in the statement of financial position.

12. Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association, 10% of the net profit before contribution to KFAS, NLST and Zakat has been transferred to the statutory reserve and must be done annually until the reserve reaches a minimum of 50% of the paid-up share capital. This reserve can be utilised only for distribution of a maximum dividend of 5% in years when retained earnings are inadequate for this purpose.

13. Revenue

	2021 USD	2020 USD
Revenue from contract with customer		
Fixed operation and maintenance income	43,327,206	42,166,385
Electrical and water output income	13,709,195	16,563,274
Supplemental receipts and service income	25,211,063	23,045,931
	82,247,464	81,775,590
Finance lease income		
Interest income	83,939,377	86,088,197
	166,186,841	167,863,787

14. Basic and diluted earnings per share

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

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no outstanding dilutive instruments, the basic and diluted earnings per share are identical.

	2021	**2020**
Profit for the year (USD)	44,858,128	40,078,298
Weighted average number of ordinary shares outstanding during the year	1,100,000,000	1,100,000,000
Basic and diluted EPS (cents)	4.08	3.64

15. Operating segment

The Company produces water and electricity in the State of Kuwait on behalf of MEW from which it earns revenue and incurs expenses, the results of which are regularly reviewed by the Board of Directors of the Company. Accordingly, the Company has only one reportable segment and information relating to the reporting segment is set out in the statements of financial position and profit or loss and other comprehensive income.

16. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

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.

i. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse 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.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial assets, which potentially subject the Company to credit risk, consist principally of bank balances and short-term deposits, trade and other receivables, contract assets, due from related parties and the finance lease receivable. The Company manages credit risk by placing funds with financial institutions of high credit rating and transacting its principal business with counterparties of repute.

Exposure to credit risk

The carrying amount of following financial assets represents the maximum credit exposure of the Company:

	2021 USD	2020 USD
Cash and bank balances	58,276,993	121,261,759
Trade and other receivables	53,148,306	34,989,033
Due from related parties	508,974	559,711
Finance lease receivable	1,503,818,011	1,543,670,337
	1,615,752,284	1,700,480,840

Cash and bank balances

Bank balances and deposits are held with banks and financial institution counterparties, which are highly rated. The Company considers that its bank balances have low credit risk based on the external credit ratings of the counterparties.

Trade and other receivables and finance lease receivable

The trade receivables, contract assets and finance lease receivable arise on dealing with only one customer, MEW of the State of Kuwait. Credit risk with respect to trade receivables, contract assets and finance lease receivable are considered very low as they relate to sovereign risk.

Due from related parties

Transactions with related parties are carried out on a negotiated contract basis. The Company considers that these have low credit risk since the related parties have high credit ratings.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. 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.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate funding reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity is managed by periodically ensuring its availability in an amount sufficient to meet any future commitments. The Company does not consider itself exposed to significant risks in relation to liquidity.

The following are the undiscounted contractual maturities of financial liabilities:

		Contractual cash flows			
	Carrying amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	USD	USD	USD	USD	USD
2021					
Trade and other payables	17,508,773	17,508,773	-	-	-
Due to related parties	11,104,769	11,104,769	-	-	-
Dividends payable	16,819,557	16,819,557	-	-	-
Term loans	1,129,818,878	75,850,167	148,185,788	240,320,706	823,148,067
	1,175,251,977	121,283,266	148,185,788	240,320,706	823,148,067
2020					
Trade and other payables	14,452,994	14,452,994	-	-	-
Due to related parties	12,922,941	12,922,941	-	-	-
Dividends payable	16,454,077	16,454,077	-	-	-
Term loans	1,184,136,575	74,170,598	150,234,307	233,799,825	908,573,293
	1,227,966,587	118,000,610	150,234,307	233,799,825	908,573,293

(c) Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign c*urrency risk*

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. At the reporting date, the Company is not significantly exposed to currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company manages this risk by hedging its long-term borrowings using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating to fixed rate and therefore the exposure to cash flow interest rate risk is limited.

At the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements.

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

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the method of transition for replacing existing benchmark interbank offered rates (IBORs) with alternative rates.

As a result of these uncertainties, significant accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the variability of foreign exchange and interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 December 2021. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. The Company believes the current market structure supports the continuation of hedge accounting as at 31 December 2021.

At 31 December 2021, if interest rates at that date had been 0.5% higher / lower with all other variables held constant, profit before contribution to NLST, KFAS, Zakat and Board remuneration would have been lower/higher by USD 1,388,713 (2020: USD 1,493,353).

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market. As at the reporting date, the Company is not exposed to equity price risk, as it has no investment in equity instruments.

ii. Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. Fair values are determined from quoted prices in active markets for identical financial assets or financial liabilities where these are available. Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data.

Determination of fair value and fair value hierarchy:

The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: quoted prices in an active market for the same instrument;
Level 2: quoted prices in an active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3: valuation techniques for which any significant input is not based on observable market data including the net asset value of private equity funds where the underlying investments are unquoted private companies / real estate assets.

Fair valuation of derivative financial instrument

Under IRS contracts, the Company agrees to settle the difference between the fixed and floating rate interest amounts that are calculated on agreed notional principal amounts. Such contract enables the Company to mitigate its risk of the changing interest rates on the cash flow exposures of its issued variable rate debt. The fair value represents the net present value of the estimated future cashflows. Estimates of future floating rate cashflows are based on quoted swap rates, future prices, and inter-bank borrowing rates. These cashflows are discounted using a yield curve that reflects a relevant benchmark inter-bank rate used by market participants for similar instruments when pricing such interest-rate swaps. The Company has determined that the fair value of interest-rate swaps as disclosed in Note 17 to the financial statements which is classified are Level 2 as per its fair value measurement policy.

Other financial assets and liabilities

For other financial assets and liabilities carried at cost less impairment or amortised cost, the carrying value is not significantly different from their fair values as most of these assets and liabilities are of short-term maturity or re-priced immediately based on market movement in interest rates.

17. Hedge reserve account and derivative financial liabilities

In the ordinary course of business, the Company uses derivative financial instruments in the form of interest rate swaps to manage its exposure to fluctuations in interest rates. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instruments, reference rates or indices. Interest rate swaps are contractual agreements between two parties to exchange interest based on notional values in a single currency for a fixed period.

In accordance with the Common Terms Agreement signed with the lenders, the Company is required to swap the floating rate interest due on its borrowings to fixed rate interest through interest rate swaps. Accordingly, the Company entered into a number of forward starting interest rate swaps from January 2014 to August 2036 to hedge variable rate interest payments on its outstanding debt and future debt issuances. On 26 November 2020, the Company entered into two additional voluntary interest rate swaps to replace expiring swap coverage. All of these swaps have been classified as cash flow hedges. The decrease in the fair value of the outstanding interest rate swaps as of 31 December 2021 amounting to USD 90,865,837 (2020: increase of USD 68,605,060) has been taken to other comprehensive income and classified as hedge reserve in equity.

Information about fair value hierarchy of derivative financial instrument is disclosed in note 16.

The table below shows the fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. Notional amounts represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

Derivatives held for hedging:

	2021	2020
	USD	USD
Cash flow hedges - Interest rate swaps		
Notional amount:		
At 31 December	1,073,328,624	1,124,930,275
Cash flow hedges - Interest rate swaps		
Negative fair value:		
Short term	(39,020,418)	(42,913,497)
Long term	(212,097,972)	(299,070,730)
	(251,118,390)	(341,984,227)

18. Embedded derivatives

The ECWPA and the O&M contain embedded derivatives in the form of price adjustments for inflation based on price indices.

These embedded derivatives are not separated from the host contracts and are not accounted for as stand-alone derivatives under IFRS 9, as management believes that the economic characteristics and risks associated with the embedded derivatives are closely related to those of the host contract.

19. Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents as per the statement of cash flows. Total capital is calculated as equity, excluding the hedge reserve (as shown in the statement of financial position) plus net debt.

	2021 USD	2020 USD
Total borrowings (note 10)	1,129,818,878	1,184,136,575
Less: cash and cash equivalents as per the statement of cash flows	(41,459,108)	(104,812,703)
Net debt	1,088,359,770	1,079,323,872
Total equity (excluding hedge reserve)	444,141,997	475,617,614
Total capital	1,532,501,767	1,554,941,486
Gearing ratio	71%	69%

20. Commitments and contingent liabilities

Operation and maintenance commitments

The Company has an operation and maintenance agreement (O&M) with AZN O&M Company W.L.L, which operates and maintains the Plant, for which the Company has agreed to pay fixed and variable operating fees, to be adjusted based on price indices.

Under the O&M, the minimum future payments due are as follows;

	2021 USD	2020 USD
Within one year	50,269,009	49,194,238
Year 2 to 5 inclusive	263,030,818	259,563,585
After year 5	867,998,519	933,200,924
	1,181,298,346	1,241,958,747

21. Contingencies

Contingent assets are not recognised as an asset until realisation becomes virtually certain. Contingent liabilities are not recognised as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation and the amount can be reliably estimated.

The Company had no contingencies at 31 December 2021 (2020: nil).

22. Covid-19 update

The World Health Organisation declared Covid-19 to be a pandemic on 11 March 2020. In response to the rapid global spread of Covid-19, the Government of Kuwait enacted emergency measures to combat the spread of the virus. These measures included restrictions on business activity and travel, as well as requirements to isolate or quarantine, which could continue or expand. In response to the spread of the Covid-19, the Company's management has proactively assessed the impact on its operations and has taken a series of preventive measures to ensure the continuity of its business, including ensuring the health and safety of employees and the ability to continue supplying power and water to its customer. The Company's operations are considered essential and have continued uninterrupted to date. Based on these factors, the Board of Directors and Company's management believes that Covid-19 has had no material effect on the Company's reported financial results for the year ended 31 December 2021.

The Board of Directors and Company's management continue to monitor the situation and its impact on the Company's operation and financial position. As at the reporting date, the Board of Directors and management does not expect that the impact of Covid-19 will result in a material uncertainty in the Company's business.

23. Subsequent events

On 8 March 2022, the Board of Directors proposed a cash dividend of 5 fils (2020: 12 fils) per share amounting to KD 5,500,000 (USD 18,181,818) for the year ended 31 December 2021 which is subject to the approval of shareholders at the Annual General Meeting.

Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public)

Financial statements and independent auditor's report for the year ended 31 December 2023

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Shamal Az-Zour Al-Oula Power and Water Company KSC (Public)

Directors' report
for the year ended 31 December 2023

Dear Shareholders,

On behalf of the Board of Directors of the Company, it gives me great pleasure to present the Board of Directors' Report for the year ended 31 December 2023.

1. Operational performance

Shamal Az-Zour Al-Oula K.S.C. is the owner of the power and water facility known as Az-Zour North Phase.

The primary service of the Company under the Energy Conversion and Water Purchase Agreement is to make available exclusively to the off-taker the Ministry of Electricity and Water (MEW) the capacity of the power and water plant and in return the Company receives capacity payments based upon the demonstrated net dependable capacity. The secondary service of the Company is to sell to MEW (based upon its dispatch instructions) the electrical energy generated and water produced for a period of 40 years.

Following the successful share distribution in the fourth quarter of 2019, the Company listed on the Boursa Kuwait on 16 August 2020. 50% of the Company's shares were traded on the market, 5% are held by the Kuwait Investment Authority and 5% by the Public Institution for Social Security. The remaining 40% is held by Azour North One Holding Company K. S. C. C. (the Parent Company) and divided between the project sponsors; Engie (17.5%), Sumitomo Corporation (17.5%) and A.H. Al Sagar & Bros. (5%).

As at 31 December 2023, the shareholding interests were as follows – Public 48.92%, Kuwait Investment Authority 5.00%, Public Institution for Social Security 6.08% and the remaining 40.00% held by Azour North One Holding Company K. S. C. C.

The operation and maintenance of the plant is carried out by an exclusive sub-contractor, AZN O&M Company (O&M Company) who took over the responsibility for plant operation and maintenance on the Plant Commercial Operation Date of 26 November 2016. The plant has met its technical performance expectations in terms of available capacity and electricity generated and water produced during the period.

The plant technical issues that were found during the early operating years are being resolved via the Engineering, Procurement and Construction contract warranty process. The main warranty expired in November 2018 but has been extended for a small number of key plant items.

2. Financial performance

The Company generated a net profit for the period, before transfers to reserves, of USD 41.03 million.

The Company approved its a cash dividend of 4 fils per share for the financial year ended 2022 at the annual general meeting held on 30 March 2023 and this dividend was paid to shareholders on 30 April 2023. Furthermore, one interim dividend of 5 fils per share for the financial year 2023 was approved by the board on 16 August 2023 based on the authorization given by shareholders to the Board of directors at the AGM that took place on 30 March 2023. The approved interim dividends for 2023 were subsequently paid to shareholders on 26 September 2023.

3. Corporate governance

The Company has a Board of Directors with Seven members. The Board of Directors held Ten meetings during the year to 31 December 2023.

The day-to-day management of the Company has been delegated to the Chief Executive Officer and the Chief Financial Officer.

4. Directors

The directors of the Company during the period were as follows:

Eng. Ahmad Othman AlMujalham – Chairman

Mr. Balwinder Panesar – Vice – Chairman (replaced Mr. Alexander Katon in October 2023)

Mr. Ghazi Abdulrahman AlSanie

Mr. Laurent Furedi

Mr. Axel De Ghellinck

Eng. Eyad Ali AlFalah

Mr. Paul Floyd – Chief Executive Officer (replaced Mr. Paul Frain in September 2023)

5. Auditor

The financial statements have been audited by KPMG Al-Qenae & Partners. who retire and being eligible, offer themselves for re-appointment.

6. Future plans

The Company and the O&M Company will continue to operate the plant for the benefit of Kuwait in a responsible manner, with a focus on the health and safety of our employees and on minimizing our impact on the environment.

Signed by:

Eng. Ahmad Othman AlMujalham
Chairman

6 March 2024

KPMG Al-Qenae & Partners
Al Hamra Tower, 25th Floor
Abdulaziz Al Saqr Street
P.O Box 24, Safat 13001
State of Kuwait
+965 2228 7000

Independent auditor's report

The Shareholders
Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public)
State of Kuwait

Opinion

We have audited the financial statements of Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public) (the "Company"), which comprises the statement of financial position as at 31 December 2023, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Revenue recognition

See notes 3(f) and 13 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The revenue calculation is based on tariffs stated within the Energy Conversion and Water Purchase Agreement ("ECWPA") which has multiple variables. There is a risk that the revenue generated by the Company based on the ECWPA may be materially misstated, as each element of revenue should be comparable to the tariffs and calculation in the main ECWPA and its appendices. This creates complexity which could lead to a significant risk of misstatement.	As part of our audit procedures, we have: • Performed a walkthrough and obtained a detailed understanding of the revenue process including the system applications involved in the calculation of revenue and generation of monthly invoices to identify key controls over revenue recognition. • Sighted and read the ECWPA along with the relevant appendices that relate to calculation of payment and invoicing and payment procedures. • Obtained and inspected the monthly signed data validation meeting minutes between the Company and the Ministry of Electricity and Water ("MEW") to evidence agreement by both parties of the Original Input Data. • Obtained and inspected the monthly invoices issued to the MEW. • Inspected the supporting documents attached to each invoice, which includes the breakdown in terms of the various elements stated in the ECWPA. • Inspected the monthly journal entries posted to verify the revenue recorded is the same amount which was automatically calculated by the PASS system. • Performed re-calculation to verify the conversion of revenue in KD to USD for the total revenue to be aligned with the trial balance and inspected the bank statements for receipts from MEW.

Finance lease receivables

See note 6 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The finance lease receivable is based on the IFRS 16 model developed by the Company with guidance from Sumitomo Corporation and Engie, its shareholders. As the lease model was developed in 2016 for a period of 25 years, due to the involvement of management estimates and assumptions in the inputs, this could result in misstatements in arriving at the finance lease receivables balance. Due to assumptions used at inception, and the magnitude of the lease receivables, this is identified as a key audit matter.	As part of our audit procedures, we have: • Obtained and reviewed the IFRS 16 finance lease receivable model. • Assessed the appropriateness of the assumptions and estimates used in terms of cash flow projections and interest rate used. • Ensured validity of the model by aligning the revenue projections to the actual receipts. • Agreed the current and non-current portions of the finance lease receivable with the IFRS 16 model. • Evaluated the adequacy of the Company's disclosure in relation to use of significant estimates and judgement and assessed the presence of trigger events in order to identify updates to the finance lease model, if required.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon. Prior to the date of this auditor's report, we obtained the Board of Directors report which forms part of the annual report and the remaining sections of the annual report are expected to be made available to us after that date.

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the financial statements include the information required by the Companies Law No. 1 of 2016, as amended and its Executive Regulations and the Company's Memorandum and Articles of Association, as amended. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognised procedures and the accounting information given in the Board of Directors' report agrees with the books of accounts of the Company. We have not become aware of any violations of the provisions of the Companies Law No. 1 of 2016, as amended and its Executive Regulations, or of the Company's Memorandum and Articles of Association, as amended, during the year ended 31 December 2023 that might have had a material effect on the business of the Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 7 of 2010, as amended, concerning the Capital Markets Authority, and its related regulations during the year ended 31 December 2023 that might have had a material effect on the business of the Company or on its financial position.

Dr. Rasheed M. Al-Qenae
License No 130
of KPMG Al-Qenae & Partners
Member firm of KPMG International

Kuwait: 6 March 2024

Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public)

Statement of financial position
As at 31 December 2023

	Notes	2023 USD	2022 USD
Assets			
Non-current assets			
Finance lease receivable	6	1,368,703,312	1,416,259,921
Property, plant and equipment	7	2,149,802	2,135,577
		1,370,853,114	1,418,395,498
Current assets			
Finance lease receivable	6	47,556,608	45,511,515
Derivative financial assets	17	19,931,105	20,103,261
Trade and other receivables	5	55,459,323	39,493,937
Due from related parties	9	13,605	9,585
Cash and bank balances	4	18,786,545	43,676,691
		141,747,186	148,794,989
Total assets		1,512,600,300	1,567,190,487
Liabilities and equity			
Equity			
Share capital	11	372,065,655	372,065,655
Statutory reserve	12	33,752,826	29,446,633
Retained earnings		29,209,116	24,764,319
Hedge reserve	17	(42,808,331)	(44,423,495)
Total equity		392,219,266	381,853,112
Liabilities			
Non-current liabilities			
Term loans	10	957,949,185	1,016,425,237
Derivative financial liabilities	17	62,739,436	64,526,756
Provision for staff indemnities		133,829	122,023
		1,020,822,450	1,081,074,016
Current liabilities			
Term loans	10	58,476,049	55,858,329
Dividends payable	11	16,159,673	18,117,471
Trade and other payables	8	15,311,085	17,157,512
Due to related parties	9	9,611,777	13,130,047
		99,558,584	104,263,359
Total liabilities		1,120,381,034	1,185,337,375
Total liabilities and equity		1,512,600,300	1,567,190,487

Eng. Ahmad Othman AlMujalham
Chairman

Paul Leslie Floyd
Chief Executive Officer

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

Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public)

Statement of profit or loss
for the year ended 31 December 2023

	Notes	**2023**	**2022**
		USD	**USD**
Revenue	*13*	171,444,861	172,447,558
Operating costs	*9*	(56,751,256)	(54,238,070)
Gross profit		114,693,605	118,209,488
Finance and other income		8,929,971	569,407
Finance costs		(71,625,325)	(59,906,059)
Staff costs and related expenses		(2,192,184)	(2,070,023)
General and administrative expenses		(6,744,138)	(7,212,749)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labor Support Tax ("NLST"), Zakat and Board of Directors' remuneration		43,061,929	49,590,064
KFAS		(387,557)	(459,610)
NLST		(1,076,843)	(1,243,918)
Zakat		(430,737)	(474,313)
Board of Directors' remuneration	*9*	(138,408)	(124,241)
Profit for the year		41,028,384	47,287,982
Earnings per share (basic and diluted) (cents)	*14*	3.73	4.30

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

Statement of comprehensive income
for the year ended 31 December 2023

	Notes	**2023**	**2022**
		USD	**USD**
Profit for the year		41,028,384	47,287,982
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Change in fair value of cash flow hedge	*17*	1,615,164	206,694,895
Total other comprehensive income		1,615,164	206,694,895
Total comprehensive income for the year		42,643,548	253,982,877

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

Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public)

Statement of changes in equity
for the year ended 31 December 2023

	Share capital USD	Statutory reserve USD	Retained earnings USD	Hedge reserve USD	Total USD
Balance as at 1 January 2022	372,065,655	24,487,627	47,634,996	(251,118,390)	193,069,888
Total comprehensive income for the year					
Profit for the year	-	-	47,287,982	-	47,287,982
Change in fair value of cash flow hedge (note 17)	-	-	-	206,694,895	206,694,895
Total comprehensive income for the year	-	-	47,287,982	206,694,895	253,982,877
Dividends (note 11)	-	-	(65,199,653)	-	(65,199,653)
Transfer to statutory reserve (note 12)	-	4,959,006	(4,959,006)	-	-
Balance as at 31 December 2022	372,065,655	29,446,633	24,764,319	(44,423,495)	381,853,112
Total comprehensive income for the year					
Profit for the year	-	-	41,028,384	-	41,028,384
Change in fair value of cash flow hedge (note 17)	-	-	-	1,615,164	1,615,164
Total comprehensive income for the year	-	-	41,028,384	1,615,164	42,643,548
Dividends (note 11)	-	-	(32,277,394)	-	(32,277,394)
Transfer to statutory reserve (note 12)	-	4,306,193	(4,306,193)	-	-
Balance as at 31 December 2023	372,065,655	33,752,826	29,209,116	(42,808,331)	392,219,266

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

Statement of cash flows
for the year ended 31 December 2023

	Notes	**2023**	**2022**
		USD	**USD**
Cash flows from operating activities			
Profit before contribution to KFAS, NLST, Zakat and Board remuneration		43,061,929	49,590,064
Adjustments for:			
Depreciation	*7*	136,200	88,100
Finance costs		71,625,325	59,906,059
Net gain from sale of fixed assets		(31,998)	(28,352)
Expected credit losses		-	484,878
Provision for staff indemnities		11,807	39,533
		114,803,263	110,080,282
Changes in:			
Trade and other receivables		(15,965,386)	15,745,968
Due from related parties		(4,020)	14,511
Finance lease receivable		45,511,516	42,046,575
Trade and other payables		(1,978,260)	(3,758,978)
Due to related parties		(3,518,270)	2,025,278
Cash generated from operating activities		138,848,843	166,153,636
Payment of staff indemnities		-	(25,013)
Net cash generated from operating activities		138,848,843	166,128,623
Cash flows from investing activities			
Acquisition of property, plant and equipment	*7*	(150,425)	(567,755)
Proceeds from disposal of property, plant and equipment		31,998	28,352
Net cash used in investing activities		(118,427)	(539,403)
Cash flows from financing activities			
Repayment of term loans		(55,858,332)	(57,535,306)
Payment of finance costs		(71,569,240)	(60,052,063)
Payment of dividends		(34,235,192)	(63,901,739)
Net cash used in financing activities		(161,662,764)	(181,489,108)
Net decrease in cash and cash equivalents		(22,932,348)	(15,899,888)
Cash and cash equivalents as at 1 January		25,559,220	41,459,108
Cash and cash equivalents as at 31 December	*4*	2,626,872	25,559,220

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

1. Reporting entity

Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public) (the "Company") is a Kuwaiti shareholding company incorporated on 19 August 2013, under trade license No. 349479 registered at the Ministry of Commerce and Industry on 23 October 2013 and whose shares are listed on Boursa Kuwait.

The registered office of the Company is 6th Floor, Mazaya Tower 2, Khalid Ibn Al Waleed Street, Block 3, Kuwait City, Kuwait.

The Company is deemed to be a partially owned subsidiary of Azour North One Holding K.S.C.C (the "Parent Company") as the Parent Company has the ability to direct the relevant activities of the Company, is exposed to variable returns from its involvement with the Company and has the ability to use its power over the Company to affect the amount of its returns.

In December 2013, the Company signed a Build, Operate and Transfer ("BOT") contract with Kuwait's Ministry of Electricity and Water ("MEW") for the development, financing, procurement, construction, testing and commissioning of a green field power generation and water desalination plant of 1,500 MW of power generation capacity, and 102 to 107 Million Imperial Gallons Per Day ("MIGD") of water desalination capacity (the "Plant"), together with associated infrastructure and facilities for 40 years at Az-Zour North, Kuwait. MEW will purchase the entire output of the Plant under a 40-year long-term Energy Conversion and Water Purchase Agreement ("ECWPA"). The Plant was commissioned on 26 November 2016.

In accordance with the ECWPA signed between the Company and MEW on 12 December 2013, the Company is obliged to produce electricity and desalinated water using the Plant and MEW has the ability to restrict the access of others to the economic benefits of the Plant. Furthermore, the ECWPA provides for capacity payments in addition to output payments. The Company determined that the ECWPA conveys a right to use the Plant by MEW and accordingly classified the ECWPA as a finance lease in accordance with the guidelines of IFRS 16, *Leases*.

The objectives of the Company are the following:

a) To develop, finance, design, engineer and provide services and build, implement, operate and manage an electricity power generation plant and a water desalination plant and related facilities including performing all work directly or indirectly related to or associated with its activities.

b) To carry out all works relating to the building works necessary for the Company to carry on its activity, including construction, purchase and lease of buildings, land, equipment and warehouses necessary for the realisation of the objectives of the Company and all the facilities relating thereto.

c) To carry out all works of generation, production, transmission, making, development and sale of electricity and water, or any product relating to any such works in and outside the State of Kuwait.

d) To carry out chemical cleaning, hot oil cleaning works and disinfection for all heat exchangers, and to carry out electrical and civil works necessary for electricity and water sector works (power plants, pipeline and electricity projects for desalination units and petrochemicals), to carry out all maintenance works including those relating to power generation, water, pipeline installations and installation of relay stations and installation of all insulation items.

e) To import and install equipment at electricity and water locations for monitoring and measurement of air pollutants and to use skilled labor specialised in fighting pollution of the environment surrounding water and electricity plants.

f) To purchase materials and equipment and all movable properties and instruments necessary for the Company to realise its objectives and to maintain the same by all modern means possible, and to import primary materials, equipment, and instruments necessary for the Company's objectives.

g) To supply and install security and safety equipment relating to the objectives of the Company.

h) To import all necessary equipment to implement its objects, including but not limited to, install, supply and maintain all types of power cables, electrical cables, water pumps, instruments and equipment relating to the activities of the Company.

i) To register patents relating directly to the Company's experience.

j) To carry out technical research relating to the Company's business with the aim to improve and develop the Company's services in cooperation with specialised parties in and outside the State of Kuwait.

k) To directly participate in infrastructure zones and projects relevant to the objectives of the Company in BOT systems or in other similar systems including those referred to in Law No. 39 of 2010 (and its amendments) and to manage the facilities established thereby.

l) To invest the Company's funds within the objectives and percentages set out by the board of directors.

The Company may carry out the activities listed above in and outside the State of Kuwait, whether as a principal or agent.

The Company is permitted to participate in, study, finance or implement any project or projects that have been tendered pursuant to Law No. 39 of 2010 (and its amendments) on Establishing Kuwaiti Joint Stock Companies Undertaking Building and Implementation of Electrical Power and Desalination Plants in Kuwait.

On 30 March 2023, the Annual General Assembly meeting of the shareholders approved the audited financial statements of the Company as at and for the year ended 31 December 2022.

The financial statements of the Company for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 6 March 2024 and are subject to the approval of the shareholders at their Annual General Assembly meeting. The Annual General Assembly meeting of shareholders has the power to amend these financial statements after issuance.

2. Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

b) Basis of measurement

The financial statements have been prepared on the historical cost or amortised cost basis, except for derivative financial instruments which are measured at fair value.

c) Functional and presentation currency

These financial statements are presented in United States Dollars ("USD"), which is the functional currency of the Company. The Company's functional currency is not the currency of the country in which it is domiciled as majority of the transactions of the Company are denominated in USD. A separate set of financial statements is presented in Kuwaiti Dinar ("KD") for the purpose of submission to the Capitals Market Authority and Ministry of Commerce and Industry in the State of Kuwait.

d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of making the judgements about the carrying value of assets and liabilities that are not readily apparent from other sources.

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 3(p).

3. Material accounting policies

The accounting policies and computational methods set out below have been applied consistently to all periods presented in these financial statements, except for those listed in note 3(q).

a) Financial instruments

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

i) Financial assets

Initial recognition and measurement
Financial assets are measured at initial recognition at fair value plus, transaction costs and subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of deposits and amounts due from related parties, that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

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

The Company's financial assets at amortised cost include finance lease receivables, amounts due from related parties, trade and other receivables and cash and bank balances.

Subsequent measurement
For purposes of subsequent measurement, financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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

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

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

ii) Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at FVTPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

ECL is recognised in two stages; for credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL is provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments from the customer are more than 60 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

Definition of default
The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criteria are generally not recoverable.

- Information developed internally or obtained from external sources indicates that the customer is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company); or
- A breach of contract by the counterparty.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due from MEW unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Company determined no default event occurred during the year in respect of amounts receivable from MEW.

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or past due event; or
- it is becoming probable that the debtor will enter bankruptcy.

Write-off policy
The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the counterparty has been placed in liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the asset's gross carrying amount at the reporting date. For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

iii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or is designated as such on initial recognition.

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

The Company's financial liabilities include trade and other payables, amounts due to related parties, term loans and derivative financial instruments.

Subsequent measurement
After initial recognition, term loans are subsequently measured on a deferred settlement basis. Term loans are stated at the gross amount of the payable, net of deferred interest payable. Interest payable are expensed on a time apportionment basis taking account of the interest rate attributable and the balance outstanding.

Trade and other payables and amounts due to related parties are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not

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

iv) Offsetting of financial instruments

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

b) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its interest rate risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates its derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging, the Company documents the economic relationship between hedging instruments and the hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of the hedged items. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. Any gain or loss relating to any ineffective portion is recognised immediately in profit or loss within other income or other expense, as appropriate.

The 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.

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 other comprehensive income at that time, remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the statement of profit or loss.

The fair value of the derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models.

c) Property, plant, and equipment

Property, plant, and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its acquisition cost, borrowing costs and all directly attributable costs of bringing the asset to the working condition for its intended use. The depreciation of the property, plant and equipment is computed on the straight-line basis over the useful lives of the assets as follows:

	Useful life
Building improvements	Lower of 25 years or unexpired term of the ECWPA
Plant and equipment	Unexpired term of the ECWPA
IT equipment	3
Vehicles	3
Furniture and fixtures	3

Asset residual values and useful lives are reviewed and adjusted if appropriate, at each financial position date. The carrying amount of property, plant and equipment is reviewed at each financial position date to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognised in profit or loss. The carrying amount of property, plant and equipment is derecognised on disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

d) Impairment of non-financial assets

An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of the asset's fair value less cost to sell and value-in-use. Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. Value-in-use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific asset or a group of similar assets, may be impaired. If such evidence exists, an impairment loss is recognised in profit or loss. Assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) for the purpose of testing impairment. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

e) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank current accounts and short-term deposits with an original maturity of three months or less, net of restricted balance for dividends payable.

f) Revenue recognition

Revenue is measured based on the transaction prices specified in a contract with a customer and comprises the following:

- Capacity payments for power and water consisting of a fixed capital component and a fixed operation and maintenance component ("O&M").
- Electrical and water output payments consisting of a fuel adjustment component and a variable O&M component.

Revenue from contract with customer
Capacity payments reflect the availability of the Plant to deliver output. The customer pays for capacity at an amount representative of the availability of the asset for the defined time period. Capacity payments covering the fixed capital component are apportioned on the basis of their relative fair values between minimum lease payments (comprising capital repayments relating to the provision of the Plant and finance income) and service income.

Operation and maintenance services
Revenue from rendering services is recognised based on the ECWPA contract. The Company recognises revenue from O&M services over time because the customer simultaneously receives and consumes the benefits provided to them.

The fixed O&M revenue is recognised based on the tariffs in the ECWPA contract and upon performance of the relevant services.

The variable O&M revenue is recognised based on the tariffs in the ECWPA contract and the actual units of electricity and water delivered during the year. The Company uses an output method in measuring the variable revenue based on the value of the services provided.

The fuel adjustment fees are recognised based on the tariffs in the ECWPA contract and the actual operating efficiency during the period, subject to the MEW's approval. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Finance lease income
The finance lease income for the fixed capital component is recognised in the statement of profit or loss as part of the minimum lease payment and is recognised as disclosed in note 3(g).

Interest income
Interest income is accrued on effective interest rate basis, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

g) Leases

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

i. Company as a lessee

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

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If the ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

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

ii. Company as a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for a major part of the economic life of the asset.
If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract. The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

h) Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

i) Borrowing costs

The interest on borrowings specifically incurred to finance the construction of plant and equipment is capitalised as part of their cost during the period that is required to complete the construction. All other interest cost is recognised as an expense of the period in which it is incurred.

j) Foreign currencies transactions

Foreign currency transactions are translated into United States Dollars ("USD") at the rates prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into USD at the rates of exchange ruling at the financial position date. Resultant gains or losses are taken to the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

k) Employees' end of service benefits

Employees are entitled to an end of service indemnity payable under the Kuwait Labor Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. The expected costs of these benefits are accrued over the period of employment.

Kuwaiti employees
Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security scheme, to which employees and employers contribute monthly on a fixed percentage-of-salaries basis. The Company's share of contributions to this scheme, which is a defined contribution scheme, are charged to the statement of profit or loss in the year to which they relate.

l) NLST

NLST represents the tax payable to Kuwait's Ministry of Finance under NLST Law No. 19 of 2000, computed at 2.5% of profit before deduction of the contributions to KFAS, Zakat and NLST.

m) Contribution to KFAS

This represents the contribution to the Kuwait Foundation for the Advancement of Science ("KFAS") computed at 1% of profit for the year after the transfer to statutory reserve and other adjustments.

n) Zakat

Zakat represents the tax payable to Kuwait's Ministry of Finance under Zakat Law No. 46 of 2006, computed at 1% of profit for the year after the transfer to statutory reserve and other adjustments.

o) Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in a normal operating cycle; or
- Held primarily for the purpose of trading; or
- Expected to be realised within twelve months after the reporting period; or
- Bank balances, cash and deposits unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

p) Critical accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Company's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are shown below with respect to the judgements/estimates involved.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Determining whether an arrangement contains a lease
Based on management's evaluation, the ECWPA with MEW is considered as a lease within the context of IFRS 16 and has been classified as a finance lease, since significant risks and rewards of ownership were transferred to MEW on the Project Commercial Operation Date, which is the date of commencement of the lease term. The primary basis for this conclusion is that the ECWPA is for the substantial portion of the life of the Plant and the present value of minimum lease payments substantially equates to the fair value of the Plant at the inception of the lease.

Minimum lease payments
Minimum lease payments from the ECWPA are estimated based on projections of available net electricity and water capacity, US producer price indices and Kuwaiti consumer price indices over a period of twenty-five years.

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

Fair value of derivatives
Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate portion of the debt. The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Company and of the counterparty.

q) New and amended standards and interpretations

A number of amendments to standards and interpretations are effective for annual periods beginning on 1 January 2023 as below, but they do not have material effect on the Company's financial statements:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2;
- Definition of Accounting Estimates – Amendments to IAS 8;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12; and
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 require the disclosure of "material" rather than "significant" accounting policies. The amendments also provide guidance and application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific policy information for users to understand other information in the financial statements.

Management has reviewed the accounting policies and made updates, where applicable, to the information disclosed in Note 3, Material accounting policies (2022: Significant accounting policies).

r) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Non-current Liabilities with Covenants (Amendments to IAS 1);
- Lease liability in a Sale and Leaseback (Amendments to IFRS 16)
- Disclosure relating to Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7);
- Lack of Exchangeability (Amendments to IAS 21); and
- Sale or Contribution of Assets between an Investors and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The new standards and amendments are not expected to have a material impact on the financial statements of the Company in the period of initial application.

4. Cash and bank balances

	2023 USD	2022 USD
Cash in hand	2,055	4,234
Balances with banks	18,784,490	19,772,457
Short-term deposits with original maturity of less than 3 months	-	23,900,000
Total cash and bank balances	18,786,545	43,676,691
Less: Restricted balance for dividends payable (note 11)	(16,159,673)	(18,117,471)
Total cash and cash equivalents	2,626,872	25,559,220

Short term deposits were denominated in USD and placed with a foreign bank and carried an effective interest rate ranging from 4.32% to 5.48% (2022: 4.32% to 4.57%) per annum.

5. Trade and other receivables

	2023 USD	2022 USD
Trade receivables	35,070,945	18,535,975
Contract assets (a)	18,022,550	18,659,896
Prepaid expenses	2,037,603	1,932,639
Advance lease rent to MEW (b)	255,296	263,814
Other receivables	72,929	101,613
	55,459,323	39,493,937

(a) Contract assets relates to the Company's rights to consideration for work completed but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to MEW.

(b) The advance lease rent to MEW represents the total operating lease cost for the lease of the land paid in advance, on which the Plant is built. Advance lease rent to MEW is being amortised over the lease period of forty years.

The average credit period granted to the customer is 60 days. No interest is charged on the overdue trade receivables.

As of 31 December 2023, trade receivables of USD 35,070,945 (2022: USD 18,535,975) were neither past due nor impaired. All the trade receivables are denominated in KD and are located in the State of Kuwait. The maximum exposure to credit risk at the statement of financial position date is disclosed in note 16 to these financial statements.

6. Finance lease receivable

Finance lease for which the Company acts as lessor
This lease falls within the scope of the IFRS 16 and applies to the ECWPA on the basis that it is an energy conversion and sale contract that conveys an exclusive right to use a production asset. The Company has recognised a finance lease receivable as follows:

	Minimum lease receipts (Undiscounted)	Present value of minimum lease receipts
	2023	2023
	USD	USD
Amounts receivable under finance lease		
Within one year	124,286,588	47,556,608
Year 2 to 5 inclusive	497,841,758	219,339,331
After year 5	1,608,793,296	1,149,363,981
Future minimum lease receipts	2,230,921,642	1,416,259,920
Unearned finance income	(814,661,722)	-
Net investment in finance lease at 31 December 2023	**1,416,259,920**	**1,416,259,920**

	Minimum lease receipts (Undiscounted)	Present value of minimum lease receipts
	2022	2022
	USD	USD
Amounts receivable under finance lease		
Within one year	124,791,078	45,511,515
Year 2 to 5 inclusive	497,281,615	207,074,739
After year 5	1,733,640,027	1,209,185,182
Future minimum lease receipts	2,355,712,720	1,461,771,436
Unearned finance income	(893,941,284)	-
Net investment in finance lease at 31 December 2022	1,461,771,436	1,461,771,436

Included in the statement of financial position:

	2023 USD	2022 USD
Current portion	47,556,608	45,511,515
Non-current portion	1,368,703,312	1,416,259,921
	1,416,259,920	1,461,771,436

The interest rate implicit in the finance lease is 5.5% (2022: 5.5%) per annum.

7. Property, plant and equipment

	Building improvements USD	Plant and equipment USD	IT equipment USD	Vehicles USD	Furniture and fixtures USD	Total USD
Cost						
As at 1 January 2022	27,179	1,792,072	68,435	547,457	7,971	2,443,114
Additions for the year	-	468,948	18,260	80,286	261	567,755
Disposals for the year	-	-	(5,760)	(69,978)	-	(75,738)
As at 31 December 2022	27,179	2,261,020	80,935	557,765	8,232	2,935,131
Additions for the year	-	-	76,554	73,871	-	150,425
Disposals for the year	-	-	(4,385)	(71,723)	-	(76,108)
As at 31 December 2023	27,179	2,261,020	153,104	559,913	8,232	3,009,448
Accumulated depreciation						
As at 1 January 2022	2,996	196,346	34,899	547,457	5,494	787,192
Charge for the year	1,087	57,785	22,568	4,913	1,747	88,100
Relating to disposals	-	-	(5,760)	(69,978)	-	(75,738)
As at 31 December 2022	4,083	254,131	51,707	482,392	7,241	799,554
Charge for the year	1,088	64,835	24,142	45,246	889	136,200
Relating to disposals	-	-	(4,385)	(71,723)	-	(76,108)
As at 31 December 2023	5,171	318,966	71,464	455,915	8,130	859,646
Carrying amount						
As at 31 December 2023	22,008	1,942,054	81,640	103,998	102	2,149,802
As at 31 December 2022	23,096	2,006,889	29,228	75,373	991	2,135,577

8. Trade and other payables

	2023 USD	2022 USD
Accounts payable	87,052	3,784
Retentions payable*	212,539	2,001,661
Accrued interest	6,772,937	6,074,008
Warranty payable	4,815,538	4,833,086
Accruals and other payables	3,423,016	4,244,973
	15,311,085	17,157,512

Accruals and other payables includes an amount of USD 374,277 (2022: KD 446,311) relating to KFAS payable.

* In accordance with the Ministerial Order 44 of 1985 and Articles 16, 37 and 39 of the Executive By laws to Law No. 2 of 2008, the Company retains 5% from all payments to all beneficiaries and releases such retentions upon receipt of a Tax Clearance Certificate or a No Objection Letter issued by the Ministry of Finance.

9. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Company has control or joint control, exercises significant influence, major shareholders, directors and key management personnel of the Company. The Company has a related party relationship with entities over which certain shareholders and directors are able to exercise significant influence. These transactions are carried out on agreed terms basis.

Amounts due from / to related parties are interest free and have no agreed repayment schedule. Accordingly, these balances are considered receivable / payable on demand. The related party transactions and balances included in these financial statements are as follows:

	2023 USD	2022 USD
Statement of financial position		
Due from related parties		
Entities under common control	13,605	9,585
Due to related parties		
Parent Company	1,245,595	1,253,798
Entities under common control	8,366,182	11,876,249
	9,611,777	13,130,047
Statement of profit or loss and other comprehensive income		
Operating costs	56,751,256	54,222,515
Finance costs	170,118	88,260
General and administrative expenses	99,322	102,377

Key management compensation

Key management personnel comprise the Board of Directors and members of management having authority and responsibility for planning, directing and controlling the activities of the Company. Compensation related to key management personnel was as follows:

	2023 USD	2022 USD
Secondment fees of key management included in, “staff costs and related expenses”	791,446	785,394
Board of Directors’ remuneration	138,408	124,241

10. Term loans

	2023 USD	2022 USD
Current portion	58,476,049	55,858,329
Non-current portion	957,949,185	1,016,425,237
	1,016,425,234	1,072,283,566

	2023 USD	2022 USD
USD 645 million facility from Japan Bank for International Cooperation that bears a floating interest rate of SOFR plus a credit adjustment spread of 0.26% and a margin of 1.25% per annum (2022: floating interest rate LIBOR plus 1.25% per annum).	457,391,355	482,527,604
USD 283 million facility from various lenders under Nippon Export and Investment Insurance covered facilities agreement that bears a floating interest rate of SOFR plus a credit adjustment spread of 0.26% and a margin of 1.10% - 1.30% per annum (2022: floating interest rate LIBOR plus 1.10% -1.30% per annum).	200,743,974	211,775,996
USD 505 million facility from various lenders under the Commercial facilities agreement that bears a floating interest rate of SOFR plus a credit adjustment spread of 0.26% and a margin of 1.70% - 2.55% per annum (2022: floating interest rate LIBOR plus 1.70% -2.55 per annum).	358,289,905	377,979,966
	1,016,425,234	1,072,283,566

The loans are repayable in quarterly installments with the final maturity in November 2036. The transition from LIBOR to Secured Overnight Financing Rate (SOFR) has been finalized and is in place in the current year.

The loan agreements provide for the borrowings to be secured by assignment of receivables and residual rights under the ECWPA, as well as a pledge over the shares in the Company held by the Parent Company. Loan financial covenants include a debt service coverage ratio of 1.05:1. At the reporting date, the Company is in compliance with above said customary covenant.

The Company is required to set up a debt service reserve account to maintain a certain level of cash to service its debt for a period of six months after taking into consideration any letter of credit issued.

Certain related parties of the Company issued letters of credit in favor of the lenders of USD 62 million (2022: USD 62 million) to contribute to the amount required resulting in no further cash deposit required to be maintained in the debt service reserve account as at 31 December 2023 (2022: nil).

As at 31 December 2023, the Company has undrawn working capital facilities with a commercial bank in Kuwait amounting to KD 13.9 million (USD 45.2 million) (2022: KD 13.9 million (USD 45.2 million)).

11. Share capital

The Company's authorised and issued share capital comprises 1,100,000,000 shares of 100 Kuwaiti fils (2022: 1,100,000,000 shares of 100 Kuwaiti fils) (USD 372,065,655) each, fully paid up in cash.

Dividends
On 1 March 2023, the Board of Directors proposed cash dividends of 4 fils per share amounting to KD 4,400,000 (USD 14,365,002) for the year ended 31 December 2022 (31 December 2021: 5 fils per share amounting to KD 5,500,000 (USD 18,181,818)), which was approved by the shareholders at the Annual General Assembly meeting on 30 March 2023.

On 8 August 2023, the Board of Directors approved interim cash dividends of 5 fils per share amounting to KD 5,500,000 (USD 17,912,392) (2022: KD 14,300,000 (USD 47,017,835)), which was paid to the shareholders on 26 September 2023.

As at 31 December 2023, the Company has recorded dividends payable to its shareholders amounting to KD 4,956,980 (USD 16,159,673) relating to the dividend declared in prior periods (2022: KD 5,549,381 (USD 18,117,471)).

12. Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association, 10% of the net profit before contribution to KFAS, NLST and Zakat has been transferred to the statutory reserve and must be done annually until the reserve reaches a minimum of 50% of the paid-up share capital. This reserve can be utilised only for distribution of a maximum dividend of 5% in years when retained earnings are inadequate for this purpose.

13. Revenue

	2023	**2022**
	USD	**USD**
Revenue from contract with customer		
Fixed operation and maintenance income	45,721,304	44,822,146
Electrical and water output income	21,913,747	19,368,355
Supplemental receipts and service income	24,530,247	26,555,612
	92,165,298	90,746,113
Finance lease income		
Interest income	79,279,563	81,701,445
	171,444,861	172,447,558

14. Basic and diluted earnings per share

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

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no outstanding dilutive instruments, the basic and diluted earnings per share are identical.

	2023	2022
Profit for the year (USD)	41,028,384	47,287,982
Weighted average number of ordinary shares outstanding during the year	1,100,000,000	1,100,000,000
Basic and diluted EPS (cents)	3.73	4.30

15. Operating segment

The Company produces water and electricity in the State of Kuwait on behalf of MEW from which it earns revenue and incurs expenses, the results of which are regularly reviewed by the Board of Directors of the Company. Accordingly, the Company has only one reportable segment and information relating to the reporting segment is set out in the statements of financial position, profit or loss and comprehensive income.

16. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

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.

i. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse 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.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial assets, which potentially subject the Company to credit risk, consist principally of bank balances and short-term deposits, trade and other receivables, contract assets, due from related parties and the finance lease receivable.

The Company manages credit risk by placing funds with financial institutions of high credit rating and transacting its principal business with counterparties of repute.

Exposure to credit risk
The carrying amount of following financial assets represents the maximum credit exposure of the Company:

	2023	2022
	USD	USD
Cash and bank balances	18,784,490	43,672,457
Trade and other receivables	53,166,424	37,297,484
Due from related parties	13,605	9,585
Finance lease receivable	1,416,259,920	1,461,771,436
	1,488,224,439	1,542,750,962

Cash and bank balances
Bank balances and deposits are held with banks and financial institution counterparties, the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. As at 31 December 2023, the 12 month ECL computed on bank balances was insignificant.

Trade and other receivables and finance lease receivables
The trade receivables, contract assets and finance lease receivable arise on dealing with only one customer, MEW of the State of Kuwait. Credit risk with respect to trade receivables, contract assets and finance lease receivable are considered low as they relate to sovereign risk.

Due from related parties
Transactions with related parties are carried out on a negotiated contract basis. As at 31 December 2023, the 12 month ECL computed on related party balances was insignificant.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. 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.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate funding reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity is managed by periodically ensuring its availability in an amount sufficient to meet any future commitments. The Company does not consider itself exposed to significant risks in relation to liquidity.

The following are the undiscounted contractual maturities of financial liabilities:

		Contractual cash flows				
	Carrying amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	USD	USD	USD	USD	USD	USD
2023						
Trade and other payables	15,311,085	15,311,085	-	-	-	15,311,085
Due to related parties	9,611,777	9,611,777	-	-	-	9,611,777
Dividends payable	16,159,673	16,159,673	-	-	-	16,159,673
Term loans	1,016,425,234	129,038,967	127,747,301	374,518,688	907,490,530	1,538,795,485
	1,057,507,769	170,121,502	127,747,301	374,518,688	907,490,530	1,579,878,021
2022						
Trade and other payables	17,157,512	17,157,512	-	-	-	17,157,512
Due to related parties	13,130,047	13,130,047	-	-	-	13,130,047
Dividends payable	18,117,471	18,117,471	-	-	-	18,117,471
Term loans	1,072,283,566	121,063,997	241,138,272	354,977,799	882,892,573	1,600,072,641
	1,120,688,596	169,469,027	241,138,272	354,977,799	882,892,573	1,648,477,671

(c) Market risk

Market risk is the risk that changes in market prices – e.g., foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The table below indicates the Company's foreign currency exposure at the reporting date, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of 1% in the USD currency rate against the KD with all other variables held constant, on the statement of income

	Effect on profit	
Currencies	**2023**	2022
	USD	USD
KD	**544,909**	381,364

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company manages this risk by hedging its long-term borrowings using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating to fixed rate and therefore the exposure to cash flow interest rate risk is limited.

At the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

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

The Company has engaged legal advisors to review the finance documentation in order to make the necessary amendments for the IBOR transition. The exercise was completed in Q2 2023. The Company is using Secured Overnight Financing Rate ('SOFR') compounded as replacement benchmark rate instead of LIBOR post the transition date of 30 June 2023. The same new rate is used for both loans and derivatives.

At 31 December 2023, if interest rates at that date had been 0.5% higher / lower with all other variables held constant, profit before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration would have been lower/higher by USD 468,143 (2022: USD 370,684).

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market. As at the reporting date, the Company is not exposed to equity price risk, as it has no investment in equity instruments.

ii. Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. Fair values are determined from quoted prices in active markets for identical financial assets or financial liabilities where these are available. Where the market for a financial instrument is not active, fair value is established using a valuation technique. These valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data.

Determination of fair value and fair value hierarchy:

The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: quoted prices in an active market for the same instrument;
- Level 2: quoted prices in an active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: valuation techniques for which any significant input is not based on observable market data including the net asset value of private equity funds where the underlying investments are unquoted private companies / real estate assets.

Fair valuation of derivative financial instrument

Under Interest Rate Swap contracts, the Company agrees to settle the difference between the fixed and floating rate interest amounts that are calculated on agreed notional principal amounts. Such contract enables the Company to mitigate its risk of the changing interest rates on the cash flow exposures of its issued variable rate debt. The fair value represents the net present value of the estimated future cashflows. Estimates of future floating rate cashflows are based on quoted swap rates, future prices, and inter-bank borrowing rates.

These cashflows are discounted using a yield curve that reflects a relevant benchmark inter-bank rate used by market participants for similar instruments when pricing such interest-rate swaps. The Company has determined that the fair value of interest-rate swaps as disclosed in note 17 to the financial statements which is classified as Level 2 as per its fair value measurement policy.

Other financial assets and liabilities

For other financial assets and liabilities carried at cost less impairment or amortised cost, the carrying value is not significantly different from their fair values as most of these assets and liabilities are of short-term maturity or re-priced immediately based on market movement in interest rates.

17. Hedge reserve account and derivative financial liabilities

In the ordinary course of business, the Company uses derivative financial instruments in the form of interest rate swaps to manage its exposure to fluctuations in interest rates. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instruments, reference rates or indices. Interest rate swaps are contractual agreements between two parties to exchange interest based on notional values in a single currency for a fixed period.

In accordance with the Common Terms Agreement signed with the lenders, the Company is required to swap the floating rate interest due on its borrowings to fixed rate interest through interest rate swaps. Accordingly, the Company entered into a number of forward starting interest rate swaps from January 2014 to August 2036 to hedge variable rate interest payments on its outstanding debt and future debt issuances. On 26 November 2020, the Company entered into two additional voluntary interest rate swaps to replace expiring swap coverage. All of these swaps have been classified as cash flow hedges. The decrease in the fair value of the outstanding interest rate swaps as of 31 December 2023 amounted to USD 1,615,164 (2022: decrease of USD 206,694,895) has been taken to other comprehensive income and classified as hedge reserve in equity.

Information about fair value hierarchy of derivative financial instrument is disclosed in note 16.

The table below shows the fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. Notional amounts represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

Derivatives held for hedging:

	2023 USD	2022 USD
Cash flow hedges – Interest rate swaps		
Notional amount:		
At 31 December	965,604,995	1,018,670,248
Positive / (negative) fair value:		
Short term	19,931,105	20,103,261
Long term	(62,739,436)	(64,526,756)
	(42,808,331)	(44,423,495)

18. Embedded derivatives

The ECWPA and the O&M contain embedded derivatives in the form of price adjustments for inflation based on price indices.

These embedded derivatives are not separated from the host contracts and are not accounted for as stand-alone derivatives under IFRS 9, as management believes that the economic characteristics and risks associated with the embedded derivatives are closely related to those of the host contract.

19. Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents as per the statement of cash flows. Total capital is calculated as equity, excluding the hedge reserve (as shown in the statement of financial position) plus net debt.

	2023 USD	2022 USD
Total borrowings (note 10)	1,016,425,234	1,072,283,566
Less: cash and cash equivalents as per the statement of cash flows	(2,626,872)	(25,559,220)
Net debt	1,013,798,362	1,046,724,346
Total equity (excluding hedge reserve)	435,027,597	426,276,607
Total capital	1,448,825,959	1,473,000,953
Gearing ratio	70%	71%

20. Commitments

Operation and maintenance commitments
The Company has an operation and maintenance agreement ("O&M") with AZN O&M Company W.L.L, which operates and maintains the Plant, for which the Company has agreed to pay fixed and variable operating fees, to be adjusted based on price indices.

Under the O&M, the minimum future payments due are as follows:

	2023 USD	2022 USD
Within one year	55,612,425	54,425,860
Year 2 to 5 inclusive	233,470,594	289,083,018
After year 5	870,211,023	870,211,023
	1,159,294,042	1,213,719,901

21. Contingencies

Contingent assets are not recognised as an asset until realisation becomes virtually certain. Contingent liabilities are not recognised as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation and the amount can be reliably estimated.

The Company had no contingencies at 31 December 2023 (2022: nil).

AZN O&M Company W.L.L.
State of Kuwait

Independent auditor's report and financial statements for the year ended 31 December 2021

AZN O&M Company W.L.L.
State of Kuwait

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KPMG

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Independent auditor's report

The Owners
AZN O&M Company W.L.L.
State of Kuwait

Opinion

We have audited the financial statements of AZN O&M Company W.L.L. ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

KPMG

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 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.

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the financial statements include the information required by the Companies Law No. 1 of 2016, as amended, and its Executive Regulations and the Company's Articles of Association. In our opinion, proper books of account have been kept by the Company and an inventory count was carried out in accordance with recognized procedures. We have not become aware of any violations of the provisions of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations, or of the Company's Articles of Association, during the year ended 31 December 2021 that might have had a material effect on the business of the Company or on its financial position.

Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Kuwait: 14 July 2022

AZN O&M Company W.L.L.
State of Kuwait

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	***2021 USD***	*2020 USD*
ASSETS			
Non-current assets			
Furniture and equipment	*3*	**440,666**	336,413
Deferred expenditures	*4*	**29,304,147**	31,308,938
		29,744,813	31,645,351
Current assets			
Deferred expenditure	*4*	**2,090,434**	2,108,817
Inventories	*5*	**11,753,578**	9,523,240
Accounts receivable and others	*6*	**8,672,816**	5,257,753
Retentions receivable	*7*	**7,491,895**	6,664,729
Cash and cash equivalents	*8*	**8,007,598**	11,745,990
		38,016,321	35,300,529
TOTAL ASSETS		**67,761,134**	66,945,880
EQUITY AND LIABILITIES			
Equity			
Share capital	*9*	**329,056**	329,056
Statutory reserve	*10*	**164,528**	164,528
Retained earnings		**9,975,136**	13,674,556
Total equity		**10,468,720**	14,168,140
Non-current liabilities			
Employees' end of service benefits		**1,557,682**	1,307,037
Contract liabilities	*11*	**3,228,977**	2,270,633
Accounts payable	*12*	**1,125,349**	11,011,373
		5,912,008	14,589,043
Current liabilities			
Contract liabilities	*11*	**3,562,643**	958,344
Accounts payable	*12*	**10,489,137**	13,756,203
Retentions payable	*7*	**4,079,464**	3,181,145
Accrued expenses	*13*	**33,249,162**	20,293,005
		51,380,406	38,188,697
Total liabilities		**57,292,414**	52,777,740
TOTAL EQUITY AND LIABILITIES		**67,761,134**	66,945,880

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

Meredydd Michael Lewis Rees
Director

Rajendran Nagulusamy
Director

AZN O&M Company W.L.L.
State of Kuwait

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	***2021 USD***	*2020 USD*
Revenue from contract with a customer	*14*	**50,781,387**	49,156,706
Cost of revenue	*15*	**(37,958,018)**	(35,188,159)
Gross profit		**12,823,369**	13,968,547
Other income		**-**	2,103,308
Staff costs and related expenses		**(1,684,850)**	(1,274,002)
General and administrative expenses		**(945,897)**	(921,409)
Depreciation	*3*	**(217,486)**	(201,888)
Profit for the year		**9,975,136**	13,674,556
Other comprehensive income		**-**	-
Total comprehensive income for the year		**9,975,136**	13,674,556

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

AZN O&M Company W.L.L.
State of Kuwait

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

	Share capital USD	*Statutory reserve USD*	*Retained earnings USD*	*Total USD*
At 1 January 2020	329,056	164,528	13,376,274	13,869,858
Profit for the year	-	-	13,674,556	13,674,556
Dividends (note 9b)	-	-	(13,376,274)	(13,376,274)
At 31 December 2020	329,056	164,528	13,674,556	14,168,140
At 1 January 2021	**329,056**	**164,528**	**13,674,556**	**14,168,140**
Profit for the year	**-**	**-**	**9,975,136**	**9,975,136**
Dividends (note 9b)	**-**	**-**	**(13,674,556)**	**(13,674,556)**
At 31 December 2021	**329,056**	**164,528**	**9,975,136**	**10,468,720**

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

AZN O&M Company W.L.L.
State of Kuwait

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	*2021* *USD*	*2020* *USD*
OPERATING ACTIVITIES			
Profit for the year		**9,975,136**	13,674,556
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Contract liabilities		**3,562,643**	(115,880)
Provision for employees' end of service benefits		**381,424**	388,773
Depreciation	*3*	**217,486**	201,888
		14,136,689	14,149,337
Changes in:			
Inventories		**(2,230,338)**	(3,335,892)
Accounts receivable and others		**(3,415,063)**	(524,098)
Retentions receivable		**(827,166)**	(808,465)
Deferred expenditures		**2,023,174**	2,026,852
Accounts payable		**(13,153,090)**	(17,321,009)
Retentions payable		**898,319**	1,307,354
Accrued expenses		**12,956,157**	10,262,099
Cash generated from operation		**10,388,682**	5,756,178
Employees' end of service benefits paid		**(130,779)**	(137,744)
Net cash flows generated from operating activities		**10,257,903**	5,618,434
INVESTING ACTIVITY			
Purchase of furniture and equipment	*3*	**(321,739)**	(255,707)
Net cash flows used in investing activity		**(321,739)**	(255,707)
FINANCING ACTIVITIES			
Dividend paid	*9(b)*	**(13,674,556)**	(13,376,274)
Net cash flows used in financing activities		**(13,674,556)**	(13,376,274)
NET DECREASE IN CASH AND CASH EQUIVELANTS		**(3,738,392)**	(8,013,547)
CASH AND CASH EQUIVELANTS AT BEGINNING OF THE YEAR		**11,745,990**	19,759,537
CASH AND CASH EQUIVELANTS AT END OF THE YEAR	8	**8,007,598**	11,745,990

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

1 CORPORATE INFORMATION AND ACTIVITIES

AZN O&M Company W.L.L. (the "Company") is a Limited Liability Company registered and incorporated in the State of Kuwait on 1 June 2017 with commercial registration number 376183 as registered with Kuwait Direct Investment Promotion Authority (the "KDIPA") under Law No. 116 of 2013 regarding the Promotion of Direct Investment in the State of Kuwait.

The Company is jointly owned by Sumitomo Corporation, incorporated in Japan and Kahrabel FZE, incorporated in the United Arab Emirates (note 9). The ultimate parent company of Kahrabel FZE is ENGIE SA, an entity incorporated in France.

The principal activities of the Company are to engage in the operation and maintenance services ("O&M Services") of the Az Zour North Phase I Power and Water Facility (the "Facility"), which started its commercial operations on 26 November 2016. The activities are supported by an operation and maintenance agreement ("O&M Agreement") with Shamal Az-Zour Al-Oula Power and Water Company KSC (Public) (the "Project Company" or "Shamal Az-Zour") dated 12 December 2013 to operate and maintain the Facility.

The registered office of the Company is Office 76 - 78, 4th Floor, Al Retaj Complex, Salem Al Mubarak Street, Block 2, Salmiya, State of Kuwait.

The financial statements of the Company for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors dated 14 July 2022.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Basis of measurement
The financial statements have been prepared on the historical cost basis.

Functional and presentation currency
These financial statements are presented in United States Dollars ("USD") which is the functional currency of the Company. The Company's functional currency is not the currency of the country in which it is domiciled as majority of the transactions of the Company are denominated in USD. A separate set of financial statements is presented in Kuwaiti Dinar ("KD") for purpose of submission to the Ministry of Commerce and Industry, State of Kuwait.

2.2 CHANGES IN ACCOUNTING POLICIES

The Company applied the following amendments effective from 1 January 2021.

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

The amendments include the following practical expedients:

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

Amendments to IFRS which are effective for annual accounting period starting from 1 January 2021 did not have any material impact on the accounting policies, financial position or performance of the Company.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements to IFRS Standards 2018-2020;
- Property Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;
- Disclosure of Accounting Estimates ((Amendments to IAS 8);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12); and
- Sale or Contribution of Assets between an Investors and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The new standards and amendments are not expected to have a material impact on the financial statements of the Company in the period of initial application.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Furniture and equipment
Furniture and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture, tools and equipment	3-5 years
Motor vehicles	3 years
Computers and software	3 years

Expenditure incurred to replace a component of an item of furniture and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of furniture and equipment. All other expenditure is recognised in the statement of profit or loss and other comprehensive income as the expense is incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Impairment of non-financial assets
At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate valuation model is used.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, and are accounted as follows:

Spares, tools and consumables	-	purchase cost on a weighted average basis
Chemicals	-	purchase cost on a weighted average basis

Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition and are subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of deposits and due from related parties that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, except in the case of a financial asset at fair value through profit or loss, transaction costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Initial recognition and measurement (continued)
In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

Subsequent measurement
For purposes of subsequent measurement, financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes account receivable and others, retention receivable and cash and cash equivalents.

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The Company recognises an allowance for expected credit losses "ECL" for all debt instruments not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the customers, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets (continued)
For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Company's debtors operate.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments from the customer is more than 2 year, unless the Company has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

Definition of default
The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criteria are generally not recoverable:

- Information developed internally or obtained from external sources indicates that the customer is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company); or
- the financial asset is more than 90 days past due.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or past due event; or
- it is becoming probable that the debtor will enter bankruptcy.

Write-off policy
The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the profit or loss.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date. For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(ii) Financial liabilities

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

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

The Company's financial liabilities includes accounts payable, retention payable, contract liabilities and accrued expenses.

Subsequent measurement
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Current versus non-current classification
The Company presents assets and liabilities in statement of financial position based on current and non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle; or
- Held primarily for the purpose of trading; or
- Expected to be realised within twelve months after the reporting period; or
- Bank balances, cash and deposits unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

Embedded derivatives
An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. This is the case primarily with contracts for the purchase or sale of non-financial assets, whose price is revised based on an index, the exchange rate of a foreign currency or the price of an asset other than the contract's underlying.

Embedded derivatives are separated from the host contract and accounted for as derivatives when:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability accounted for at fair value through profit or loss is not separated).

In all other cases embedded derivatives are accounted for in line with the accounting policy for the contract as a whole.

The O&M agreement and Long Term Service Agreements "LTSA" agreement contain embedded derivatives in the form of price adjustments for inflation based on price indices.

These embedded derivatives are not separated from the host contracts and are not accounted for as stand-alone derivatives under IFRS 9, as management believes that the economic characteristics and risks associated with the embedded derivatives are closely related to those of the host contracts.

Employees' end of service benefits
Employees are entitled to an end of service indemnity payable under the Kuwait Labour Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. The expected costs of these benefits are accrued over the period of employment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits (continued)

Kuwaiti employees
Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's share of contributions to this scheme, which is a defined contribution scheme, are charged to the statement of profit or loss in the year to which they relate.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Foreign currency translation
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. All differences are taken to the statement of profit or loss and other comprehensive income.

Revenue recognition
Revenue from contracts with customers is recognised when the performance obligation is satisfied and the control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue from rendering of services is recognised based on the O&M Agreement. The variable revenue is recognised based on the agreed tariffs as per O&M Agreement and the actual units of electricity and water delivered during the year. The Company recognises revenue from O&M Services over time because the customer simultaneously receives and consumes the benefits provided to them. The Company uses an output method in measuring the variable revenue from O&M Services based on the value of services provided.

The fixed charges are recognised as per contractual agreement, project's milestone targets and incurring of the related costs. A portion of the transaction price is allocated to the contract liabilities based on the expected cost-plus margin approach. Revenue is recognised upon performance of these services.

The back-up fuel fees are recognised based on the agreed tariffs as per O&M Agreement and the actual operating hours on the back-up fuel during the period subject to the Project Company's approval from the off-taker. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs.

Mobilisation fees are recognised in proportion to the mobilisation expenses incurred as per the contractual agreement, project's milestone targets and performance of the plant.

The recognition criteria are applied to each separately identified component of the O&M Agreement with multiple elements of revenue.

Contract balances

Contract assets
A contract asset is initially recognised for revenue earned from providing the O&M Services because the receipt of consideration is conditional on successful acceptance of the services. Upon acceptance of the O&M Services by the customer, the amount recognised as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract balances (continued)

Contract liabilities
A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company provides the O&M Services. Contract liabilities are recognised as revenue when the Company performs under the O&M Agreement (i.e. transfers control of the O&M Services to the customer).

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

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

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

If the ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

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

ii. Company as a lessor
At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

ii. Company as a lessor (continued)
To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract. The Company applies derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Significant accounting judgements, estimations and assumptions

Critical judgements in applying accounting policies
The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

Impairment of furniture and equipment
The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the statement of profit or loss and other comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

Determination of number of acts included in provision of services under O&M and LTSA contracts
The Company is required to recognise its revenue and LTSA costs by determining the timing and number of significant acts involved in servicing the O&M Agreement and LTSA for maintaining the gas turbines. The timing and number of significant acts are estimated by the management based on their experience of operating such plants. These estimates will, by definition, be seldom equal to the actual results. However, the deviations with actual results are not anticipated to be of a material nature, the estimates are based on the Company's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Measurement of fair value of multiple elements of revenue under O&M Agreement
The Company is required to measure the fair value of multiple elements of its O&M Agreement. The fair value are estimated by the management based on their experience of operating such plants. These estimates will, by definition, be seldom equal to the actual results. However, the deviations with actual results are not anticipated to be of a material nature, the estimates are based on the Company's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements, estimations and assumptions (continued)

Key sources of estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below:

Useful lives of furniture and equipment
The Company determines the estimated useful lives of its furniture and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates. The depreciation charged for the year may change significantly if actual life is different than the estimated useful life.

3 FURNITURE AND EQUIPMENT

	Furniture, tools and equipment USD	*Motor vehicles USD*	*Computers and software USD*	*Total USD*
Cost:				
At 1 January 2020	279,063	234,473	190,213	703,749
Additions	201,510	-	54,197	255,707
At 31 December 2020	480,573	234,473	244,410	959,456
At 1 January 2021	**480,573**	**234,473**	**244,410**	**959,456**
Additions	**274,683**	**-**	**47,056**	**321,739**
At 31 December 2021	**755,256**	**234,473**	**291,466**	**1,281,195**
Accumulated depreciation:				
At 1 January 2020	157,348	163,498	100,309	421,155
Charge for the year	72,358	63,541	65,989	201,888
At 31 December 2020	229,706	227,039	166,298	623,043
At 1 January 2021	**229,706**	**227,039**	**166,298**	**623,043**
Charge for the year	**155,624**	**7,434**	**54,428**	**217,486**
At 31 December 2021	**385,330**	**234,473**	**220,726**	**840,529**
Net carrying amount:				
At 31 December 2020	250,867	7,434	78,112	336,413
At 31 December 2021	**369,926**	**-**	**70,740**	**440,666**

4 DEFERRED EXPENDITURE

	2021 USD	*2020 USD*
LTSA related deferred expenditure	**31,394,581**	33,417,755
Presented in the statement of financial position under		
Non-current assets	**29,304,147**	31,308,938
Current assets	**2,090,434**	2,108,817
	31,394,581	33,417,755

In prior years, the Company carried out a major upgrade to its gas turbines, which resulted in significant improvement in the availability of the plant. The Company incurred an amount of USD 39,624,272 for this upgrade and the amount is payable to the vendor over a period of five years (note 12). The Company has capitalised these expenses and is amortising it to the statement of profit or loss based on the operating hours of gas turbines.

5 INVENTORIES

	2021 USD	*2020 USD*
Chemicals	**1,178,943**	1,139,530
Spares and tools	**8,456,167**	6,538,965
Consumables	**2,118,468**	1,844,745
	11,753,578	9,523,240

6 ACCOUNTS RECEIVABLE AND OTHERS

	2021 USD	*2020 USD*
Amount due from related parties (note 16)	**5,969,403**	3,640,379
Contract assets	**1,948,841**	1,105,571
Other receivables	**754,572**	511,803
	8,672,816	5,257,753

7 RETENTION RECEIVABLE AND PAYABLE

In accordance with the Executive Bylaws to Law No. 2 of 2008 and Executive Rule No. 6 pertaining to retention regulations issued by the Kuwait Tax Authority "KTA", entities operating in the State of Kuwait are required to retain 5% on any invoiced amount involving a services element. This retention is released or paid once the KTA issues a tax clearance certificate to the respective entity claiming the release or the payment of the retention amount.

At the reporting date, the retention receivable amounting to USD 7,491,895 (2020: USD 6,664,729) is due from a related party and retention payable amounting to USD 187,304 (2020: USD 132,585) are due to related parties (note 16).

8 CASH AND CASH EQUIVELANTS

	2021 USD	*2020 USD*
Cash on hand	**5,069**	29,899
Bank balances	**8,002,529**	11,716,091
	8,007,598	11,745,990

9 SHARE CAPITAL

a) Equity

As at 31 December 2021 and 2020, the authorised, issued and paid-up share capital of the Company comprises 100 shares of KD 1,000 each and is distributed among the shareholders as follows:

	Number of shares	*Amount KD*	*Amount USD*
Kahrabel FZE	**50**	**50,000**	**164,528**
Sumitomo Corporation	**50**	**50,000**	**164,528**
	100	**100,000**	**329,056**

b) Dividend

During the year, the Company paid cash dividend of USD 136,745.56 per share (2020: USD 133,762.74) aggregating to USD 13,674,556 (2020: USD 13,376,274) to the shareholders.

10 STATUTORY RESERVE

In accordance with the Companies Law No. 1 of 2016, as amended and the Company's articles of association, 10% of the net profit for the period is required to be transferred to statutory reserve, until the statutory reserve totals 50% of the paid-up share capital or the shareholders resolve to discontinue such transfer. The reserve is not available for distribution except for payment of a dividend of 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividends. As at 31 December 2021, the statutory reserve equalled 50% of share capital. The Company has resolved to discontinue such annual transfer as the reserve reached 50% of paid-up share capital.

11 CONTRACT LIABILITIES

	2021 USD	*2020 USD*
Fixed monthly fee	**6,791,620**	3,228,977
Presented in the statement of financial position under		
Non-current liabilities	**3,228,977**	2,270,633
Current liabilities	**3,562,643**	958,344
	6,791,620	3,228,977

Fixed Monthly Fee represents the unearned fixed component of the fixed monthly fee and is recognised by determining the timing and number of significant acts involved in servicing the O&M Agreement. Contract liabilities are for the maintenance of gas and steam turbines. At the reporting date, the Company apportioned an amount of USD 71,638 (2020: USD 115,880) from fixed monthly fee revenue as the contract liabilities.

12 ACCOUNTS PAYABLE

	2021 USD	*2020 USD*
Accounts payable	**11,505,337**	24,635,286
Amount due to related parties (note 16)	**109,147**	132,290
	11,614,486	24,767,576

	2021 USD	*2020 USD*
Presented in the statement of financial position under		
Non-current liabilities	**1,125,349**	11,011,373
Current liabilities	**10,489,137**	13,756,203
	11,614,486	24,767,576

12 ACCOUNTS PAYABLE (continued)

Included in the accounts payable is an amount outstanding towards the deferred expenditure amounting to USD 9,050,204 (2020: USD 16,975,058) (split into current payables amounting to USD 2,250,699 (2020: USD 7,924,854) and non-current payables amounting to USD 6,799,505 (2020: USD 9,050,204) (note 4).

13 ACCRUED EXPENSES

	2021 *USD*	*2020* *USD*
LTSA accrued expenses	**29,810,036**	18,232,611
Other accrued expenses	**3,439,126**	2,060,394
	33,249,162	20,293,005

14 REVENUE FROM CONTRACT WITH CUSTOMER

	2021 *USD*	*2020* *USD*
Fixed revenues	**38,193,298**	37,567,003
Variable revenues	**11,077,549**	10,962,699
Other fees	**1,510,540**	627,004
	50,781,387	49,156,706

Remaining performance obligations represent the transaction price of the O&M Agreement for which services have not been delivered. At the reporting date, remaining performance obligations is excluded due to uncertainty associated with estimating the future output and indexed variable rates.

The revenue from contract with customer are from a related party (note 16).

15 COST OF REVENUE

	2021 *USD*	*2020* *USD*
LTSA cost	**18,556,904**	17,557,895
Staff cost	**6,929,729**	7,041,254
Chemical consumption	**4,329,974**	3,629,727
Maintenance and other direct costs	**8,141,411**	6,959,283
	37,958,018	35,188,159

16 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include shareholders, associated companies with or without common directors, directors and key management personnel and their close family members. During the year, the Company transacted with the following related parties:

Name	Relationship
Kahrabel FZE	Shareholder
Sumitomo Corporation	Shareholder
Shamal Az-Zour (note 1)	Affiliate
International Power S.A. – Dubai Branch	Affiliate
ENGIE Invest Intl S.A. (formerly known as GDF Suez International)	Affiliate
AZN O&M W.L.L. (Bahrain)	Affiliate
Jubail O&M Company Ltd.	Affiliate
Laborelec Middle East	Affiliate
Engie Services General Contracting Co.	Affiliate
Suez-Tractebel Operation and Maintenance Oman LLC	Affiliate
Electrabel NV/SA	Affiliate
Suez Services Saudi Company Limited	Affiliate

16 RELATED PARTIES (continued)

The significant transactions and the related amounts for the year ended are as follows:

a) Balances with related parties

	2021 *USD*	*2020* *USD*
Assets		
Amount due from related parties (note 6)		
Shamal Az-Zour	**5,901,616**	3,640,379
International Power S.A. – Dubai Branch	**67,787**	-
	5,969,403	3,640,379
Retention receivable (note 7)		
Shamal Az-Zour	**7,491,895**	6,664,729

	2021 *USD*	*2020* *USD*
Liabilities		
Amount due to related parties (note 12)		
International Power S.A. – Dubai Branch	-	49,571
Shamal Az Zour	**12,707**	58,957
Suez-Tractebel Operation and Maintenance Oman LLC	**38,903**	-
Engie Services General Contracting Co.	**57,537**	23,762
	109,147	132,290
Retention payable (note 7)		
International Power S.A. – Dubai Branch	**112,036**	88,611
Jubail O&M Company Ltd.	**7,135**	7,135
Kahrable FZE	**87**	87
Laborelec Middle East	**17,434**	13,723
Sumitomo Corporation	-	3,093
Electrabel NV/SA	**2,644**	2,153
Suez Services Saudi Company Limited	**3,334**	3,334
Suez-Tractebel Operation and Maintenance Oman LLC	**44,634**	14,449
	187,304	132,585

b) Transactions with related parties

	2021 *USD*	*2020* *USD*
Revenue (note 14)		
Shamal Az-Zour	**50,781,387**	49,156,706
Other income:		
Shamal Az-Zour	-	2,052,599
Cost of revenue		
International Power S.A. – Dubai Branch	**464,833**	461,379
ENGIE Services General Contracting Co	**47,537**	43,933
Laborelec Middle East		-
Electrabel NV/SA	**10,012**	41,853
Shamal Az Zour	**19,315**	103,487
Suez Services Saudi Company Limited	-	65,769
Suez-Tractebel Operation and Maintenance Oman LLC	**752,186**	288,980
General, administrative and other expenses		
International Power S.A. – Dubai Branch	**19,921**	71,136
ENGIE Services General Contracting Co.	**246,432**	254,634
Shamal Az-Zour	**39,895**	57,978

18 RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into foreign currency risk and interest rate risk.

Management of the Company is ultimately responsible for the overall risk management approach and for approving the risk management strategies and principles. The significant financial risks that the Company is exposed to are discussed below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to concentration risk as the Company is dealing with only one customer. The Company is managing concentration risk through terms and conditions formalised in the O&M Agreement.

Exposure to credit risk
The carrying amount of following financial assets represents the maximum credit exposure of the Company:

	2021	*2020*
	USD	*USD*
Accounts receivable and others	**8,625,516**	5,232,912
Retention receivable	**7,491,895**	6,664,729
Cash and cash equivalents	**8,002,529**	11,716,091
	24,119,940	23,613,732

As at 31 December 2021, the Company is exposed to credit risk on the bank balances, amount due from a related party (trade receivable and retention receivable) and other receivables. The Company's exposure to credit risk is influenced by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the country in which customers operate.

The Company seeks to limit its credit risk with respect to bank balances by only dealing with reputable banks. With respect to credit risk arising from the other financial assets of the Company, the Company's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Impairment on bank balances has been measured on the basis of 12-month expected credit losses. The Company considers that its bank balances have low credit risk based on the external credit ratings of the counterparties. The impairment losses computed on the bank balances are insignificant.

Accounts receivable and others, retention receivable and due from related parties are monitored on an ongoing basis for collection. Loss allowance for these financial assets is measured at an amount equal to lifetime ECL. The lifetime ECL is assessed based on the Company's historical credit loss experience, adjusted for factors that are specific to the customers, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. At the reporting date, the ECL were assessed to be insignificant as there has been no history of default and there has been no dispute arising on the invoiced amount from customers.

The average credit period on sales is 30 to 65 days.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. 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.

Liquidity is managed by periodically ensuring its availability in amount sufficient to meet any futures commitments. The Company does not consider itself exposed to significant risks in relation to liquidity.

18 RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities:

	Less than 1 year USD	*More than 1 year USD*	*Total USD*	*Carrying amount USD*
31 December 2021				
Accounts payable	**10,489,137**	**1,125,349**	**11,614,486**	**11,614,486**
Retention payable	**4,079,464**	-	**4,079,464**	**4,079,464**
Accrued expenses	**33,249,162**	-	**33,249,162**	**33,249,162**
	47,817,763	**1,125,349**	**48,943,112**	**48,943,112**
31 December 2020				
Accounts payable	13,756,203	11,011,373	24,767,576	24,767,576
Retention payable	3,181,145	-	3,181,145	3,181,145
Accrued expenses	20,293,005	-	20,293,005	20,293,005
	37,230,353	11,011,373	48,241,726	48,241,726

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and the equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. As the net exposure to other currencies is insignificant, the Company believes that foreign currency risk is immaterial.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is not exposed to interest rate risk as at 31 December 2021.

Fair value of financial instruments
Financial instruments comprise of financial assets and financial liabilities. 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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. The estimated fair values of the Company's financial instruments are not significantly different from their carrying values due to the short to medium term nature of the financial assets and financial liabilities.

19 CAPITAL MANAGEMENT

The Company's objectives regarding capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions and the risks characteristics of the underlying assets. Further, in order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders. Capital comprises of the share capital, statutory reserve and retained earnings and is measured at USD 10,468,720 (2020: USD 14,168,140) as at 31 December 2021.

19 CAPITAL MANAGEMENT (continued)

The Company is not subject to externally imposed capital requirements, except the requirement of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations.

20 COVID-19 UPDATE

The World Health Organisation declared Covid-19 to be a pandemic on 11 March 2020. In response to the rapid global spread of Covid-19, the Government of Kuwait enacted emergency measures to combat the spread of the virus. These measures included restrictions on business activity and travel, as well as requirements to isolate or quarantine, which could continue or expand. In response to the spread of the Covid-19, the Company's management has proactively assessed the impact on its operations and has taken a series of preventive measures to ensure the continuity of its business, including ensuring the health and safety of employees and the ability to continue supplying power and water to its customer. The Company's operations are considered essential and have continued uninterrupted to date. Based on these factors, the Company's management believes that Covid-19 has had no material effect on the Company's reported financial results for the year ended 31 December 2021.

The Company's management continue to monitor the situation and its impact on the Company's operation and financial position. As at the reporting date, the management does not expect that the impact of COVID-19 will result in a material uncertainty in the Company's business.

21 SUBSEQUENT EVENTS

On 16 June 2022, the Directors proposed a cash dividend of USD 99,751.36 (2020: USD 136,745.56) per share amounting to USD 9,975,136 (2020: USD 13,674,556) for the year ended 31 December 2021 which is subject to the approval of shareholders at the Annual General Meeting.

AZN O&M Company W.L.L.
State of Kuwait

Independent auditor's report and financial statements for the year ended 31 December 2022

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Independent auditor's report

The Owners
AZN O&M Company W.L.L.
State of Kuwait

Opinion

We have audited the financial statements of AZN O&M Company W.L.L. (the "Company"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Standards").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Standards, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

KPMG

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 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.

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the financial statements include the information required by the Companies Law No. 1 of 2016, as amended, and its Executive Regulations and the Company's Articles of Association. In our opinion, proper books of account have been kept by the Company and an inventory count was carried out in accordance with recognized procedures. We have not become aware of any violations of the provisions of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations, or of the Company's Articles of Association, during the year ended 31 December 2022 that might have had a material effect on the business of the Company or on its financial position.

Safi A. Al-Mutawa
License No 138
of KPMG Al-Qenae & Partners
Member firm of KPMG International

Kuwait: 19 June 2023

AZN O&M Company W.L.L.
State of Kuwait

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	*2022 USD*	*2021 USD*
ASSETS			
Non-current assets			
Furniture and equipment	*3*	467,288	440,666
Deferred expenditure	*4*	27,212,466	29,304,147
		27,679,754	29,744,813
Current assets			
Deferred expenditure	*4*	2,090,434	2,090,434
Inventories	*5*	13,805,917	11,753,578
Trade and other receivables	*6*	4,391,476	8,672,816
Retention receivable	*7*	10,163,605	7,491,895
Cash and bank balances	*8*	17,043,088	8,007,598
		47,494,520	38,016,321
TOTAL ASSETS		75,174,274	67,761,134
EQUITY AND LIABILITIES			
Equity			
Share capital	*9*	329,056	329,056
Statutory reserve	*10*	164,528	164,528
Retained earnings		12,780,825	9,975,136
Total equity		13,274,409	10,468,720
Non-current liabilities			
Employees' end of service benefits		1,829,727	1,557,682
Contract liabilities	*11*	3,244,314	3,228,977
Trade payable	*12*	3,922,338	1,125,349
		8,996,379	5,912,008
Current liabilities			
Contract liabilities	*11*	5,270,037	3,562,643
Trade payable	*12*	4,180,237	10,489,137
Retention payable	*7*	4,950,308	4,079,464
Accrued expenses	*13*	38,502,904	33,249,162
		52,903,486	51,380,406
Total liabilities		61,899,865	57,292,414
TOTAL EQUITY AND LIABILITIES		75,174,274	67,761,134

Ernesto Javier Parra Bertolotto
Director

Paul Leslie Floyd
Director

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

AZN O&M Company W.L.L.
State of Kuwait

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	***2022*** ***USD***	*2021* *USD*
Revenue from contract with customer	*14*	53,198,750	50,781,387
Cost of revenue	*15*	(37,534,109)	(37,958,018)
Gross profit		15,664,641	12,823,369
Other income		80,693	-
Staff costs and related expenses		(1,256,970)	(1,684,850)
Allowance for expected credit losses		(218,487)	-
General and administrative expenses	16	(1,263,911)	(945,897)
Depreciation	*3*	(225,141)	(217,486)
PROFIT FOR THE YEAR		12,780,825	9,975,136
Other comprehensive income		-	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		12,780,825	9,975,136

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

AZN O&M Company W.L.L.
State of Kuwait

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share capital USD	*Statutory reserve USD*	*Retained earnings USD*	*Total USD*
At 1 January 2021	329,056	164,528	13,674,556	14,168,140
Profit for the year	-	-	9,975,136	9,975,136
Dividend paid (note 9(b))	-	-	(13,674,556)	(13,674,556)
At 31 December 2021	329,056	164,528	9,975,136	10,468,720
At 1 January 2022	329,056	164,528	9,975,136	10,468,720
Profit for the year	-	-	12,780,825	12,780,825
Dividend paid (note 9(b))	-	-	(9,975,136)	(9,975,136)
At 31 December 2022	329,056	164,528	12,780,825	13,274,409

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	***2022 USD***	*2021 USD*
OPERATING ACTIVITIES			
Profit for the year		12,780,825	9,975,136
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Allowance for credit losses		218,487	-
Provision for employees' end of service benefits		336,958	381,424
Other income		(80,693)	-
Depreciation	*3*	225,141	217,486
		13,480,718	10,574,046
Changes in:			
Inventories		(2,052,339)	(2,230,338)
Trade and other receivable		4,122,604	(3,415,063)
Retentions receivable		(2,671,710)	(827,166)
Deferred expenditures		2,091,681	2,023,174
Contract liabilities		1,722,731	3,562,643
Trade payable		(3,511,911)	(13,153,090)
Retentions payable		870,844	898,319
Accrued expenses		5,253,742	12,956,157
Cash generated from operation		19,306,360	10,388,682
Employees' end of service benefits paid		(64,919)	(130,779)
Net cash generated from operating activities		19,241,441	10,257,903
INVESTING ACTIVITY			
Fixed deposits with original maturities of more than three months		(6,000,000)	**-**
Interest received on fixed deposits		20,948	-
Purchase of furniture and equipment	*3*	(251,763)	(321,739)
Net cash used in investing activity		(6,230,815)	(321,739)
FINANCING ACTIVITIES			
Dividend paid	*9(b)*	(9,975,136)	(13,674,556)
Net cash used in financing activities		(9,975,136)	(13,674,556)
NET CHANGE IN CASH AND CASH EQUIVALENTS		3,035,490	(3,738,392)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		8,007,598	11,745,990
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	*8*	11,043,088	8,007,598

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

1 CORPORATE INFORMATION AND ACTIVITIES

AZN O&M Company W.L.L. (the "Company") is a limited liability company registered and incorporated in the State of Kuwait on 1 June 2017 with commercial registration number 376183 as registered with Kuwait Direct Investment Promotion Authority (the "KDIPA") under Law No. 116 of 2013 regarding the promotion of direct investment in the State of Kuwait.

The Company is jointly owned by Sumitomo Corporation, incorporated in Japan and Kahrabel FZE, incorporated in the United Arab Emirates (note 9). The ultimate parent company of Kahrabel FZE is ENGIE SA, an entity incorporated in France.

The principal activities of the Company are to engage in the operation and maintenance services ("O&M Services") of the Az Zour North Phase I Power and Water Facility (the "Facility"), which started its commercial operations on 26 November 2016. The activities are supported by an operation and maintenance agreement ("O&M Agreement") with Shamal Az-Zour Al-Oula Power and Water Company KSC (Public) (the "Project Company" or "Shamal Az-Zour") dated 12 December 2013 to operate and maintain the Facility.

The registered office of the Company is Office B2, 4th floor, Mazaya Tower , Khaled Bin Al Waleed Street, Al Mirqab, State of Kuwait.

The financial statements of the Company for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Directors dated 15 June 2023.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Basis of measurement
The financial statements have been prepared on the historical cost basis.

Functional and presentation currency
These financial statements are presented in United States Dollars ("USD") which is the functional currency of the Company. The Company's functional currency is not the currency of the country in which it is domiciled as majority of the transactions of the Company are denominated in USD. A separate set of financial statements is presented in Kuwaiti Dinar ("KD") for purpose of submission to the Ministry of Commerce and Industry, State of Kuwait.

2.2 CHANGES IN ACCOUNTING POLICIES

The Company applied the following amendments effective from 1 January 2022.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements to IFRS Standards 2018-2020;
- Property Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16); and
- Reference to the Conceptual Framework (Amendments to IFRS 3)

Amendments to the standards above did not have any material impact on the accounting policies, financial position or performance of the Company.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28); and
- Lease Liability on Sale and Leaseback (Amendments to IFRS 16).

The new standards and amendments are not expected to have a material impact on the financial statements of the Company in the period of initial application.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for those listed in note 2.2.

(a) Furniture and equipment

Furniture and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture, tools and equipment	3-5 years
Motor vehicles	3 years
Computers and software	3 years

Expenditure incurred to replace a component of an item of furniture and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of furniture and equipment. All other expenditure is recognised in the statement of profit or loss and other comprehensive income as the expense is incurred.

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

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

(b) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate valuation model is used.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

(c) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, and are accounted as follows:

Spares, tools and consumables	-	purchase cost on a weighted average basis
Chemicals	-	purchase cost on a weighted average basis

Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

(d) Financial instruments

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

i) Financial assets

Initial recognition and measurement
Financial assets measured at initial recognition at fair value plus transaction costs and are subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of deposits and due from related parties that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, except in the case of a financial asset at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

Subsequent measurement
For purposes of subsequent measurement, financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes account receivable and others, retention receivable and cash and cash equivalents.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The expected credit loss ("ECL") of financial assets is measured in a way that reflects an unbiased and probability weighted amount determined by evaluating a range of possible outcomes. The time value of money and past events, current conditions and forecast of future economic conditions. The ECL model applies to all financial instruments. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Company recognises ECL for all financial assets using the general approach, except for trade and retention receivables.

General approach

IFRS 9 introduces three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL - not credit impaired

The Company measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been significant increase in credit risk since initial recognition but are not credit impaired. When determining whether the credit risk on a financial instrument has increased significantly, management considers reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument.

Stage 3: Lifetime ECL - credit impaired.

A financial asset is considered as credit impaired when there is objective evidence that the amount due under the financial asset is uncollectible. The Company considers a financial asset as credit impaired if the amount due under the financial instrument is overdue by more than 90 days, or if it is known that the counter party has any known difficulties in payment, or the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. Lifetime ECL are recognised as the difference between the financial asset's gross carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lifetime ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12-month ECL is the portion of life-time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life-time ECL and 12-month ECL are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for amortised costs.

Simplified approach
For trade and retention receivables, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Definition of default
The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criteria are generally not recoverable:

- Information developed internally or obtained from external sources indicates that the customer is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company); or
- the financial asset is more than 90 days past due.

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or past due event; or
- it is becoming probable that the debtor will enter bankruptcy.

Write-off policy
The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the profit or loss.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date. For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Financial liabilities

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

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

The Company's financial liabilities includes accounts payable, retention payable, contract liabilities and accrued expenses.

Subsequent measurement
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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

Offsetting of financial instruments

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

Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in a normal operating cycle; or
- Held primarily for the purpose of trading; or
- Expected to be realised within twelve months after the reporting period; or
- Bank balances, cash and deposits unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. This is the case primarily with contracts for the purchase or sale of non-financial assets, whose price is revised based on an index, the exchange rate of a foreign currency or the price of an asset other than the contract's underlying.

Embedded derivatives are separated from the host contract and accounted for as derivatives when:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability accounted for at fair value through profit or loss is not separated).

In all other cases embedded derivatives are accounted for in line with the accounting policy for the contract as a whole.

The O&M agreement and Long Term Service Agreements ("LTSA") contain embedded derivatives in the form of price adjustments for inflation based on price indices.

These embedded derivatives are not separated from the host contracts and are not accounted for as stand-alone derivatives under IFRS 9, as management believes that the economic characteristics and risks associated with the embedded derivatives are closely related to those of the host contracts.

(f) Employees' end of service benefits

Employees are entitled to an end of service indemnity payable under the Kuwait Labour Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. The expected costs of these benefits are accrued over the period of employment.

Kuwaiti employees

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's share of contributions to this scheme, which is a defined contribution scheme, are charged to the statement of profit or loss in the year to which they relate.

(g) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

(h) Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. All differences are taken to the statement of profit or loss and other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Revenue recognition

Revenue from contracts with customers is recognised when the performance obligation is satisfied and the control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue from rendering of services is recognised based on the O&M Agreement. The variable revenue is recognised based on the agreed tariffs as per O&M Agreement and the actual units of electricity and water delivered during the year. The Company recognises revenue from O&M Services over time because the customer simultaneously receives and consumes the benefits provided to them. The Company uses an output method in measuring the variable revenue from O&M Services based on the value of services provided.

The fixed charges are recognised as per contractual agreement, project's milestone targets and incurring of the related costs. A portion of the transaction price is allocated to the contract liabilities based on the expected cost-plus margin approach. Revenue is recognised upon performance of these services.

The back-up fuel fees are recognised based on the agreed tariffs as per O&M Agreement and the actual operating hours on the back-up fuel during the period subject to the Project Company's approval from the off-taker. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs.

Mobilisation fees are recognised in proportion to the mobilisation expenses incurred as per the contractual agreement, project's milestone targets and performance of the plant.

The recognition criteria are applied to each separately identified component of the O&M Agreement with multiple elements of revenue.

(j) Contract balances

Contract assets

A contract asset is initially recognised for revenue earned from providing the O&M Services because the receipt of consideration is conditional on successful acceptance of the services. Upon acceptance of the O&M Services by the customer, the amount recognised as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company provides the O&M Services. Contract liabilities are recognised as revenue when the Company performs under the O&M Agreement (i.e. transfers control of the O&M Services to the customer).

(k) Leases

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

Company as a lessee

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

Right-of-use assets

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

If the ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leases (continued)

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

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

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

Impairment of furniture and equipment
The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the statement of profit or loss and other comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

Determination of number of acts included in provision of services under O&M and LTSA contracts
The Company is required to recognise its revenue and LTSA costs by determining the timing and number of significant acts involved in servicing the O&M Agreement and LTSA for maintaining the gas turbines. The timing and number of significant acts are estimated by the management based on their experience of operating such plants. These estimates will, by definition, be seldom equal to the actual results. However, the deviations with actual results are not anticipated to be of a material nature, the estimates are based on the Company's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

Measurement of fair value of multiple elements of revenue under O&M Agreement

The Company is required to measure the fair value of multiple elements of its O&M Agreement. The fair value is estimated by the management based on their experience of operating such plants. These estimates will, by definition, be seldom equal to the actual results. However, the deviations with actual results are not anticipated to be of a material nature, the estimates are based on the Company's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Useful lives of furniture and equipment

The Company determines the estimated useful lives of its furniture and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates. The depreciation charged for the year may change significantly if actual life is different than the estimated useful life.

3 FURNITURE AND EQUIPMENT

	Furniture, tools and equipment USD	*Motor vehicles USD*	*Computers and software USD*	*Total USD*
Cost:				
At 1 January 2021	480,573	234,473	244,410	959,456
Additions	274,683	-	47,056	321,739
At 31 December 2021	755,256	234,473	291,466	1,281,195
At 1 January 2022	**755,256**	**234,473**	**291,466**	**1,281,195**
Additions	**242,352**	**-**	**9,411**	**251,763**
At 31 December 2022	**997,608**	**234,473**	**300,877**	**1,532,958**
Accumulated depreciation:				
At 1 January 2021	229,706	227,039	166,298	623,043
Charge for the year	155,624	7,434	54,428	217,486
At 31 December 2021	385,330	234,473	220,726	840,529
At 1 January 2022	**385,330**	**234,473**	**220,726**	**840,529**
Charge for the year	**181,823**	**-**	**43,318**	**225,141**
At 31 December 2022	**567,153**	**234,473**	**264,044**	**1,065,670**
Net carrying amount:				
At 31 December 2021	369,926	-	70,740	440,666
At 31 December 2022	**430,455**	**-**	**36,833**	**467,288**

4 DEFERRED EXPENDITURE

	***2022* USD**	*2021 USD*
LTSA related deferred expenditure	29,302,900	31,394,581
Presented in the statement of financial position under		
Non-current assets	27,212,466	29,304,147
Current assets	2,090,434	2,090,434
	29,302,900	31,394,581

4 DEFERRED EXPENDITURE (continued)

In prior years, the Company carried out a major upgrade to its gas turbines, which resulted in significant improvement in the availability of the plant. The Company incurred an amount of USD 39,624,272 for this upgrade and the amount is payable to the vendor over a period of five years (note 12). The Company has capitalised these expenses and is amortising it to the statement of profit or loss based on the operating hours of gas turbines.

5 INVENTORIES

	2022 ***USD***	*2021* *USD*
Chemicals	1,936,228	1,178,943
Spares and tools	9,562,134	8,456,167
Consumables	2,307,555	2,118,468
	13,805,917	11,753,578

6 TRADE AND OTHER RECEIVABLES

	2022 ***USD***	*2021* *USD*
Amount due from related parties (note 17)	2,227,564	5,969,403
Less: Allowance for expected credit loss (note 18)	(218,487)	-
	2,009,077	5,969,403
Contract assets	2,040,985	1,948,841
Other receivables	341,414	754,572
	4,391,476	8,672,816

7 RETENTION RECEIVABLE AND PAYABLE

In accordance with the Executive Bylaws to Law No. 2 of 2008 and Executive Rule No. 6 pertaining to retention regulations issued by the Kuwait Tax Authority ("KTA"), entities operating in the State of Kuwait are required to retain 5% on any invoiced amount involving a services element. This retention is released or paid once the KTA issues a tax clearance certificate to the respective entity claiming the release or the payment of the retention amount.

At the reporting date, the retention receivable amounting to USD 10,163,605 (2021: USD 7,491,895) is due from a related party and retention payable amounting to USD 157,398 (2021: USD 187,304) are due to related parties (note 17).

8 CASH AND BANK BALANCES

	2022 ***USD***	*2021* *USD*
Cash on hand	3,673	5,069
Bank balances	5,039,415	8,002,529
Fixed deposit	12,000,000	-
Cash and bank balances	17,043,088	8,007,598
Fixed deposits with original maturities of more than three months	(6,000,000)	-
Cash and cash equivalents in the statement of cash flows	11,043,088	8,007,598

9 EQUITY

a) Share capital

As at 31 December 2022 and 2021, the authorised, issued and paid-up share capital of the Company comprises 100 shares of KD 1,000 each contributed in cash and is distributed among the shareholders as follows:

	Number of shares	*Amount KD*	*Amount USD*
Kahrabel FZE	**50**	**50,000**	**164,528**
Sumitomo Corporation	**50**	**50,000**	**164,528**
	100	**100,000**	**329,056**

b) Dividend

During the year, the Company paid cash dividend of USD 99,751.36 per share (2021: USD 136,745.56) aggregating to USD 9,975,136 (2021: USD 13,674,556) to the shareholders.

10 STATUTORY RESERVE

In accordance with the Companies Law No. 1 of 2016, as amended and the Company's articles of association, 10% of the net profit for the period is required to be transferred to statutory reserve, until the statutory reserve totals 50% of the paid-up share capital or the shareholders resolve to discontinue such transfer. The reserve is not available for distribution except for payment of a dividend of 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividends. As the statutory reserve has equalled 50% of share capital, the Company has resolved to discontinue such annual transfer.

11 CONTRACT LIABILITIES

	2022 USD	*2021 USD*
Fixed monthly fee	8,514,351	6,791,620
Presented in the statement of financial position under		
Non-current liabilities	3,244,314	3,228,977
Current liabilities	5,270,037	3,562,643
	8,514,351	6,791,620

Fixed monthly fee represents the unearned fixed component of the fixed monthly fee and is recognised by determining the timing and number of significant acts involved in servicing the O&M Agreement. Contract liabilities are for the maintenance of gas and steam turbines. At the reporting date, the Company apportioned an amount of USD 71,055 (2021: USD 71,638) from fixed monthly fee revenue as the contract liabilities.

12 TRADE PAYABLE

	2022 USD	*2021 USD*
Trade payable	8,102,575	11,505,339
Amount due to related parties (note 17)	-	109,147
	8,102,575	11,614,486

	2022 USD	*2021 USD*
Presented in the statement of financial position under		
Non-current liabilities	3,922,338	1,125,349
Current liabilities	4,180,237	10,489,137
	8,102,575	11,614,486

Included in the accounts payable is an amount outstanding towards the deferred expenditure amounting to USD 1,125,349 (2021: USD 9,050,204) (split into current payables amounting to USD 1,125,349 (2021: USD 2,250,699) and non-current payables amounting to USD Nil (2021: USD 6,799,505) (note 4).

13 ACCRUED EXPENSES

	2022 USD	*2021 USD*
LTSA accrued expenses	35,398,952	29,810,036
Other accrued expenses	3,103,952	3,439,126
	38,502,904	33,249,162

14 REVENUE FROM CONTRACT WITH CUSTOMER

	2022 USD	*2021 USD*
Fixed revenues	40,729,053	38,193,298
Variable revenues	12,255,031	11,077,549
Other fees	214,666	1,510,540
	53,198,750	50,781,387

The remaining performance obligations represent the transaction price of the O&M Agreement for which services have not been delivered. At the reporting date, remaining performance obligations is excluded due to uncertainty associated with estimating the future output and indexed variable rates.

The revenue from contract with customer are from a related party (note 17).

15 COST OF REVENUE

	2022 USD	*2021 USD*
LTSA cost	18,821,704	18,556,904
Staff cost	7,053,917	6,929,729
Chemical consumption	4,592,709	4,329,974
Maintenance and other direct costs	7,065,779	8,141,411
	37,534,109	37,958,018

16 GENERAL AND ADMINISTRTAIVE EXPENESES

	2022 USD	*2021 USD*
Housekeeping & sanitation expenses	213,697	169,232
IT cost	220,194	145,299
Rent	58,363	57,014
Plant meal	95,907	66,881
Vehicles rental and conveyances	145,386	196,327
Security Expenses	89,328	91,142
Others	441,036	220,002
	1,263,911	945,897

17 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include shareholders, associated companies with or without common directors, directors and key management personnel and their close family members. During the year, the Company transacted with the following related parties:

Name	Relationship
Kahrabel FZE	Shareholder
Sumitomo Corporation	Shareholder
Shamal Az-Zour (note 1)	Other related parties
International Power S.A. – Dubai Branch	Other related parties
ENGIE Invest Intl S.A. (formerly known as GDF Suez International)	Other related parties
AZN O&M W.L.L. (Bahrain)	Other related parties
Jubail O&M Company Ltd.	Other related parties
Laborelec Middle East	Other related parties
Engie Services General Contracting Co.	Other related parties
Suez-Tractebel Operation and Maintenance Oman LLC	Other related parties
Electrabel NV/SA	Other related parties
Suez Services Saudi Company Limited	Other related parties

Related party balances and transactions which are carried out on agreed terms basis and the related amounts for the year ended are as follows:

a) Balances with related parties

	2022 *USD*	*2021* *USD*
Assets		
Amount due from related parties (note 6)		
Shamal Az-Zour	2,190,087	5,901,616
International Power S.A. – Dubai Branch	36,427	67,787
Suez-Tractebel Operation and Maintenance Oman LLC	1,051	-
	2,227,564	5,969,403
Retention receivable (note 7)		
Shamal Az-Zour	10,163,605	7,491,895

	2022 *USD*	*2021* *USD*
Liabilities		
Amount due to related parties (note 12)		
Shamal Az-Zour	-	12,707
Suez-Tractebel Operation and Maintenance Oman LLC	-	38,903
Engie Services General Contracting Co.	-	57,537
	-	109,147
Retention payable (note 7)		
International Power S.A. – Dubai Branch	64,873	112,036
Jubail O&M Company Ltd.	8,778	7,135
Kahrable FZE	627	87
Laborelec Middle East	23,032	17,434
Sumitomo Corporation	-	-
Electrabel NV/SA	3,056	2,644
Suez Services Saudi Company Limited	3,334	3,334
Suez-Tractebel Operation and Maintenance Oman LLC	53,698	44,634
	157,398	187,304

17 RELATED PARTIES (continued)

b) Transactions with related parties

	2022 USD	*2021 USD*
Revenue (note 14)		
Shamal Az-Zour	53,198,750	50,781,387
Cost of revenue		
International Power S.A. – Dubai Branch	493,454	464,833
ENGIE Services General Contracting Co	44,126	47,537
Laborelec Middle East	86,775	-
Electrabel NV/SA	8,245	10,012
Jubail O&M Company Ltd	1018	-
Shamal Az-Zour	17,303	19,315
Suez Services Saudi Company Limited	-	-
Suez-Tractebel Operation and Maintenance Oman LLC	32,625	752,186
General, administrative and other expenses		
International Power S.A. – Dubai Branch	629	19,921
ENGIE Services General Contracting Co.	251,169	246,432
Shamal Az-Zour	38,561	39,895

18 RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into foreign currency risk and interest rate risk.

Management of the Company is ultimately responsible for the overall risk management approach and for approving the risk management strategies and principles. The significant financial risks that the Company is exposed to are discussed below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to concentration risk as the Company is dealing with only one customer. The Company manages concentration risk through terms and conditions formalised in the O&M Agreement.

Exposure to credit risk
The carrying amount of following financial assets represents the maximum credit exposure of the Company:

	2022 USD	*2021 USD*
Trade and other receivables	4,391,476	8,625,516
Retention receivable	10,163,605	7,491,895
Cash and bank balances	17,039,415	8,002,529
	31,594,496	24,119,940

At the reporting date, the provision for expected credit loss on financial assets are as follows:

	2022 USD	*2021 USD*
Impairment loss on amount due from related parties (note 6)	218,487	-

18. RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

As at 31 December 2022, the Company is exposed to credit risk on the bank balances, amount due from a related party (trade receivable and retention receivable) and other receivables. The Company's exposure to credit risk is influenced by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the country in which customers operate.

The Company seeks to limit its credit risk with respect to bank balances by only dealing with reputable banks. With respect to credit risk arising from the other financial assets of the Company, the Company's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Impairment on bank balances has been measured on the basis of 12-month expected credit losses. The Company considers that its bank balances have low credit risk based on the external credit ratings of the counterparties. The impairment losses computed on the bank balances are insignificant.

Accounts receivable and others, retention receivable and due from related parties are monitored on an ongoing basis for collection. Loss allowance for these financial assets is measured at an amount equal to lifetime ECL. The lifetime ECL is assessed based on the Company's historical credit loss experience, adjusted for factors that are specific to the customers, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. At the reporting date, the ECL were assessed to be insignificant as there has been no history of default and there has been no dispute arising on the invoiced amount from customers.

The average credit period on sales is 30 to 65 days.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. 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.

Liquidity is managed by periodically ensuring its availability in amount sufficient to meet any futures commitments. The Company does not consider itself exposed to significant risks in relation to liquidity.

The following are the contractual maturities of financial liabilities:

	Less than 1 year USD	*More than 1 year USD*	*Total USD*	*Carrying amount USD*
31 December 2022				
Trade payable	4,180,237	3,922,338	8,102,575	8,102,575
Retention payable	4,950,308	-	4,950,308	4,950,308
Accrued expenses	38,502,904	-	38,502,904	38,502,904
	47,633,449	3,922,338	51,555,787	51,555,787
31 December 2021				
Trade payable	10,489,137	1,125,349	11,614,486	11,614,486
Retention payable	4,079,464	-	4,079,464	4,079,464
Accrued expenses	33,249,162	-	33,249,162	33,249,162
	47,817,763	1,125,349	48,943,112	48,943,112

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and the equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

18. RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Foreign currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. As the net exposure to other currencies is insignificant, the Company believes that foreign currency risk is immaterial.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is not exposed to interest rate risk as at 31 December 2022.

Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities. 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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. The estimated fair values of the Company's financial instruments are not significantly different from their carrying values.

19 CAPITAL MANAGEMENT

The Company's objectives regarding capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions and the risks characteristics of the underlying assets. Further, in order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders. Capital comprises of the share capital, statutory reserve and retained earnings and is measured at USD 13,274,409 as at 31 December 2022 (2021: USD 10,468,720).

The Company is not subject to externally imposed capital requirements, except the requirement of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations.

20 SUBSEQUENT EVENTS

On 15 June 2023, the Directors proposed a cash dividend of USD 127,808.25 (2021: USD 99,751.36) per share amounting to USD 12,780,825 (2021: USD 9,975,136) for the year ended 31 December 2022 which is subject to the approval of shareholders at the Annual General Meeting.

AZN O&M Company W.L.L.
State of Kuwait

Independent auditor's report and financial statements for the year ended 31 December 2023

AZN O&M Company W.L.L.
State of Kuwait

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Independent Auditor's Report

The Owners
AZN O&M Company W.L.L.
State of Kuwait

Report on Audit of the Financial Statements

Opinion

We have audited the financial statements of AZN O&M Company W.L.L. (the "Company"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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 ISA 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.

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

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

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

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

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

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

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

Safi A. Al-Mutawa
License No 138
of KPMG Al-Qenae & Partners
Member firm of KPMG International

Kuwait: 28 March 2024

AZN O&M Company W.L.L.
State of Kuwait

STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	2023 USD	2022 USD
ASSETS			
Non-current assets			
Furniture and equipment	3	**991,353**	467,288
Deferred expenditure	4	**27,211,580**	27,212,466
		28,202,933	27,679,754
Current assets			
Deferred expenditure	4	**2,079,461**	2,090,434
Inventories	5	**13,440,086**	13,805,917
Trade and other receivables	6	**5,751,752**	4,391,476
Retention receivable	7	**7,020,973**	10,163,605
Cash and bank balances	8	**24,429,127**	17,043,088
		52,721,399	47,494,520
TOTAL ASSETS		**80,924,332**	75,174,274
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**329,056**	329,056
Statutory reserve	10	**164,528**	164,528
Retained earnings		**14,236,848**	12,780,825
TOTAL EQUITY		**14,730,432**	13,274,409
Non-current liabilities			
Employees' end of service benefits		**2,107,464**	1,829,727
Contract liabilities	11	**3,461,821**	3,244,314
Trade payables	12	**11,767,013**	3,922,338
		17,336,298	8,996,379
Current liabilities			
Contract liabilities	11	**7,276,695**	5,270,037
Trade payables	12	**1,180,537**	4,180,237
Retention payable	7	**6,035,445**	4,950,308
Accrued expenses	13	**34,364,925**	38,502,904
		48,857,602	52,903,486
TOTAL LIABILITIES		**66,193,900**	61,899,865
TOTAL EQUITY AND LIABILITIES		**80,924,332**	75,174,274

Murat Culhan
General Manager

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	***2023 USD***	*2022 USD*
Revenue from contract with customer	*14*	**55,054,739**	53,168,312
Cost of revenue	*15*	**(39,052,118)**	(37,534,109)
Gross profit		**16,002,621**	15,634,203
Other income		**991,833**	111,131
Staff costs and related expenses		**(1,352,178)**	(1,256,970)
Reversal of / (provision for) credit losses		**179,096**	(218,487)
General and administrative expenses	16	**(1,254,867)**	(1,263,911)
Depreciation	*3*	**(329,657)**	(225,141)
PROFIT FOR THE YEAR		**14,236,848**	12,780,825
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**14,236,848**	12,780,825

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Share capital USD	*Statutory reserve USD*	*Retained earnings USD*	*Total USD*
At 1 January 2022	329,056	164,528	9,975,136	10,468,720
Net profit and total comprehensive income for the year	-	-	12,780,825	12,780,825
Dividend paid (note 9(b))	-	-	(9,975,136)	(9,975,136)
At 31 December 2022	329,056	164,528	12,780,825	13,274,409
At 1 January 2023	**329,056**	**164,528**	**12,780,825**	**13,274,409**
Net profit and total comprehensive income for the year	**-**	**-**	**14,236,848**	**14,236,848**
Dividend paid (note 9(b))	**-**	**-**	**(12,780,825)**	**(12,780,825)**
At 31 December 2023	**329,056**	**164,528**	**14,236,848**	**14,730,432**

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

AZN O&M Company W.L.L.
State of Kuwait

STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Notes	***2023 USD***	*2022 USD*
OPERATING ACTIVITIES			
Profit for the year		**14,236,848**	12,780,825
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Interest income		**(970,947)**	(80,694)
(Reversal of) / provision for credit losses		**(179,096)**	218,487
Provision for employees' end of service benefits		**489,839**	336,958
Depreciation	*3*	**329,657**	225,141
		13,906,301	13,480,717
Changes in:			
Deferred expenditures		**11,859**	2,091,681
Inventories		**365,832**	(2,052,338)
Trade and other receivable		**(969,436)**	4,122,604
Retentions receivable		**3,142,632**	(2,671,710)
Contract liabilities		**2,224,165**	1,722,731
Trade payable		**4,844,975**	(3,511,911)
Retentions payable		**1,085,137**	870,844
Accrued expenses		**(4,137,979)**	5,253,742
Cash generated from operations		**20,473,486**	19,306,360
End of service benefits paid		**(212,104)**	(64,919)
Net cash flows generated from operating activities		**20,261,382**	19,241,441
INVESTING ACTIVITIES			
Placement of fixed deposits		**(3,000,000)**	(6,000,000)
Withdrawal of fixed deposits		**6,000,000**	-
Interest received on fixed deposits		**759,204**	20,948
Purchase of furniture and equipment	*3*	**(853,722)**	(251,763)
Net cash flows generated / (used) in investing activities		**2,905,482**	(6,230,815)
FINANCING ACTIVITIES			
Dividend paid	*9(b)*	**(12,780,825)**	(9,975,136)
Net cash flows used in financing activities		**(12,780,825)**	(9,975,136)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**10,386,039**	3,035,490
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**11,043,088**	8,007,598
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	*8*	**21,429,127**	11,043,088

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

1 CORPORATE INFORMATION AND ACTIVITIES

AZN O&M Company W.L.L. (the "Company") is a limited liability company registered and incorporated in the State of Kuwait on 1 June 2017 with commercial registration number 376183 as registered with Kuwait Direct Investment Promotion Authority (the "KDIPA") under Law No. 116 of 2013 regarding the promotion of direct investment in the State of Kuwait.

The Company is jointly owned by Sumitomo Corporation, incorporated in Japan and Kahrabel FZE, incorporated in the United Arab Emirates (note 9). The ultimate parent company of Kahrabel FZE is ENGIE SA, an entity incorporated in France.

The principal activities of the Company are to engage in the operation and maintenance services ("O&M Services") of the Az Zour North Phase I Power and Water Facility (the "Facility"), which started its commercial operations on 26 November 2016. The activities are supported by an operation and maintenance agreement ("O&M Agreement") with Shamal Az-Zour Al-Oula Power and Water Company KSC (Public) (the "Project Company" or "Shamal Az-Zour") dated 12 December 2013 to operate and maintain the Facility.

The registered office of the Company is Office B2, 4th floor, Mazaya Tower, Khaled Bin Al Waleed Street, Al Mirqab, State of Kuwait.

The financial statements of the Company for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors dated 21 March 2024.

2 MATERIAL ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Statement of compliance
The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The financial statements of the Company have been prepared using the accounting policies consistent to those applied for the year ended 31 December 2022 except as noted below in note 2.2. Certain prior year amounts have been regrouped in order to conform to the current year presentation. Such regroupings do not affect previously reported assets, liabilities, equity and profit for the year.

Basis of measurement
The financial statements have been prepared on the historical cost basis.

Functional and presentation currency
These financial statements are presented in United States Dollars ("USD") which is the functional currency of the Company. The Company's functional currency is not the currency of the country in which it is domiciled as majority of the transactions of the Company are denominated in USD. A separate set of financial statements is presented in Kuwaiti Dinar ("KD") for purpose of submission to the Ministry of Commerce and Industry, State of Kuwait.

2.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

A number of amendments to standards and interpretations are effective for annual periods beginning on 1 January 2023 as below, but they do not have material effect on the Company's financial statements:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2;
- Definition of Accounting Estimates – Amendments to IAS 8;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12' and
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12.

2.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 require the disclosure of "material" rather than "significant" accounting policies. The amendments also provide guidance and application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific policy information for users to understand other information in the financial statements.

Management has reviewed the accounting policies and made updates, where applicable, to the information disclosed in note 2.4, Material accounting policies (2022: Significant accounting policies).

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Non-current Liabilities with Covenants (Amendments to IAS 1);
- Lease liability in a Sale and Leaseback (Amendments to IFRS 16);
- Disclosure relating to Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7);
- Lack of Exchangeability (Amendments to IAS 21); and
- Sale or Contribution of Assets between an Investors and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The new standards and amendments are not expected to have a material impact on the financial statements of the Company in the period of initial application.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for those listed in note 2.2.

(a) Furniture and equipment

Furniture and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture, tools and equipment	3-5 years
Motor vehicles	3 years
Computers and software	3 years

Expenditure incurred to replace a component of an item of furniture and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of furniture and equipment. All other expenditure is recognised in the statement of profit or loss and other comprehensive income as the expense is incurred.

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

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

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(b) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate valuation model is used.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

(c) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition and are accounted as follows:

Spares, tools and consumables	-	purchase cost on a weighted average basis
Chemicals	-	purchase cost on a weighted average basis

Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

(d) Financial instruments

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

(i) Financial assets

Initial recognition and measurement
Financial assets measured at initial recognition at fair value plus transaction costs and are subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of deposits and due from related parties that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, except in the case of a financial asset at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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

Subsequent measurement
For purposes of subsequent measurement, financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes trade and other receivables, contract assets, retention receivable, fixed deposits and cash and bank balances.

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The expected credit loss ("ECL") of financial assets is measured in a way that reflects an unbiased and probability weighted amount determined by evaluating a range of possible outcomes. The time value of money and past events, current conditions and forecast of future economic conditions. The ECL model applies to all financial instruments. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Company recognises ECL for all financial assets using the general approach, except for trade and retention receivables.

Simplified approach
For trade and retention receivables, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Definition of default
The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criteria are generally not recoverable:

- Information developed internally or obtained from external sources indicates that the customer is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company); or
- the financial asset is more than 90 days past due.

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or past due event; or
- it is becoming probable that the debtor will enter bankruptcy.

Write-off policy
The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the profit or loss and other comprehensive income.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date. For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in the statement of profit or loss and other comprehensive income for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(ii) Financial liabilities

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

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

The Company's financial liabilities includes accounts payable, retention payable, contract liabilities and accrued expenses.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Subsequent measurement
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

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

Offsetting of financial instruments

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

Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in a normal operating cycle; or
- Held primarily for the purpose of trading; or
- Expected to be realised within twelve months after the reporting period; or
- Bank balances, cash and deposits unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

e) Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. This is the case primarily with contracts for the purchase or sale of non-financial assets, whose price is revised based on an index, the exchange rate of a foreign currency or the price of an asset other than the contract's underlying.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Embedded derivatives are separated from the host contract and accounted for as derivatives when:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income (i.e. a derivative that is embedded in a financial asset or financial liability accounted for at fair value through profit or loss is not separated).

In all other cases embedded derivatives are accounted for in line with the accounting policy for the contract as a whole.

The O&M agreement and Long Term Service Agreements ("LTSA") contain embedded derivatives in the form of price adjustments for inflation based on price indices.

These embedded derivatives are not separated from the host contracts and are not accounted for as stand-alone derivatives under IFRS 9, as management believes that the economic characteristics and risks associated with the embedded derivatives are closely related to those of the host contracts.

f) Employees' end of service benefits

Employees are entitled to an end of service indemnity payable under the Kuwait Labour Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. The expected costs of these benefits are accrued over the period of employment.

Kuwaiti employees
Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's share of contributions to this scheme, which is a defined contribution scheme, are charged to the statement of profit or loss and other comprehensive income in the year to which they relate.

g) Revenue recognition

Revenue from contracts with customers is recognised when the performance obligation is satisfied and the control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue from rendering of services is recognised based on the O&M Agreement. The variable revenue is recognised based on the agreed tariffs as per O&M Agreement and the actual units of electricity and water delivered during the year. The Company recognises revenue from O&M Services over time because the customer simultaneously receives and consumes the benefits provided to them. The Company uses an output method in measuring the variable revenue from O&M Services based on the value of services provided.

The fixed charges are recognised as per contractual agreement, project's milestone targets and incurring of the related costs. A portion of the transaction price is allocated to the contract liabilities based on the expected cost-plus margin approach. Revenue is recognised upon performance of these services.

The back-up fuel fees are recognised based on the agreed tariffs as per O&M Agreement and the actual operating hours on the back-up fuel during the period subject to the Project Company's approval from the off-taker. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs.

Mobilisation fees are recognised in proportion to the mobilisation expenses incurred as per the contractual agreement, project's milestone targets and performance of the plant.

The recognition criteria are applied to each separately identified component of the O&M Agreement with multiple elements of revenue.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

h) Contract balances

Contract assets
A contract asset is initially recognised for revenue earned from providing the O&M Services because the receipt of consideration is conditional on successful acceptance of the services. Upon acceptance of the O&M Services by the customer, the amount recognised as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment.

Contract liabilities
A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company provides the O&M Services. Contract liabilities are recognised as revenue when the Company performs under the O&M Agreement (i.e. transfers control of the O&M Services to the customer).

i) Leases

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

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

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

If the ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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

j) Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

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

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period when the change occurs.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

Impairment of furniture and equipment
The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the statement of profit or loss and other comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

Determination of number of acts included in provision of services under O&M and LTSA contracts
The Company is required to recognise its revenue and LTSA costs by determining the timing and number of significant acts involved in servicing the O&M Agreement and LTSA for maintaining the gas turbines. The timing and number of significant acts are estimated by management based on their experience of operating such plants. These estimates will, by definition, be seldom equal to the actual results. However, the deviations with actual results are not anticipated to be of a material nature, the estimates are based on the Company's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Measurement of fair value of multiple elements of revenue under O&M Agreement
The Company is required to measure the fair value of multiple elements of its O&M Agreement. The fair value is estimated by management based on their experience of operating such plants. These estimates will, by definition, be seldom equal to the actual results. However, the deviations with actual results are not anticipated to be of a material nature, the estimates are based on the Company's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Useful lives of furniture and equipment
The Company determines the estimated useful lives of its furniture and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates. The depreciation charged for the year may change significantly if actual life is different than the estimated useful life.

3 FURNITURE AND EQUIPMENT

	Furniture, tools and equipment USD	*Motor vehicles USD*	*Computers and software USD*	*Total USD*
Cost:				
At 1 January 2022	755,256	234,473	291,466	1,281,195
Additions	242,352	-	9,411	251,763
At 31 December 2022	997,608	234,473	300,877	1,532,958
At 1 January 2023	**997,608**	**234,473**	**300,877**	**1,532,958**
Additions	**529,130**	**11,322**	**313,270**	**853,722**
At 31 December 2023	**1,526,738**	**245,795**	**614,147**	**2,386,680**
Accumulated depreciation:				
At 1 January 2022	385,330	234,473	220,726	840,529
Charge for the year	181,823	-	43,318	225,141
At 31 December 2022	567,153	234,473	264,044	1,065,670
At 1 January 2023	**567,153**	**234,473**	**264,044**	**1,065,670**
Charge for the year	**266,203**	**2,068**	**61,386**	**329,657**
At 31 December 2023	**833,356**	**236,541**	**325,430**	**1,395,327**
Net carrying amount:				
At 31 December 2022	430,455	-	36,833	467,288
At 31 December 2023	**693,382**	**9,254**	**288,717**	**991,353**

4 DEFERRED EXPENDITURE

	2023 USD	*2022 USD*
LTSA related deferred expenditure	**29,291,041**	29,302,900
Presented in the statement of financial position under:		
Non-current assets	**27,211,580**	27,212,466
Current assets	**2,079,461**	2,090,434
	29,291,041	29,302,900

In prior years, the Company carried out a major upgrade to its gas turbines, which resulted in significant improvement in the availability of the plant. The Company incurred a cumulative amount of USD 41,676,469 (2022: USD 39,624,272) for this upgrade and the amount is payable to the vendor over a period of five years (note 12). The Company has capitalised these expenses and is amortising it to the statement of profit or loss and other comprehensive income based on the operating hours of gas turbines.

5 INVENTORIES

	2023 USD	*2022 USD*
Chemicals	**537,847**	1,936,228
Spares and tools	**10,315,612**	9,562,134
Consumables	**2,586,627**	2,307,555
	13,440,086	13,805,917

There are no slow moving inventory or obsolete items which requires provision as at the reporting date.

6 TRADE AND OTHER RECEIVABLES

	2023 *USD*	*2022* *USD*
Amount due from related parties (note 17)	**1,845,951**	2,227,564
Less: Allowance for expected credit loss (note 18)	**(39,391)**	(218,487)
	1,806,560	2,009,077
Contract assets	**2,444,102**	2,040,985
Other receivables	**1,501,090**	341,414
	5,751,752	4,391,476

The movement in provision for expected credit losses were as follows:

	2023 *USD*	*2022* *USD*
Balance at 1 January	**218,487**	-
(Reversal of) / provision for the year	**(179,096)**	218,487
Balance at 31 December	**39,391**	218,487

7 RETENTION RECEIVABLE AND PAYABLE

In accordance with the Executive Bylaws to Law No. 2 of 2008 and Executive Rule No. 6 pertaining to retention regulations issued by the Kuwait Tax Authority ("KTA"), entities operating in the State of Kuwait are required to retain 5% on any invoiced amount involving a services element. This retention is released or paid once the KTA issues a tax clearance certificate to the respective entity claiming the release or the payment of the retention amount.

At the reporting date, the retention receivable amounting to USD 7,020,973 (2022: USD 10,163,605) is due from a related party and retention payable amounting to USD 187,739 (2022: USD 157,398) are due to related parties (note 17).

8 CASH AND BANK BALANCES

	2023 *USD*	*2022* *USD*
Cash on hand	**9,264**	3,673
Bank balances	**5,169,863**	5,039,415
Fixed deposit	**19,250,000**	12,000,000
Cash and bank balances	**24,429,127**	17,043,088
Fixed deposits with original maturities of more than three months	**(3,000,000)**	(6,000,000)
Cash and cash equivalents in the statement of cash flows	**21,429,127**	11,043,088

Fixed deposits have an original maturity of over three month or less from the date of placement and carries interest rates ranging from 4.25% to 5.25% (2022: 1.81% to 5.25%) per annum.

9 EQUITY

a) Share capital

As at 31 December 2023 and 2022, the authorised, issued and paid-up share capital of the Company comprises 100 shares of KD 1,000 each contributed in cash and is distributed among the Owners as follows:

	Number of shares	*Amount KD*	*Amount USD*
Kahrabel FZE	**50**	**50,000**	**164,528**
Sumitomo Corporation	**50**	**50,000**	**164,528**
	100	**100,000**	**329,056**

9 EQUITY (continued)

b) Dividend

On 18 October 2023, the Company paid cash dividend of USD 127,808.25 per share aggregating to USD 12,780,825 to the Owners.

On 2 August 2022, the Company paid cash dividend of USD 99,751.36 per share aggregating to USD 9,975,136 to the Owners.

On 21 March 2024, the Directors proposed a cash dividend of USD 142,368.48 per share amounting to USD 14,236,848 for the year ended 31 December 2023 which is subject to the approval of Owners at the Annual General Meeting.

10 STATUTORY RESERVE

In accordance with the Companies Law No. 1 of 2016, as amended and the Company's articles of association, 10% of the net profit for the year is required to be transferred to statutory reserve. The Owners may resolve to discontinue such transfer after the statutory reserve has totalled 50% of the paid-up share capital. The reserve is not available for distribution except for payment of a dividend of 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividends. As the statutory reserve has equalled 50% of share capital, the Company has resolved to discontinue such annual transfer.

11 CONTRACT LIABILITIES

	2023 USD	*2022 USD*
Fixed monthly fee	**10,738,516**	8,514,351
Presented in the statement of financial position under		
Non-current liabilities	**3,461,821**	3,244,314
Current liabilities	**7,276,695**	5,270,037
	10,738,516	8,514,351

Fixed monthly fee represents the unearned fixed component of the fixed monthly fee and is recognised by determining the timing and number of significant acts involved in servicing the O&M Agreement. Contract liabilities are for the maintenance of gas and steam turbines. At the reporting date, the Company apportioned an amount of USD 2,006,657 (2022: USD 71,055) from fixed monthly fee revenue as the contract liabilities.

12 TRADE PAYABLES

	2023 USD	*2022 USD*
Trade payable	**12,890,621**	8,102,575
Amount due to related parties (note 17)	**56,929**	-
	12,947,550	8,102,575

	2023 USD	*2022 USD*
Presented in the statement of financial position under		
Non-current liabilities	**11,767,013**	3,922,338
Current liabilities	**1,180,537**	4,180,237
	12,947,550	8,102,575

Included in the current trade payables is an amount outstanding towards the deferred expenditure amounting to USD Nil (2022: USD 1,125,349) (note 4).

13 ACCRUED EXPENSES

	2023	*2022*
	USD	*USD*
LTSA accrued expenses	**30,984,130**	35,398,952
Other accrued expenses	**3,380,795**	3,103,952
	34,364,925	38,502,904

14 REVENUE FROM CONTRACT WITH CUSTOMER

	2023	*2022*
	USD	*USD*
Fixed revenues	**42,509,778**	40,729,053
Variable revenues	**12,796,850**	12,255,031
Other fees	**(251,889)**	184,228
	55,054,739	53,168,312

The remaining performance obligations represent the transaction price of the O&M Agreement for which services have not been delivered. At the reporting date, the remaining performance obligations is excluded due to uncertainty associated with estimating the future output and indexed variable rates.

The revenue from contract with customer are from a related party (note 17).

15 COST OF REVENUE

	2023	*2022*
	USD	*USD*
LTSA costs	**18,882,873**	18,821,704
Staff costs	**7,189,619**	7,053,917
Chemical consumption	**4,726,434**	4,592,709
Maintenance and other direct costs	**8,253,192**	7,065,779
	39,052,118	37,534,109

16 GENERAL AND ADMINISTRATIVE EXPENESES

	2023	*2022*
	USD	*USD*
Housekeeping & sanitation expenses	**126,340**	213,697
IT cost	**261,178**	220,194
Office rent	**63,694**	58,363
Plant meal	**101,680**	95,907
Vehicles rental and conveyances	**151,430**	145,386
Security expenses	**58,360**	89,328
Others	**492,185**	441,036
	1,254,867	1,263,911

17 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include Owners, associated companies with or without common directors, directors and key management personnel and their close family members. During the year, the Company transacted with the following related parties:

Name	Relationship
Kahrabel FZE	Owner
Sumitomo Corporation	Owner
Shamal Az-Zour (note 1)	Other related parties
International Power S.A. – Dubai Branch	Other related parties
ENGIE Invest Intl S.A. (formerly known as GDF Suez International)	Other related parties
Al Ezzel Operation & Maintenance Co.	Other related parties
Jubail O&M Company Ltd.	Other related parties
Laborelec Middle East	Other related parties
Laborelec SA/NV	Other related parties
Engie Services General Contracting Co.	Other related parties
Suez-Tractebel Operation and Maintenance Oman LLC	Other related parties
Electrabel NV/SA	Other related parties
Suez Services Saudi Company Limited	Other related parties

Related party balances and transactions which are carried out on agreed terms basis and the related amounts for the year ended are as follows:

a) Balances with related parties

	2023 *USD*	*2022* *USD*
Assets		
Amount due from related parties (note 6)		
Shamal Az-Zour	**1,835,785**	2,190,087
International Power S.A. – Dubai Branch	**8,551**	36,427
Al Ezzel Operation & Maintenance Co.	**564**	-
Suez-Tractebel Operation and Maintenance Oman LLC	**1,051**	1,051
	1,845,951	2,227,565
Retention receivable (note 7)		
Shamal Az-Zour	**7,020,973**	10,163,605

	2023 ***USD***	*2022* *USD*
Liabilities		
Amount due to related parties (note 12)		
Shamal Az-Zour	**65**	**-**
Electrabel NV/SA	**16,223**	**-**
Engie Services General Contracting Co.	**40,641**	**-**
	56,929	**-**
Retention payable (note 7)		
International Power S.A. – Dubai Branch	**87,731**	64,873
Jubail O&M Company Ltd.	**8,778**	8,778
Kahrabel FZE	**627**	627
Laborelec Middle East	**27,393**	23,032
Laborelec SA/NV	**231**	-
Electrabel NV/SA	**5,947**	3,056
Suez Services Saudi Company Limited	**3,334**	3,334
Suez-Tractebel Operation and Maintenance Oman LLC	**53,698**	53,698
	187,739	157,398

17 RELATED PARTIES (continued)

b) Transactions with related parties

	2023	*2022*
	USD	*USD*
Revenue (note 14)		
Shamal Az-Zour	**55,054,739**	53,168,312
Cost of revenue		
International Power S.A. – Dubai Branch	**486,922**	493,454
Engie Services General Contracting Co	**41,618**	44,126
Laborelec Middle East	**104,885**	86,775
Electrabel NV/SA	**37,843**	8,245
Jubail O&M Company Ltd	**-**	1018
Shamal Az-Zour	**-**	17,303
Suez-Tractebel Operation and Maintenance Oman LLC	**-**	32,625
General, administrative and other expenses		
International Power S.A. – Dubai Branch	**-**	629
Engie Services General Contracting Co.	**137,048**	251,169
Electrabel NV/SA	**20,923**	-
Shamal Az-Zour	**57,406**	38,561

There is no key management compensation in the current period and the prior year and management services are provided by a related party. No management fees are charged for the provision of their services.

18 FINANCIAL RISK MANAGEMENT

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into foreign currency risk, interest rate risk and equity price risk.

Management of the Company is ultimately responsible for the overall risk management approach and for approving the risk management strategies and principles. The significant financial risks that the Company is exposed to are discussed below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to concentration risk as the Company deals with only one customer. The Company manages concentration risk through terms and conditions formalised in the O&M Agreement.

Exposure to credit risk
The carrying amount of following financial assets represents the maximum credit exposure of the Company:

	2023	*2022*
	USD	*USD*
Trade and other receivables (excluding advance)	**4,467,537**	4,391,476
Retention receivable	**7,020,973**	10,163,605
Fixed deposits	**19,250,000**	12,000,000
Bank balances	**5,169,863**	5,039,415
	35,908,373	31,594,496

18 FINANCIAL RISK MANAGEMENT (continued)

At the reporting date, the provision for expected credit loss on financial assets are as follows:

	2023	*2022*
	USD	*USD*
Impairment loss on amount due from related parties (note 6)	**39,391**	218,487

As at 31 December 2023, the Company is exposed to credit risk on the bank balances, amount due from a related party (trade receivable and retention receivable) and other receivables. The Company's exposure to credit risk is influenced by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the country in which the customer operates.

The Company seeks to limit its credit risk with respect to bank balances by only dealing with reputable banks. With respect to credit risk arising from the other financial assets of the Company, the Company's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Impairment on bank balances has been measured on the basis of 12-month expected credit losses. The Company considers that its bank balances have low credit risk based on the external credit ratings of the counterparties. National Bank of Kuwait has rating of A+ by Moody's and A by S&P; the Commercial Bank of Kuwait has rating of A3 by Moody's and A+ by S&P. The impairment losses computed on the bank balances are insignificant.

Trade and other receivables, retention receivable and due from related parties are monitored on an ongoing basis for collection. The lifetime ECL is assessed based on the Company's historical credit loss experience, adjusted for factors that are specific to the customers, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. At the reporting date, the ECL were assessed to be insignificant as there has been no history of default and there has been no dispute arising on the invoiced amount from customers.

The average credit period on sales is 30 to 65 days.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. 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.

Liquidity is managed by periodically ensuring its availability in amount sufficient to meet any future commitments. The Company does not consider itself exposed to significant risks in relation to liquidity.

The following are the undiscounted contractual maturities of financial liabilities:

	Less than 1 year USD	***More than 1 year USD***	***Total USD***	***Carrying amount USD***
2023				
Trade payable	**1,180,537**	**11,767,013**	**12,947,550**	**12,947,550**
Retention payable	**6,035,445**	**-**	**6,035,445**	**6,035,445**
Accrued expenses	**34,364,925**	**-**	**34,364,925**	**34,364,925**
	41,580,907	**11,767,013**	**53,347,920**	**53,347,920**
2022				
Trade payable	4,180,237	3,922,338	8,102,575	8,102,575
Retention payable	4,950,308	-	4,950,308	4,950,308
Accrued expenses	38,502,904	-	38,502,904	38,502,904
	47,633,449	3,922,338	51,555,787	51,555,787

18 FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and the equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. As the net exposure to other currencies is insignificant, the Company believes that foreign currency risk is immaterial.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is not significantly exposed to interest rate risk as at 31 December 2023 (2022: Nil).

Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market. As at the reporting date, the Company is not exposed to any equity price risk (2022: Nil).

19 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. 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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. The estimated fair values of the Company's financial instruments are not significantly different from their carrying values due to short to medium term nature of these instruments.

20 CAPITAL MANAGEMENT

The Company's objectives regarding capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise Owners value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions and the risks characteristics of the underlying assets. Further, in order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the Owners. Capital comprises of the share capital, statutory reserve and retained earnings and is measured at USD 14,730,432 as at 31 December 2023 (2022: USD 13,274,409).

The Company is not subject to externally imposed capital requirements, except the requirement of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations.

21 COMMITMENTS AND CONTINGENCIES

The Company does not have any other outstanding commitment or contingency as at the reporting date.