2.2.6.1.1.4 ADPWC Audited FS - 2022 - Signed.pdf

2.2.6.1.1.1 ADPWC Audited FS -2021-Signed.pdf

2.2.6.1.1.3 ADPWC Audited FS - 2023 - Signed.pdf

AL DUR POWER & WATER COMPANY B.S.C. (C)

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

AL DUR POWER AND WATER COMPANY B.S.C. (c)

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Commercial registration number	69733
Chairman	Mr. Meshary M A M Al-Judaimi
Vice Chairman	Mr. Frederic Michel Nicolas Claux (up to 1 September 2022) Mr. Tomaz Henrique Guadagnin (from 1 September 2022)
Directors	Mr. Willem August Beatrice Van den Abeele Mr. Antonio Di Cecca (up to 28 January 2022) Mr. Sharjeel Arshad Sheikh Ms. Anwar Al-Ajeel Mr. Mohammed Kazim Surve Mr. Masashi Mizoguchi Ms. Kyoko Okuhara (up to 22 November 2022) Mr. Laurent Raymond Louis Furedi (from 28 January 2022) Mr. Hiroshi Arakawa (from 22 November 2022)
Registered Office	Flat 1203, Building 2795, Road 2835, Block 428, Al Seef, Manama, Kingdom of Bahrain.
Bankers	Standard Chartered Bank PLC - Bahrain Standard Chartered Bank PLC - London Arab Banking Corporation B.S.C. - Bahrain
Auditor	Deloitte & Touche Middle East, P.O. Box 421, Manama, Kingdom of Bahrain.

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AL DUR POWER AND WATER COMPANY B.S.C. (c)

DIRECTORS' REPORT

The Board of Directors has pleasure in submitting its annual report and the audited financial statements of Al Dur Power and Water Company B.S.C.(c) ("the Company") as of and for the year ended 31 December 2022.

Principal activities

The Company is engaged in the private generation of electrical power from its 1,234 MW power plant and production of desalinated water from its 48 MIGD water desalination facility located in Al Dur, Kingdom of Bahrain.

The Company commenced its commercial operations in February 2012 and contracted to supply electricity and water to the Electricity and Water Authority ("EWA"), Kingdom of Bahrain, under a long-term Power and Water Purchase Agreement ("PWPA").

Operating Highlights

In 2022 the Al Dur Plant supplied a total of 5,404 GWh electricity and 77.2 million cubic meters of water to EWA and achieved a power technical availability of 93.63% and a water technical availability of 98.20%.

The results for the year are set out on page 7 of the financial statements.

Disclosure of remuneration to members of Board of Directors and Executive Management

Reference to the provisions of Commercial Companies Law No. (21) of 2001 and its amendments, and pursuant to the provisions of Article No. (188) of the Commercial Companies Law and Article No. (125) of the Executive Regulations of Resolution No. (3) for the year 2022, remuneration and sitting fees and other benefits to Board of Directors and salaries and benefits paid to members of Executive Management has been disclosed as follows;

a. **Board of Directors remuneration / sitting fees and other benefits:**

Name	[illegible]										[illegible]	[illegible]	[illegible]
	Remunerations of the chairman and BOD	Total allowances for attending Board and committee meetings	Salaries	Others	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total			
First: Independent Directors													
None	-	-	-	-	-	-	-	-	-	-	-	-	-
Second: Non-Executive Directors													
1. Mr. Mashary M A M Al-Judaimi	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Mr. Frederic M. N. Claux (ii)	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Mr. Tomaz Henrique Guadagnin (iv)	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Mr. Willem Van den Abeele	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Mr. Antonio Di Cecca (i)	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Mr. Sharjeel Arshad Shaikh	-	-	-	-	-	-	-	-	-	-	-	-	-
7. Ms. Anwar Al-Ajeel	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Mr. Mohammed Kazim Surve	-	-	-	-	-	-	-	-	-	-	-	-	-
9. Mr. Masashi Mitoguchi	-	-	-	-	-	-	-	-	-	-	-	-	-
10. Ms. Kyoko Okuhara (v)	-	-	-	-	-	-	-	-	-	-	-	-	-
11. Mr. Laurent R. L. Furedi (iii)	-	-	-	-	-	-	-	-	-	-	-	-	-
12. Mr. Hiroshi Arakawa (vi)	-	-	-	-	-	-	-	-	-	-	-	-	-
Third: Executive Directors													
None	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Note: All amounts are stated in Bahraini Dinars

(i) Resigned w.e.f. 28 January 2022
(ii) Appointed w.e.f. 28 January 2022
(iii) Resigned w.e.f. 1 September 2022
(iv) Appointed w.e.f. 1 September 2022
(v) Resigned w.e.f. 22 November 2022
(vi) Appointed w.e.f. 22 November 2022

b. Remuneration and benefits paid to Executive Management:

Salaries, benefits and other allowance paid to executive management are disclosed as follows;

Executive management	Total paid salaries and allowance	Total paid remuneration (Bonus)	Any other cash/in kind remuneration for 2022	Aggregate Amount
Remuneration of top executives (Chief Executive Officer and Chief Financial Officer) *	139,005	15,436	3,000	157,441

Note: All amounts are stated in Bahraini Dinars

* Executive management consist of Chief Executive Officer & Chief Financial Officer only

Signed on behalf of the Board of Directors

Meshary M A M Al-Judaimi
Chairman

Tomaz Henrique Guadagnin
Vice-Chairman

6 February 2023

Deloitte.

Deloitte & Touche
Middle East
United Tower, Bahrain Bay
Manama, P.O. Box 421
Kingdom of Bahrain

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C.R. 13670

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Al Dur Power and Water Company B.S.C. (c)
Manama, Kingdom of Bahrain

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Al Dur Power and Water Company B.S.C. (c) ("the Company"), which comprise the statement of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 (IFRSs).

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 the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the Directors' report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible to overseeing the company's 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 judgement and maintain professional scepticism 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of the Board of Director'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; and
- 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.

Deloitte.

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with the Board of Directors 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 report that:

1) As required by the Bahrain Commercial Companies Law of 2001 (and subsequent amendments) ("BCCL"), we report that:

   a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;

   b) the Company has carried out physical verification of inventories at the year end in accordance with properly established procedures;

   c) the financial information contained in the Director's report is consistent with the financial statements;

   d) nothing has come to our attention which causes us to believe that the Company has, during the year, breached any of the applicable provisions of the Commercial Companies Law of 2001 (and subsequent amendments), or the terms of its Memorandum and Articles of Association that would have a material adverse effect on its business or its financial position at 31 December 2022; and

   e) satisfactory explanations and information have been provided to us by the Board of Directors in response to all our requests.

2) As required by the Ministry of Industry, Commerce and Tourism in their letter dated 30 January 2020 in respect of Article (8) of Section (2) of Chapter (1) of the Bahrain Corporate Governance Code, we report that the Company has:

   a) a Corporate Governance Officer; and

   b) a board approved written guidance and procedures for corporate governance.

Deloitte & Touche.

Deloitte & Touche - Middle East
Registration Number: 256
Manama, Kingdom of Bahrain
16 February 2023

AL DUR POWER AND WATER COMPANY B.S.C. (c)

STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	*2022 BD*	*2021 BD*
ASSETS			
Non-current asset			
Finance lease receivables	5	599,649,257	625,206,364
Investment in a joint venture	6	5,000	5,000
Derivative financial instruments	13	10,328,902	1,431,635
Total non-current asset		609,983,159	626,642,999
Current assets			
Finance lease receivables	5	25,557,097	24,996,319
Inventories	7	2,443,060	2,539,462
Accounts and other receivables	8	18,692,054	13,683,203
Due from a related party	9	1,828	640
Derivative financial instruments	13	3,193,849	-
Bank balances, cash and deposits	10	23,860,272	20,660,232
Total current asset		73,748,160	61,878,876
TOTAL ASSETS		683,731,319	688,521,875
EQUITY AND LIABILITIES			
Equity			
Share capital	11	25,000,000	25,000,000
Additional shareholder contribution	9	178,959,949	-
Statutory reserve	12	8,841,718	7,599,388
Retained earnings		59,807,022	50,615,967
Hedging reserve	13	(630,760)	(27,608,581)
Total equity		271,977,929	55,606,774
Liabilities			
Non-current liabilities			
Derivative financial instruments	13	3,849,072	28,192,334
Borrowings	14	339,516,722	372,426,606
Subordinated loans from shareholders	9	-	169,309,949
Demobilisation provision	15	9,745,498	9,352,780
Provision for disputed margins	16	7,854,940	5,468,155
Employees' end of service benefits	17	46,608	40,246
Total non-current liabilities		361,012,840	584,790,070
Current liabilities			
Accounts payables and accruals	18	9,415,355	8,693,806
Amounts due to related parties	9	7,821,152	1,356,902
Derivative financial instruments	13	594,159	8,639,439
Borrowings	14	32,909,884	29,434,884
Total current liabilities		50,740,550	48,125,031
Total liabilities		411,753,390	632,915,101
TOTAL EQUITY AND LIABILITIES		683,731,319	688,521,875

Meshary M A M Al-Judaimi
Chairman

Tomaz Henrique Guadagnin
Vice-Chairman

The attached notes 1 to 26 form part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	*2022 BD*	*2021 BD*
Revenue and lease income	19	135,849,299	141,814,247
Operations and maintenance costs	20	(96,277,816)	(94,372,679)
Gross profit		39,571,483	47,441,568
General, administrative and other expenses	21	(1,109,490)	(1,171,855)
Allowance for disputed and unpaid receivables	22	(262,052)	(1,843,710)
Provision for disputed margins	16	(648,445)	(92,266)
Provision for demobilisation	15	(392,718)	(291,670)
Other income - Insurance claim impact	8.1	4,512,000	-
Net operating profit for the year		41,670,778	44,042,167
Finance costs - net	23	(30,994,882)	(33,306,285)
Foreign exchange losses - net		(252,501)	(225,813)
Profit for the year		10,423,395	10,510,069
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Net fair value gain on cash flow hedges	13	46,977,811	29,089,939
Total comprehensive income for the year		57,401,206	39,600,008

Meshary M A M Al-Judaimi
Chairman

Tomaz Henrique Guadagnin
Vice-Chairman

The attached notes 1 to 26 form part of these financial statements.

AL DUR POWER AND WATER COMPANY B.S.C. (c)
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2022

	Notes	Share capital BD	Additional Shareholder Contribution BD	Statutory reserve BD	Retained earnings BD	Hedging reserve BD	Total BD
At 01 January 2021		25,000,000	-	6,548,361	41,156,905	(76,698,500)	(3,993,234)
Profit for the year		-	-	-	10,510,069	-	10,510,069
Other comprehensive income for the year		-	-	-	-	29,089,939	29,089,939
Total comprehensive income for the year		-	-	-	10,510,069	29,089,939	39,600,008
Transfer to statutory reserve	12	-	-	1,051,007	(1,051,007)	-	-
At 31 December 2021		25,000,000	-	7,599,368	50,615,967	(47,608,561)	35,606,774
Profit for the year		-	-	-	10,423,395	-	10,423,395
Other comprehensive income for the year		-	-	-	-	46,977,811	46,977,811
Total comprehensive income for the year		-	-	-	10,423,395	46,977,811	57,401,206
Transfer to statutory reserve	12	-	-	1,042,340	(1,042,340)	-	-
Transfer of subordinated loan from shareholders	9	-	189,309,949	-	-	-	189,309,949
Repayment of additional shareholder contribution	9	-	(10,340,000)	-	-	-	(10,340,000)
At 31 December 2022		**25,000,000**	**178,969,949**	**8,641,708**	**59,997,022**	**(630,750)**	**271,977,929**

The attached notes 1 to 26 form part of these financial statements.

AL DUR POWER AND WATER COMPANY B.S.C. (c)

STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	*2022* *BD*	*2021* *BD*
OPERATING ACTIVITIES			
Profit for the year		**10,423,395**	10,510,068
Adjustments for:			
Imputed finance income	19	**(31,817,010)**	(33,032,851)
Amortisation of deferred finance costs	23	**832,082**	832,082
Amortisation of discontinued hedging reserve	13	**2,868,715**	2,979,328
Provision for demobilisation	15	**392,718**	291,570
Provision for employees' end-of-service benefits	17	**6,362**	21,830
Allowance for disputed and unpaid receivables	22	**259,855**	1,840,858
Provision for disputed and paid gas margin	16	**548,446**	92,266
Allowance for expected credit losses	22	**2,097**	2,852
Insurance claim	6	**(4,512,000)**	-
Interest on bank borrowings	23	**20,900,016**	15,762,516
Net loss on interest rate swaps	23	**6,512,248**	13,292,211
Other finance (income) / costs	23	**(118,158)**	440,166
Operating profit before working capital changes		**6,398,844**	13,033,079
Working capital changes:			
Inventories		**96,422**	(145,590)
Accounts and other receivable		**(2,317,847)**	35,552,906
Due from related parties		**(1,187)**	23,208
Accounts payable and accruals		**34,479**	(37,190,708)
Due to related parties		**11,248,903**	230,845
Net cash flows from operating activities		**15,459,604**	11,503,739
INVESTING ACTIVITY			
Proceeds from finance lease principal		**56,812,329**	56,899,201
Increase in fixed deposits		**(11,280,000)**	-
Proceeds from insurance claim		**3,299,381**	-
Net cash flows from investing activities		**48,831,710**	56,899,201
FINANCING ACTIVITIES			
Repayment of borrowings	14	**(30,266,946)**	(27,348,532)
Repayment of subordinated loans from shareholders	9	-	(10,716,000)
Repayment of additional shareholder contribution	9	**(10,340,000)**	-
Finance costs paid		**(26,987,587)**	(29,940,478)
Fuel demand model reserve account	10	**(1,221,073)**	(1,363)
Net cash used in financing activities		(68,815,606)	(68,006,373)
Net (decrease) / increase in cash and cash equivalents		(4,524,292)	396,567
Cash and cash equivalents, at the beginning of the year		**13,199,567**	12,803,000
Cash and cash equivalents, at the end of the year	10	**8,675,275**	13,199,567

The attached notes 1 to 26 form part of these financial statements.

1 INCORPORATION AND PRINCIPAL ACTIVITIES

Al Dur Power and Water Company B.S.C. (c) ("the Company") is a Bahraini Closed Joint Stock Company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under Commercial Registration (CR) number 69733 on 27 August 2008. The address of the Company's registered office address is Flat 1203, Building 2795, Road 2835, Block 428, Al Seef, Kingdom of Bahrain.

The Company is engaged in the private generation of electrical power using 1234MW power plant and production of desalinated water using 48 MIGD water desalination facility located in Al Dur, Kingdom of Bahrain. The Company commenced its commercial operations in February 2012 and is contracted to supply electricity and water to the Electricity and Water Authority ("EWA"), Kingdom of Bahrain under a long-term Power and Water Purchase Agreement ("PWPA").

The Company's majority shareholder is Al Dur Holding Company Limited ("the Parent Company"), a limited liability company registered in United Arab Emirates.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 16 February 2023.

2 BASIS OF PREPARATION

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in conformity with applicable requirements of the Bahrain Commercial Companies Law of 2001 (and subsequent amendments).

The financial statements have been presented in Bahraini Dinars ("BD"), being the presentation and functional currency of the Company.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value. The carrying values of recognised liabilities that are designated as hedged items in cash flow hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

New and amended standards and interpretations
In the current year, the Company has applied the below amendments to International Financial Reporting Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after January 1, 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IFRS 3 *Business Combinations* Reference to the Conceptual Framework:

  The Company has adopted the amendments to IFRS 3 *Business Combinations* for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition

- Amendments to IAS 16 *Property, Plant and Equipment* related to proceeds before intended use:

  The Company has adopted the amendments to IAS 16 *Property, Plant and Equipment* for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

2 BASIS OF PREPARATION (continued)

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

•Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* related to Onerous Contracts-Cost of Fulfilling a Contract.

The Company has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

•Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle. The Annual Improvements include amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41.

There has been no material impact on the financial statements of the Company upon adoption of the above amended standards.

New and revised standards issued but not yet effective

At the date of authorization of these consolidated financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 *Insurance Contracts* (effective from January 1, 2023)
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not yet decided)
- Amendments to IAS 1 *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current (effective from January 1, 2023).
- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies - effective from January 1, 2023
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* - Definition of Accounting Estimates - effective from January 1, 2023
- Amendments to *IAS 12 Income Taxes* - Deferred Tax related to Assets and Liabilities arising from a Single Transaction - effective from January 1, 2023
- Amendments to *IFRS 16 Leases* - Lease Liability in a Sale and Leaseback - effective from January 1, 2024

The Directors do not expect that the adoption of the above Standards will have a material impact on the Company's financial statements in future periods.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification.

An asset is classified as current when it is:

- expected to be realised or intended to sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

Leases

The Company assesses at each 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.

The Company as a lessee

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

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 of long-term agreements for land leases and lease agreement for office premises 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.

The Company as a lessor

IFRS 16 applies to the identification of services and take-or-pay sales or purchasing contracts that do not take the legal form of a lease but convey a right to the customer / supplier to use an asset or a group of assets in return for a payment or a series of fixed payments. Contracts meeting these criteria should be identified as either operating leases or finance leases. Contractual provisions in the Company's PWPA with EWA fall within the requirements of IFRS 16.

Inventories

Inventories are stated at the lower of cost or net realisable value using the first-in, first-out method. Costs comprise purchase costs and, where applicable, directly attributable cost that have been incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables 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, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

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

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

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
(a) Financial assets at amortised cost (debt instruments);
(b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
(c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
(d) Financial assets at fair value through profit or loss.

Financial assets at amortised cost
This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

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

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

The Company's financial assets at amortised cost include finance lease receivable, accounts receivable and others, amounts due from related parties and bank balances and deposits.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - recognition and measurement (continued)

(i) **Financial assets (continued)**

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 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.

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

The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of financial assets

A financial asset (in whole or in part) is derecognised where:

- the right to receive cash flows from the asset has expired;
- the Company has transferred its rights to cash flows from an asset and either (a) has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset.

(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.

Subsequent measurement

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

The Company's financial liabilities comprise of accounts and other payables, subordinated loans from shareholders, term loans, amounts due to related parties and derivative financial instruments.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, profit/ interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest / profit rate (EIR/ EPR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR/ EPR 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/ EPR. The EIR/ EPR amortisation is included as finance costs in the statement of profit or loss and comprehensive income. This category generally applies to interest-bearing loans and borrowings.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - recognition and measurement (continued)

(ii) Financial liabilities (continued)

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

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

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The Company's derivative financial instruments qualify as cash flow hedges.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income "OCI" in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss and other comprehensive income.

The Company uses interest rate swap contracts as hedges of its exposure to interest rate risk. The ineffective portion relating to interest rate swaps contracts is recognised in finance costs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)
Cash flow hedges (continued)

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

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

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

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

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

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

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

The Company enters into interest rate swap agreements with certain counterparties, principally financial institutions with investment grade credit ratings. Interest rate swaps are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying hedged item. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Company's own non-performance risk. As at 31 December 2022, the marked-to market value of derivative liability position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment.

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

Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fair value measurement (continued)
Employees' end of service benefits
Non-Bahraini employees

Non-Bahraini employees of the Company are paid an end of service indemnity. The entitlement to end of service indemnity is based upon the expatriate employee's final salary and length of service. The expected costs of these benefits are accrued over the period of the employment.

Bahraini employees

With respect to Bahraini employees, the Company makes contributions to the Social Insurance Organisation calculated as a percentage of the employees' salaries in accordance with the relevant Law. The Company's obligations are limited to these contributions, which are expensed when due. As per the Company policy, company make provisions for termination benefits for Bahraini employees based on the length of the service.

The entitlement to leave pay and passage is based upon the terms of employment contract with the employees and length of service. The expected costs of these benefits are accrued at the end of each reporting period and carried forward until they are utilised.

Provisions

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 a provision is presented in the statement of comprehensive income net of any reimbursement.

Revenue recognition
Imputed finance income

Imputed finance income is recognised in the statement of profit or loss and other comprehensive income under the effective interest rate method and is disclosed as part of revenue. This is recognized over the term as described in the PWPA.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods and services is transferred to the customer or services are rendered 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 (excluding any amounts collected on behalf of third parties such as value added tax, etc.). The Company has concluded that it acts as principal in majority of its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The recognition criteria for various types of revenue as follows,

Operations and maintenance revenue

The operations and maintenance revenue mainly comprises fixed and variable operations and maintenance charges. Operations and maintenance revenue are based on the PWPA with EWA, and is presented net of scheduled and forced unavailability's, and recognised over time, using an input method to measure progress towards complete satisfaction of the services, as the customer simultaneously receives and utilises the services provided by the Company.

Energy revenue

The energy revenue is mainly based on the consumption of the natural gas and fuel oil are based on the PWPA agreement.

Operations and maintenance revenue and energy revenue are recognised over time based on an output method as and when the services are rendered.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded in Bahraini Dinars at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Bahraini Dinars at exchange rate ruling at the statement of financial position date. All exchange gains and losses are taken to the statement of comprehensive income.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Borrowing costs

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Going concern

The Company's Board of Directors has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue the business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

Arrangement that contains a lease

The Company's Board of Directors determined that the contractual provisions in the Company's Power and Water Purchase Agreement PWPA with EWA fall within IFRIC 4 "Determining whether an Arrangement contains a Lease", hence as per IAS 17 "Leases" (now superseded by IFRS 16 "Leases"), PWPA transfers all the substantial risks and rewards relating to the power & water plant to the off-taker (EWA) and hence qualifies as a finance lease (note 5).

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates (continued)

Provision for expected credit losses of trade and other receivables

The Company sets its provision initially based on the Company's historical observed default rates. The Company updates the rates to adjust the historical credit loss experience with forward-looking information.

The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 8.

The information about the ECLs on the Company's related party receivables is disclosed in note 9, and the ECLs provided for the bank balances, cash and deposits are disclosed in note 10 accordingly.

Provision for demobilisation costs

Based on the historical experience and contractual obligation as per the Operations and Maintenance Agreement with Al Ezzel Operation and Maintenance Company W.L.L., the Company has recognised a provision for decommissioning obligation associated with its power plant and water desalination facilities. In determining the fair value of the provision, assumptions and estimates are made in relation to the expected cost to dismantle and remove the plant from the site and the expected timing of those costs. Most suitable industry index for power sector under the United States Producer Price Index has been used in determining the present value of the demobilisation provision as the management expects to incur significant portion of these costs in US Dollars. The information about the demobilisation provision is disclosed in note 15.

If the estimated United States Producer Price Index used in the calculation had been 1% higher at the year end, the carrying amount of the provision would have been higher by BD 97,455 (2021: BD 93,528).

Provision for disputed and paid fuel margin and disputed and unpaid fuel margin and non-conforming water deductions by EWA

Fuel margin and non-conforming water disputes were referred to the Arbitration with EWA. The disputed fuel margins up to September 2015, and disputed non-conforming water deductions up to August 2014 were considered in the International Chamber of Commerce (ICC) Award issued on 17 November 2016, and addendum to the Award issued on 03 March 2017. The resulting impact has been recorded in the financial statements.

During November 2021, the Company and EWA agreed on the Award Implementation Protocol (AIP) to resolve Revised Fuel Demand model and non- conforming water issues and reconcile disputed fuel charges and non-conforming water amounts subsequent to the periods considered in the ICC Award. Disputed non- conforming water deductions remain unpaid and EWA pays but disputes the fuel charges. Until the matter is resolved as agreed with EWA in the AIP, the Company makes full provision for the disputed fuel charges and non-conforming water amounts based on best estimate.

5 FINANCE LEASE RECEIVABLES

The substance of the Company's PWPA with EWA is to construct, own and operate the Al Dur Power & Water plant over 25 years starting from the Commercial Operation date (February 2012). The agreement conveys the right to use the facility to EWA.

The Company also doesn't provide ECL allowances for the finance lease receivables as there is no history of default and the receivable from EWA is secured by a government guarantee issued by the Government of Bahrain.

	2022 *BD*	*2021* *BD*
Balance as at January	**650,201,683**	674,088,233
Less: payments received during the year	**(24,995,319)**	(23,886,550)
Balance at end of the year	**625,206,364**	650,201,683

	Minimum lease receipts		*Present value of minimum lease receipts*	
	2022 *BD*	*2021* *BD*	*2022* *BD*	*2021* *BD*
Within one year	**58,107,384**	58,812,329	**25,557,097**	24,995,319
In 2 to 5 years (inclusive)	**225,273,656**	224,917,650	**116,743,359**	110,750,054
After 5 years	**620,863,900**	677,327,290	**482,905,908**	514,456,310
	904,244,940	961,057,269	**625,206,364**	650,201,683
Less: Unearned finance income	**(279,038,576)**	(310,855,586)	**-**	-
Present value of minimum lease receipts	**625,206,364**	650,201,683	**625,206,364**	650,201,683

Included in the statement of financial position as:

	2022 *BD*	*2021* *BD*
Current	**25,557,097**	24,995,319
Non-current	**599,649,267**	625,206,364
	625,206,364	650,201,683

The land on which the power station, seawater desalination facilities and related buildings are constructed, is leased from the Government of Bahrain for a period of 30 years from the scheduled commercial operation date (1 June 2011) at a nominal rent of BD 1,000 per annum.

6 INVESTMENT IN A JOINT VENTURE

	2022 *BD*	*2021* *BD*
50% share of BD 10,000 stated share capital of Al Dur Shared Facilities Company W.L.L.	**5,000**	5,000

6 INVESTMENT IN A JOINT VENTURE (continued)

Under the PWPA with the EWA, it is a requirement to establish a new company and to transfer the Seawater Intake / Outfall Facilities. For this purpose, the Company entered into a Shared Facilities Shareholder Agreement dated 15 May 2019 with Hays Power and Desalination Company B.S.C. (Closed) (Al Dur - 2 Project Company), and established Al Dur Shared Facilities Company W.L.L on 26 December 2019 with a 50% ownership. Al Dur Shared Facilities Company W.L.L will be operated in accordance with the terms and conditions stated in the Shared Facilities Shareholder Agreement. Al Dur - 2 Project Company started its commercial Operations during June 2022 and as at 31 December 2022, formal procedures to transfer the Seawater Intake / Outfall Facilities were not completed. The Company's interest in Al Dur Shared Facilities Company W.L.L. is accounted for using the equity method in the financial statements.

Summarised financial information of Al Dur Shared Facilities Company W.L.L:

	2022	*2021*
	BD	*BD*
Total assets	**10,000**	10,000
Equity	**10,000**	10,000
Company's share in equity	**5,000**	5,000

7 INVENTORIES

	2022	*2021*
	BD	*BD*
Diesel	**2,443,080**	2,539,482

8 ACCOUNTS AND OTHER RECEIVABLES

	2022	*2021*
	BD	*BD*
Trade receivables	**23,782,305**	23,336,682
Allowance for expected credit losses	**(8,702,890)**	(10,181,275)
	15,079,415	13,155,407
Prepaid expenses	**276,297**	283,172
VAT recoverable	**1,111,288**	234,276
Staff loans and other receivables (note 8.1)	**2,225,054**	10,348
	18,692,054	13,683,203

Trade receivables represent amounts receivable from EWA. Amounts receivable from EWA have a credit period of 45 days and are non-interest bearing.

As explained in note 4, the Company makes full provision for the disputed and unpaid fuel charges and the disputed and unpaid non-conforming water deductions relating to the periods subsequent to the period covered in the ICC Award. Accordingly, BD 7,752,361 (2021: BD 7,895,588) has been provided as disputed and unpaid non-conforming water deductions and BD 75,640 (2021: 1,738,340) has been provided as disputed and unpaid fuel charges. Please refer Note 16 for provision for disputed and paid fuel charges.

The Company doesn't make ECL allowances for the trade receivable balances from EWA, as the Board of Directors believe that the receivable from EWA is secured by a government guarantee issued by the Government of Bahrain. Hence any potential risk of default is transferred to the Government.

8 ACCOUNTS AND OTHER RECEIVABLES (continued)

Movement in allowance for disputed and unpaid receivable are as follows.

	Non-conforming water	*Un-paid fuel margin*	*Other disputes*	*Total*
	BD	*BD*	*BD*	*BD*
At 1 January 2021	7,327,180	-	586,298	7,913,478
Charge for the year 2021 (note 22)	368,408	1,311,40'	161,049	1,840,858
Transfer from provision for disputed margins (note 16)	-	426,939	-	426,939
At 31 December 2021	7,695,588	1,738,340	747,347	10,181,275
Charge for the year 2022 (note 22)	56,773	75,640	127,542	259,955
Transfer to provision for disputed margins (note 16)	-	(1,738,340)	-	(1,738,340)
At 31 December 2022	7,752,361	75,640	874,889	8,702,890

As at 31 December, the ageing analysis of accounts receivables are, as follows:

	Total	*Neither past due nor impaired*
	BD	*BD*
2022		
Trade receivables - net	**15,079,415**	**15,079,415**
Staff and other receivables	**2,225,054**	**2,225,054**
	17,304,469	**17,304,469**

	Total	*Neither past due nor impaired*
	BD	*BD*
2021		
Trade receivables - net	13,155,407	13,155,407
Staff and other receivables	10,348	10,348
	13,165,755	13,165,755

8.1 During the year, one of the four gas turbines (GT-12) was damaged due to generator compressor casing quenching incident and the Company incurred total of BD 7.2 million to repair the damage. The Company made an interim insurance claim of BD 4,512,000 (USD 12 million) which was approved by the insurance pries. During the year the Company received BD 3.3 million and the balance was received subsequent to the year end. As at the year end final insurance claim was under process. Total revenue loss due to the incident was BD 3.3 million and no business interruption insurance claim was submitted since the revenue loss period is less than the minimum deductibles under insurance policies.

During the year 2022, after receiving relevant consents, the Company extended the natural gas invoicing mechanism agreed with EWA for further period up to 31 December 2022.

9 RELATED PARTY TRANSACTIONS

Related parties represent the shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

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

Balances:
Due from a related party

	2022 BD	2021 BD
Entities related to shareholders		
Hayya Power & Desalination Company B.S.C.(c)	1,842	645
	1,842	645
Allowance for expected credit losses	(14)	(5)
	1,828	640

As at 31 December 2022, the Company has recognised allowance for ECLs of BD 14 (2021: BD 5) for related party receivables considering the credit quality of the related parties. Movement in the ECL of the related party receivables during the year is as follows:

	2022 BD	2021 BD
Balance at the beginning of the year	5	726
Expected credit loss allowance charged / (reversed) during the year	9	(721)
Balance at 31 December	14	5

The ageing analysis of due from related parties are as follows:

	Total BD	Current BD
2022		
Entities related to shareholders	1,842	1,842

	Total BD	Current BD
2021		
Entities related to shareholders	645	645

9 RELATED PARTY TRANSACTIONS (continued)

Due to related parties

	2022 BD	2021 BD
Shareholders		
Gulf Investment Corporation G.S.C.	17,853	15,057
Al Dur Energy Investment Company	-	12,917
Social Insurance Organisation	11,492	9,034
Al Dur Investco	-	480
Kyuden International	22,983	18,068
Entities related to shareholders		
Al Ezzel Operations and Maintenance W.L.L.	7,575,882	1,165,959
Al Ezzel Power Company B.S.C.(c)	91,913	108,284
Engie Invest International SA - B	101,129	27,103
	7,821,152	1,356,902

Amounts due from and due to related parties are interest free and have no pre-determined repayment period. The Board of Directors consider these balances to be current assets and current liabilities, as appropriate.

Subordinated loans from shareholders

	2022 BD	2021 BD
Balance at the beginning of the year	189,309,949	200,025,949
Transfer to additional shareholder contribution	(189,309,949)	-
	-	200,025,949
Repayment during the year	-	(10,715,000)
Balance at 31 December	-	189,309,949

During the year, the Al Dur Holding Company Limited agreed to transfer the balance in Subordinated Shareholder Loan and consider as additional Shareholder contribution under the Shareholders' equity. Board of Directors Resolution was passed to implement the proposal with effect from 1 January 2022 .

Related party transactions:

Transactions with related parties included in the statement of profit or loss and other comprehensive income are as follows:

	2022 BD	2021 BD
Shareholders:		
Finance costs	71,411	54,838
Settlement of liabilities on behalf of other related parties	1,500	-
Shareholder loan repayment	10,340,000	10,715,000
Entities related to shareholders:		
Finance costs	257,080	179,146
Operations and maintenance costs	19,563,752	19,223,125
Settlement of liabilities on behalf of other related parties	59,350	45,974
	30,293,093	30,218,083

9 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

Key management personnel of the Company comprise the Board of Directors and the key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. During the year, no remuneration was paid to the Board of Directors. Remunerations of other members of management are as follows:

	2022 BD	2021 BD
Short term benefits	**154,441**	158,126
End of service benefits	**10,102**	8,958
	164,543	167,084

Short term benefits were in the form of salaries, bonuses and allowances.

10 BANK BALANCES, CASH AND DEPOSITS

	2022 BD	2021 BD
Cash and cash equivalents	**8,675,275**	13,189,567
Fixed deposits with original maturity exceeding 3 months	**11,280,000**	-
Liability reserve account cash deposits (a)	**-**	4,784,653
Fuel demand model reserve account (b)	**3,910,606**	2,689,533
	23,865,881	20,673,753
Allowance for expected credit losses	**(15,609)**	(13,521)
	23,850,272	20,660,232

(a) Amounts in the liability reserve account in year 2021 represent BD 4,784,653 (USD 12,725,141) deposits made by the Company to meet debt service cover obligations. During the year 2022 Shareholders increased their respective share of relevant liability reserve account credit supports to release restrictions on liability reserve account cash deposit.

(b) Amounts in fuel demand model reserve account represents the restricted deposits made by the Company for compliance with certain debt covenants. This amount is not considered as cash and cash equivalents.

Movement in the ECL provision of cash at bank balances during the year is as follows:

	2022 BD	2021 BD
Balance at the beginning of the year	**13,521**	9,948
Provided during the year	**2,088**	3,573
Balance at 31 December	**15,609**	13,521

11 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company consists of 250,000 ordinary shares with a nominal value of BD 100 each. The legal shareholding structure of the Company is as follows:

	Country of incorporation	2022 and 2021 Percentage ownership	Number of shares	Amount BD
Al Dur Holding Company Limited	U.A.E.	99.0%	247,500	24,750,000
Kahrabel FZE	U.A.E.	0.5%	1,250	125,000
Gulf Investment Corporation G.S.C.	Kuwait	0.5%	1,250	125,000
		100.0%	250,000	25,000,000

12 STATUTORY RESERVE

In accordance with the Bahrain Commercial Companies Law of 2001 of 2001 (and subsequent amendments) and the Company's articles of association, 10% of the annual profits has been transferred to statutory reserve. The Company may elect to discontinue such transfer when the reserve reaches 50% of the paid-up share capital. This reserve is not available for distribution except in such circumstances as stipulated in the Bahrain Commercial Companies law of 2001 (and subsequent amendments).

13 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial assets

Derivatives that are designated and effective as hedging instruments carried at fair value are as follows:

	2022 BD	*2021 BD*
Interest rate swaps:	**13,532,741**	1,431,635

Derivative financial liabilities

Derivatives that are designated and effective as hedging instruments carried at fair value are as follows:

	2022 BD	*2021 BD*
Interest rate swaps:	**4,443,231**	36,831,773

The Company did not enter into any enforceable netting arrangements for interest rate swaps.

	2022 BD	*2021 BD*
Asset		
Current	**3,193,849**	-
Non-current	**10,338,892**	1,431,635
	13,532,741	**1,431,635**

	2022 BD	*2021 BD*
Liabilities		
Current	**594,159**	8,639,439
Non-current	**3,849,072**	28,192,334
	4,443,231	36,831,773

13 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	2022	2021
	BD	BD
Cash flow hedges		
Effective portion of the cash flow hedges	**(9,128,798)**	34,980,298
Ineffective portion of the cash flow hedges	**39,288**	419,840
	(9,089,510)	35,400,138

The Company uses interest rate swaps as part of its interest rate risk management. These derivatives qualify for hedge accounting and have been designated as cash flow hedges according to IFRS 9: Financial Instruments- Recognition and Measurement. Fair value of interest rate swaps is estimated based on the prevailing interest rates.

As at 31 December 2022, notional amounts outstanding for interest rate swaps was BD 358.9 million (USD 954.4 million) (2021: BD 388 million (USD 1,031 million)).

The term loans (note 14) bears interest at USD-LIBOR plus applicable margins. The Company has entered into "pay fixed, receive variable" IRS agreements with various counter parties.

The interest rate swaps settle on a semi annual basis. The floating rate on the interest rate swaps is 6-month LIBOR.

The Company will settle the difference between the fixed and floating interest rate on a net basis. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Company's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

Upon completion of refinancing during November 2016, the Company voluntarily terminated a portion of the existing IRS agreements which were otherwise due to mature on 1 April 2027. As part of the termination process, the Company paid net swap breakage cost of BD 24.2 million or USD 64.36 million and terminated a portion of the existing IRSs agreements effective from 29 November 2016. The corresponding hedging reserve for the terminated IRSs at 29 November 2016 is amortised until 1 April 2027.

Movement in the hedging reserve of the terminated IRSs during the year is as follows.

	2022	2021
	BD	BD
Balance at the beginning of the year	**12,628,263**	15,607,591
Amortisation (note 23)	**(2,868,715)**	(2,979,328)
Balance at the end of the year (a)	**9,759,548**	12,628,263

(a) Balance in the hedging reserve for the terminated IRSs will be amortised until 1 April 2027, which is the original maturity date of the terminated IRSs.

As part of the new financing, the Company entered into new IRSs agreements with new counter parties up to 1 April 2030, to cover the minimum 75% of the new term loans profile as per the new refinancing facility agreement (note 14). With effect from 1 April 2021, the hedge cover has been increased to 95% of the loan profile.

13 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Movement in hedging reserve during the year.

	2022 *BD*	*2021* *BD*
Balance at the beginning of the year	**47,608,561**	76,698,500
Net value gain on IRS (i)	**(44,109,096)**	(26,110,611)
Amortisation of discontinued hedging reserves (i) (note 23)	**(2,868,715)**	(2,979,328)
Balance at the end of the year	**630,750**	47,608,561
(i) other comprehensive income	**(46,977,811)**	(29,089,939)

Movement in hedging liabilities during the year.

	2022 *BD*	*2021* *BD*
Balance at the beginning of the year	**35,400,138**	61,343,345
Net value gain on IRS	**(44,489,648)**	(25,943,207)
Balance at the end of the year	**(9,089,510)**	35,400,138

Movement in hedging loss recognised in profit or loss (ineffective portion):

	2022 *BD*	*2021* *BD*
Balance at the beginning of the year	**419,840**	252,435
Ineffective portion of cash flow hedge (gain) / loss recognized during the year (note 23)	**(380,552)**	167,405
Balance at the end of the year	**39,288**	419,840

Maturity date:

	Nominal Amounts	
	2022 *BD*	*2021* *BD*
1 April 2027	**115,396,620**	122,566,291
1 October 2029	**71,396,602**	77,117,055
1 April 2030	**172,078,587**	187,942,062
Balance at the end of the year	**358,871,809**	387,625,408

14 BORROWINGS

	2022 *BD*	*2021* *BD*
Current	**32,909,884**	29,434,684
Non-current	**339,516,722**	372,426,806
	372,426,606	401,861,490

Re-Financing Facilities

During November 2018, the Company obtained BD 487 million (USD 1,295 million) re-financing facilities from a syndicate of banks. The purpose of the re-financing facilities is to settle the initial financing facilities. The re-financing facilities are denominated in United States Dollars and the aggregate amount is repayable on semi-annual instalments starting from 1 April 2019.

14 BORROWINGS (continued)

Securities
All the financing facilities are secured by a comprehensive legal and commercial mortgage over all of the assets of the Company.

Covenants
The financing facility agreements contain certain covenants pertaining to, amongst other items, project finance ratios, liquidation and merger, entering into material new agreements, negative pledge, change of business, loans and guarantees. During the year, the Company complied with these covenants.

Interest
The refinancing facilities are required to carry interest at a floating rate of USD-LIBOR plus applicable margins.

Fees
The Company is required to pay agency fees, security agent fees and all other bank fees.

Movements in the net borrowings:

	2022 BD	2021 BD
Loan Balance:		
Balance at the beginning of the year	408,026,745	435,375,277
Repayments during the year	(30,266,946)	(27,348,532)
	377,759,799	408,026,745
Less: Un-amortised Loan Origination fees:		
Balance at the beginning of the year	6,165,255	6,997,317
Amortisation during the year (note 23)	(832,062)	(832,062)
	5,333,193	6,165,255
Net loan balance	372,426,606	401,861,490

14 BORROWINGS (continued)

Borrowing Schedule

	International Facilities BD	*Ijara A Facilities BD*	*Ijara B Facilities BD*	*Murabaha Facilities BD*	***Total BD***
Total Commitment / utilisation	168,876,942	129,934,475	112,800,000	75,200,000	**486,811,417**
Bank Borrowings:					
At 1 January 2022	127,934,243	98,431,862	108,996,384	72,664,256	**408,026,745**
Repayments	(15,879,687)	(12,217,739)	(1,301,712)	(867,808)	**(30,266,946)**
At 31 December 2022	112,054,556	86,214,123	107,694,672	71,796,448	**377,759,799**
Un-amortised loan origination fees:					
At 1 January 2022	1,242,984	956,342	2,379,557	1,586,372	**6,165,255**
Amortisation during the year	(198,725)	(152,898)	(288,264)	(192,175)	**(832,062)**
At 31 December 2022	1,044,259	803,444	2,091,293	1,394,197	**5,333,193**
Net bank borrowings:					
At 31 December 2022	**111,010,297**	**85,410,679**	**105,603,379**	**70,402,251**	**372,426,606**
At 31 December 2021	126,691,259	97,475,520	106,616,627	71,077,884	401,861,490
Interest rate as per agreement	LIBOR + 3.3%	LIBOR + 3.3%	LIBOR + 3.7%	LIBOR + 3.7%	
Weighted average interest / profit rates	5.16%	5.16%	5.64%	5.63%	
Maturity date	1 Apr 2026	1 Apr 2026	1 Oct 2031	1 Oct 2031	
Interest/ profit for the year 2022	6,128,708	4,714,830	6,034,787	4,022,791	**20,900,016**

All the above facilities are in United States Dollars.

15 DEMOBILISATION PROVISION

	2022 BD	*2021 BD*
Balance at the beginning of the year	**9,352,780**	9,061,210
Unwinding of discount and effect of the change in discount rate	**392,718**	291,570
Balance at the end of the year	**9,745,498**	9,352,780

The provision for demobilisation costs represents the present value of the management's best estimate of the future outflow of economic benefits that will be required to demobilise the plant at the end of the Power & Water Purchase Agreement ("PWPA") period. Management uses the United States Producer Price Index to determine the discount rate and periodic unwinding of the discount has been recognised in profit or loss. Unexpired term of the PWPA is 14.5 years as at the reporting date ending in May 2036.

16 PROVISION FOR DISPUTED FUEL MARGINS

	2022 BD	2021 BD
Balance at the beginning of the year	5,468,155	5,802,828
Charge during the year	648,445	92,266
Transfer from/ (to) allowance for expected credit losses (Note 8)	1,738,340	(426,939)
Balance at the end of the year	7,854,940	5,468,155

Provision for disputed fuel margins are related to amounts disputed and paid by EWA from October 2016 (subsequent to the periods considered in the EWA Arbitration). As per the ICC (International Chamber of Commerce) Award, the Company's Fuel Demand Model need to be revised and fuel charges disputed by EWA are required to be recalculated. During November 2021, the Company entered into an Award Implementation Protocol (AIP) with EWA to implement Revised Fuel Demand Model. Once the Revised Fuel Demand Model finalised, all the disputed fuel margins are required to be recalculated and reconciled. On conservative basis, until the reconciliation process completed, the Company's Management make full provision for disputed and paid fuel margins.

17 EMPLOYEES' END OF SERVICE BENEFITS

	2022 BD	2021 BD
Balance at the beginning of the year	40,246	18,416
Charge for the year	6,362	21,830
Balance at the end of the year	46,608	40,246

18 ACCOUNTS PAYABLE AND ACCRUALS

	2022 BD	2021 BD
Trade payables	1,849,244	1,815,074
Other payables	21,518	21,209
Accrued interest	7,544,593	6,857,523
	9,415,355	8,693,806

Trade payables are non-interest bearing and are normally settled within 45-90 days terms.

19 REVENUE AND LEASE INCOME

	2022 BD	2021 BD
Imputed finance income	31,817,010	33,032,651
Revenue from contracts with a customer		
Energy revenue	70,767,752	75,578,921
Operations and maintenance revenue	33,264,537	33,202,675
	104,032,289	108,781,596
	135,849,299	141,814,247

20 OPERATIONS AND MAINTENANCE COSTS

	2022	2021
	BD	*BD*
Energy cost	**69,984,331**	74,107,003
Operations and maintenance costs	**26,293,485**	20,265,676
	96,277,816	94,372,679

21 GENERAL, ADMINISTRATIVE & OTHER EXPENSES

	2,022	2,021
	BD	*BD*
Insurance	**647,355**	644,908
Staff costs	**285,445**	358,239
General administrative costs	**68,195**	80,905
Professional fees	**108,495**	87,803
	1,109,490	1,171,855

22 PROVISION FOR DISPUTED RECEIVABLES

	2,022	2,021
	BD	*BD*
Provision for disputed and unpaid receivables (note 8)	**259,955**	1,840,858
Allowance for expected credit losses (note 9 and note 10)	**2,097**	2,852
	262,052	1,843,710

23 FINANCE COSTS - NET

	2022	2021
	BD	*BD*
Interest on bank borrowings (note 14)	**20,900,016**	15,762,518
Net loss on interest rate swaps – cash flow hedges	**6,512,248**	13,292,211
Amortisation of discontinued cash flow hedges (note 13)	**2,868,715**	2,979,328
Amortisation of deferred finance costs (note 14)	**832,062**	832,062
Ineffective portion of cash flow hedge (gain) / loss recognized (note 13)	**(380,552)**	167,405
Other finance costs	**262,393**	272,761
	30,994,882	33,306,285

24 COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Commitments under Operations and Maintenance Agreement.

The Company has entered into an Operations and Maintenance Agreement with Al Ezzel Operations and Maintenance Company ("the operator") under which it is committed to pay certain fees to the Operator of the Plant as fixed and variable fees, with relevant indexation adjustments, as specified in the operation and maintenance agreement.

b) Capital expenditure commitments

There were no capital expenditure contracted for at the reporting date

25 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Company's financial instruments expose it to a variety of financial risks. These include foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Board of Directors monitors these risks to minimize potential adverse effects on the Company's financial performance

The Company's financial assets include finance lease receivables, accounts and other receivable, due from related parties and bank balances, cash and deposits. Financial liabilities include derivative financial instruments, accounts payables and accruals, due to related parties, subordinated loans from shareholders and term loans.

The summary of financial assets and financial liabilities are follows:

	Amortised cost		*Fair value through OCI*	
	2022	*2021*	***2022***	*2021*
	BD	*BD*	***BD***	*BD*
Financial assets				
Finance lease receivables	***625,706,364***	*650,201,683*	-	-
Derivative financial instruments	-	-	**13,532,741**	1,431,635
Due from a related party	***1,828***	*640*	-	-
Accounts and other receivable	***17,304,469***	*13,165,755*	-	-
Bank balances, cash and deposits	***23,850,272***	*20,660,232*	-	-
	666,862,933	684,028,310	**13,532,741**	1,431,635
Financial liabilities				
Derivative financial instruments	-	-	**4,443,231**	36,831,773
Accounts payable and accruals	**9,415,355**	8,693,806	-	-
Due to related parties	**7,821,152**	1,356,902	-	-
Subordinated loans from Shareholders	-	169,309,949	-	-
Borrowings	**377,759,799**	408,026,745	-	-
	394,996,306	587,387,402	**4,443,231**	36,831,773

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

The risk associated with financial instruments and the Company's approaches to managing such risks are described 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.

Please refer to notes 5, 6 and 9 for concentration of credit risk. The Company's exposure to credit risk is limited as it has only one customer, the EWA of the Kingdom of Bahrain, a government entity.

An impairment analysis is performed at each reporting date to measure expected credit losses. Based on the Company's management review, an allowance for ECLs amounting to BD 14 (2021: BD 5) has been recognised for the Company's due from a related party as of 31 December 2022 and 31 December 2021.

The credit risk on liquid funds is limited as the counterparties are financial institutions regulated by the Central Bank of Bahrain and other regulators in the United Kingdom and France. All these financial institutions have acceptable credit ratings assigned by international rating agencies.

25 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Credit risk (continued)

As per the Company's management assessment, allowance for expected credit losses on its bank balances as at 31 December 2022 amounting to BD 15,609 (2021: BD 13,521).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below).

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's financial assets and financial liabilities are denominated primarily in Bahrain Dinars, United States Dollars and Euros. As the Bahraini Dinar is pegged to the United States Dollars, balances in the US Dollars are not considered to represent a significant currency risk and a change in the Euro rate against BD is not expected to have a material impact on the Company's profit for the year.

The carrying amounts of the Company's monetary financial assets and monetary financial liabilities denominated in foreign currency at the reporting date are as follows:

	USD		EUR	
	2022	*2021*	**2022**	*2021*
	BD	*BD*	**BD**	*BD*
Financial assets				
Bank balances, cash and deposits	**15,223,857**	13,803,480	**1,282**	1,365
	15,223,857	13,803,480	**1,282**	1,365
Financial liabilities				
Borrowings	**377,759,799**	408,026,745	-	-
Shareholder loans	-	189,309,940	-	-
Accounts payables and accruals	**1,910,243**	26,692	-	-
Due to related parties	**7,383,513**	1,147,718	-	-
	387,053,555	598,511,104	-	-

Interest/ profit rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company is exposed to interest rate risk on its interest bearing liabilities (term loans).

The Company reviews the market analysis and expectations for interest/ profit rate movements as the basis on which the Company decides to utilise floating or fixed rates for its interest/ profit bearing liabilities. The Company has hedged its interest/ profit rate risk on its loan facilities by entering into interest rate swap transactions (note 13).

25 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2022	*2021*
	BD	*BD*
Variable rate instruments		
Borrowings	**377,759,799**	408,026,745
Derivative financial instruments	**(9,089,510)**	35,400,138
	368,670,289	443,426,883

Interest/ profit rate sensitivity analysis:

The following interest/ profit rate sensitivity analysis has been calculated considering the exposure to variation in market interest rates for the un-hedged portion of the term loans as at the reporting date. A 50 basis point increase or decrease has been considered for the average loan balance when reporting interest/ profit rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest/ profit rates.

	Profit or loss	
	50 bp increase	*50 bp decrease*
	BD	*BD*
December 31, 2022		
Borrowings	(1,992,362)	1,992,362
Derivative financial instruments	1,892,744	(1,892,744)
	(99,618)	99,618
December 31, 2021		
Borrowings	(2,139,650)	2,139,650
Derivative financial instruments	2,032,668	(2,032,668)
	(106,982)	106,982

The Company is exposed to the following interest rate benchmarks within its hedge accounting relationships, which are subject to interest rate benchmark reform: USD LIBOR. As listed in note 13, the hedged items include floating rate debt issued in United States Dollars.

The Company is currently working with relevant parties to implement the transition from LIBOR to SOFR with relevant Credit Adjustment Spreads and plan is to complete the transition process before 30 June 2023.

Refer note 13 for details of the hedging instruments and hedged items in scope of the IFRS 9 amendments due to interest rate benchmark reform, by hedge type. The terms of the hedged items listed match those of the corresponding hedging instruments.

The Company will continue to apply the amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the company is exposed to ends. The Company has assumed that this uncertainty will not end until the Company's contracts that reference LIBORs are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Ultimate responsibility for liquidity risk management rests with the Company's management, which has established an appropriate liquidity risk management framework for the Company's short, medium and long-term funding and liquidity requirements. The Company limit its liquidity risk by ensuring bank facilities are available.

25 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	Weighted average effective rate	Carrying amount BD	Contractual cash flows BD	Less than 3 months BD	3 months to 1 year BD	1-5 years BD	5+ years BD
2022							
Accounts payable and accruals		9,415,355	9,415,355	1,870,782	7,544,593	-	-
Due to related parties		7,821,152	7,821,152	7,821,152	-	-	-
Subordinated loans from shareholders		-	-	-	-	-	-
Borrowings	5.38%	377,759,799	482,316,605	-	42,811,324	257,213,030	182,292,251
		394,996,306	**499,553,112**	**9,691,934**	**50,355,917**	**257,213,030**	**182,292,251**
2021							
Accounts payable and accruals		8,693,806	8,693,806	439,828	8,253,978	-	-
Due to related parties		1,356,902	1,356,902	1,356,902	-	-	-
Subordinated loans from shareholders		189,309,849	189,309,849	-	-	-	189,309,849
Borrowings	3.68%	408,026,745	543,504,248	-	48,637,522	222,576,127	274,290,599
		607,387,402	742,864,805	1,796,730	56,891,500	222,576,127	463,600,448

25 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk (continued)

The following table details the Company's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that are settled on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The undiscounted contractual cash flows are based on the contractual maturities of the derivatives.

	3 months to 1 year BD	*1-5 years BD*	*5+ years BD*	*Total BD*
2022				
Net settled				
Interest rate swaps	**2,699,689**	**5,845,216**	**644,805**	**9,089,510**
2021				
Net settled				
Interest rate swaps	(8,639,439)	(30,294,202)	2,101,868	(36,831,773)

Capital management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year.

Gearing ratio

The Company's Board of Directors review the capital structure on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital

The gearing ratio at the year end was as follows:

	***2022* BD**	*2021 BD*
Debt (i)	**377,759,799**	408,026,745
Cash and cash equivalents	**(8,675,275)**	(13,199,567)
Net debt	**369,084,524**	394,827,178
Equity (ii)	**271,877,828**	224,916,723
Net debt to equity ratio	**1 : 0.74**	1 : 0.57

(i) Debt is defined as term loan (note 14).

(ii) Equity includes all capital, retained earnings, reserves and additional shareholder contribution / Subordinated loans from shareholders (note 9) of the Company.

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The Board of Directors believe that the fair values of the Company's financial instruments carried at amortised cost approximated their carrying amounts as at the reporting dates.

Set out below is an overview of financial instruments, other than derivative financial instruments, held by the Company as at 31 December:

		Amortised cost	
		2022	2021
		BD	*BD*
Financial assets:			
Finance lease receivables	5	**625,206,364**	650,201,683
Accounts and other receivable	8	**17,304,469**	13,165,755
Due from a related party	9	**1,828**	640
Bank balances, cash and deposits	10	**23,850,272**	20,660,232
		666,362,933	684,028,310
Financial liabilities:			
Accounts payable and accruals	16	**9,415,355**	8,693,806
Due to related parties	9	**7,821,152**	1,356,902
Subordinated loans from Shareholders	9	**-**	189,309,949
Borrowings	14	**377,759,799**	408,026,745
		394,996,306	607,387,402

Fair value measurements recognised in the statement of financial position

The following methods and assumptions were used to estimate the fair values:

a) Bank balances, cash and deposits, certain portion of accounts and other receivables and certain portion of accounts and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments;

b) Term loans are evaluated by the Company based on parameters such as interest rates. As at 31 December 2022, the carrying amounts are not materially different from their fair values (2021: carrying amounts are not materially different from their fair values).

c) The Company enters into derivative financial instruments with certain counterparties, principally financial institutions with investment grade credit ratings. Fair values of interest rate swap contracts remeasured to fair value as disclosed in the accounting policy described on fair value measurement. These are Level 2 as per the fair value hierarchy for the year ended 31 December 2022 and year ended 31 December 2021.

26 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements recognised in the statement of financial position (continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements recognised in the statement of financial position (continued)

The table below analyses assets and liabilities, measured at fair value as at the end of the year, by level in the fair value hierarchy into which the fair value measurement is categorized.

	2022	2021
	Level 2	*Level 2*
	BD	*BD*
Financial assets measured at fair value		
Interest rate swap	**13,532,741**	1,431,635

	2022	*2021*
	Level 2	*Level 2*
	BD	*BD*
Financial liabilities measured at fair value		
Interest rate swap	**4,443,231**	36,831,773

The Company does not have financial instruments qualifying for Level 1 or Level 3 classification.

During the year ended 31 December 2022 and 31 December 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Valuation techniques and key inputs

Fair value of financial liabilities categorised under Level 2 have been determined using discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

AL DUR POWER & WATER COMPANY B.S.C. (C)

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Deloitte.

AL DUR POWER AND WATER COMPANY B.S.C. (c)

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2021

ALDUR AL DUR POWER & WATER COMPANY B.S.C. (C)

AL DUR POWER AND WATER COMPANY B.S.C. (c)

Commercial registration number	69733
Chairman	Mr. Meshary M A M Al-Judaimi
Vice Chairman	Mr. Frederic Michel Nicolas Claux
Directors	Mr. Willem August Beatrice Van den Abeele Mr. Antonio Di Cecca Mr. Sharjeel Arshad Sheikh Ms. Anwar Al-Ajeel Mr. Muhammad F.S. Shelot (up to 18 August 2021) Mr. Nabeel Kazarooni (up to 18 August 2021) Mr. Mohamed Al Khan (up to 18 August 2021) Mr. Mohammed Kazim Surve (from 18 August 2021) Mr. Masashi Mizoguchi (from 18 August 2021) Ms. Kyoko Okuhara (from 18 August 2021)
Registered Office	Flat 1203, Building 2795, Road 2835, Block 428, Al Seef, Manama, Kingdom of Bahrain.
Bankers	Standard Chartered Bank PLC - Bahrain Standard Chartered Bank PLC - London Arab Banking Corporation B.S.C. - Bahrain
Auditor	Deloitte & Touche Middle East, P.O. Box 421, Manama, Kingdom of Bahrain.

CONTENTS

AL DUR POWER AND WATER COMPANY B.S.C. (c)
DIRECTORS' REPORT

The Board of Directors has pleasure in submitting its annual report and the audited financial statements of Al Dur Power and Water Company B.S.C.(c) ("the Company") as of and for the year ended 31 December 2021.

Principal activities
The Company is engaged in the private generation of electrical power from its 1,234 MW power plant and production of desalinated water from its 48 MIGD water desalination facility located in Al Dur, Kingdom of Bahrain.

The Company commenced its commercial operations in February 2012 and contracted to supply electricity and water to the Electricity and Water Authority ("EWA"), Kingdom of Bahrain, under a long-term Power and Water Purchase Agreement ("PWPA").

Operating Highlights
In 2021 the Al Dur Plant supplied a total of 6,194 GWh electricity and 76.86 million cubic meters of water to EWA and achieved a power technical availability of 93.34% and a water technical availability of 95.94%.

The results for the year are set out on page 7 of the financial statements.

Disclosure of remuneration to members of Board of Directors and Executive Management
Reference to the provisions of Commercial Companies Law No. (21) of 2001 and its amendments, and pursuant to the provisions of Article No. (188) of the Commercial Companies Law and Article No. (125) of the Executive Regulations of Resolution No. (3) for the year 2022, remuneration and sitting fees and other benefits to Board of Directors and salaries and benefits paid to members of Executive Management has been disclosed as follows;

a. Board of Directors remuneration / sitting fees and other benefits:

Name	Fixed remuneration					Variable remuneration					End-of-service award	Aggregate amount	Expenses Allowances
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total			
First: Independent Directors													
None	-	-	-	-	-	-	-	-	-	-	-	-	-
Second: Non-Executive Directors													
1. Mr. Meshary M A M Al-Judaimi	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Mr. Frederic Michel Nicholas Claux	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Mr. Willem Van den Abeele	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Mr. Antonio Di Cecca	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Mr. Sharjeel Arshad Sheikh	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Ms. Anwar Al-Ajeel	-	-	-	-	-	-	-	-	-	-	-	-	-
7. Mr. Muhammed F.S. Shelot (i)	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Mr. Nabeel Kazarooni (i)	-	-	-	-	-	-	-	-	-	-	-	-	-
9. Mr. Mohamed Al Khan (i)	-	-	-	-	-	-	-	-	-	-	-	-	-
10. Mr. Mohammed Kazim Surve (ii)	-	-	-	-	-	-	-	-	-	-	-	-	-
11. Mr. Masashi Mizoguchi (ii)	-	-	-	-	-	-	-	-	-	-	-	-	-
12. Ms. Kyoko Okuhara (ii)	-	-	-	-	-	-	-	-	-	-	-	-	-
Third: Executive Directors													
None	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: All amounts are stated in Bahraini Dinars

(i) Resigned w.e.f. 18 August 2021
(ii) Appointed w.e.f. 18 August 2021

b. **Remuneration and benefits paid to Executive Management:**
Salaries, benefits and other allowance paid to executive management are disclosed as follows;

Executive management	*Total paid salaries and allowance*	*Total paid remuneration (Bonus)*	*Any other cash/ in kind remuneration for 2021*	*Aggregate Amount*
Remuneration of top executives (Chief Executive Officer and Chief Financial Officer) *	143,437	14,689	3,000	**161,126**
Note: All amounts are stated in Bahraini Dinars				
* Executive management consist of Chief Executive Officer & Chief Financial Officer only.				

Auditors
The auditors, Deloitte & Touche - Middle East, have expressed their willingness to be reappointed as auditors of the Company for the year ending 31 December 2022.

Signed on behalf of the Board of Directors

Meshary M A M Al-Judaimi
Chairman
9 March 2021

Deloitte.

Deloitte & Touche
Middle East
United Tower, Bahrain Bay
Manama, P.O. Box 421
Kingdom of Bahrain

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Al Dur Power and Water Company B.S.C. (c)
Manama, Kingdom of Bahrain

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Al Dur Power and Water Company B.S.C. (c) ('the Company'), which comprise the statement of financial position as at 31 December 2021, and the statements of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 (IFRSs).

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 the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the Directors' report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

Deloitte.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible to overseeing the company's 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 judgement and maintain professional scepticism 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of the Board of Director'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; and
- 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.

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Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with the Board of Directors 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 report that:

1) As required by the Bahrain Commercial Companies Law of 2001 (and subsequent amendments), we report that:

a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;

b) the financial information contained in the Director's report is consistent with the financial statements;

c) Nothing has come to our attention which causes us to believe that the Company has, during the year, breached any of the applicable provisions of the Commercial Companies Law, or the terms of its Articles of Association that would have a material adverse effect on its business or its financial position at 31 December 2021; and

d) satisfactory explanations and information have been provided to us by the Board of Directors in response to all our requests.

2) As required by the Ministry of Industry, Commerce and Tourism in their letter dated 30 January 2020 in respect of Article (8) of Section (2) of Chapter (1) of the Bahrain Corporate Governance Code, we report that the Company has:

a) a Corporate Governance Officer; and

b) a board approved written guidance and procedures for corporate governance.

Deloitte & Touche.

Deloitte & Touche - Middle East
Partner Registration Number: 256
Manama, Kingdom of Bahrain
09 March 2022

AL DUR POWER AND WATER COMPANY B.S.C. (c)

STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 BD	2020 BD
ASSETS			
Non-current asset			
Finance lease receivables	5	625,206,364	650,201,683
Investment in a joint venture	6	5,000	5,000
Derivative financial instruments	13	1,431,635	-
		626,642,999	650,206,683
Current assets			
Finance lease receivables	5	24,895,319	23,866,550
Inventories	7	2,439,482	2,393,892
Due from a related party	9	640	23,127
Accounts and other receivables	8	13,883,203	51,503,906
Bank balances, cash and deposits	10	20,660,232	25,875,010
		61,878,876	103,662,485
TOTAL ASSETS		688,521,875	753,869,168
EQUITY AND LIABILITIES			
Equity			
Share capital	11	25,000,000	25,000,000
Statutory reserve	12	7,599,368	6,548,361
Retained earnings		50,615,967	41,156,905
Hedging reserve	13	(47,608,561)	(76,698,500)
Total equity / (deficit)		35,606,774	(3,993,234)
Liabilities			
Non-current liabilities			
Derivative financial instruments	13	28,192,334	51,757,792
Borrowings	14	372,426,606	401,861,489
Subordinated loans from shareholders	9	189,309,849	200,025,949
Demobilisation provision	15	9,352,780	9,061,210
Provision for disputed margins	16	5,468,155	5,802,828
Employees' end of service benefits	17	40,246	18,416
		604,790,070	668,527,684
Current liabilities			
Accounts payables and accruals	18	8,693,806	46,497,502
Amounts due to related parties	9	1,356,902	6,735,192
Derivative financial instruments	13	8,639,439	9,585,553
Borrowings	14	29,434,884	26,516,471
		48,125,031	89,334,718
Total liabilities		652,915,101	757,862,402
TOTAL EQUITY AND LIABILITIES		688,521,875	753,869,168

Meshary M A M Al-Judaimi
Chairman

Frederic Michel Nicolas Claux
Vice-Chairman

The attached notes 1 to 26 form part of these financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2021

	Notes	*2021 BD*	*2020 BD*
Revenue and lease income	19	**141,814,247**	140,492,422
Operations and maintenance costs	20	**(94,372,679)**	(90,718,896)
Gross profit		**47,441,568**	49,773,526
General, administrative and other expenses	21	**(3,015,565)**	(1,848,671)
Provision for disputed margins	16	**(92,266)**	(979,276)
Provision for demobilisation	15	**(291,570)**	(279,109)
Net operating profit for the year		**44,042,167**	46,666,470
Finance costs - net	22	**(33,306,285)**	(35,636,601)
Foreign exchange losses - net		**(225,813)**	(205,328)
Profit for the year		**10,510,069**	10,824,541
Other comprehensive income / (loss) that may be reclassified to profit or loss in subsequent periods:			
Net fair value gain / (loss) on cash flow hedges	13	**29,089,939**	(13,567,121)
Total comprehensive income / (loss) for the year		**39,600,008**	(2,742,580)

Meshary M A M Al-Judaimi
Chairman

Frederic Michel Nicolas Claux
Vice-Chairman

The attached notes 1 to 26 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Notes	*Share capital* *BD*	*Statutory reserve* *BD*	*Retained earnings* *BD*	*Hedging reserve* *BD*	*Total* *BD*
At 01 January 2020		25,000,000	5,465,907	31,414,818	(63,131,379)	(1,250,654)
Profit for the year		-	-	10,824,541	-	10,824,541
Other comprehensive loss for the year		-	-	-	(13,567,121)	(13,567,121)
Total comprehensive income/(loss) for the year		-	-	10,824,541	(13,567,121)	(2,742,580)
Transfer to statutory reserve	12	-	1,082,454	(1,082,454)	-	-
At 31 December 2020		25,000,000	6,548,361	41,156,905	(76,698,500)	(3,993,234)
Profit for the year		-	-	10,510,069	-	10,510,069
Other comprehensive income for the year		-	-	-	29,089,939	29,089,939
Total comprehensive income for the year		-	-	10,510,069	29,089,939	39,600,008
Transfer to statutory reserve	12	-	1,051,007	(1,051,007)	-	-
At 31 December 2021		**25,000,000**	**7,599,368**	**50,615,967**	**(47,608,561)**	**35,606,774**

The attached notes 1 to 26 form part of these financial statements.

AL DUR POWER AND WATER COMPANY B.S.C. (c)

STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 BD	2020 BD
OPERATING ACTIVITIES			
Profit for the year		**10,510,069**	10,824,541
Adjustments for:			
Imputed finance income	19	**(33,032,651)**	(34,186,959)
Amortisation of deferred finance costs	22	**832,062**	834,341
Amortisation of discontinued hedging reserve	13	**2,979,328**	3,181,204
Demobilisation provision	15	**291,570**	279,109
Provision for employees' end-of-service benefits	17	**21,830**	3,779
Allowance for disputed and unpaid receivables	21.1	**1,840,858**	754,621
Provision for disputed and paid gas margin	16	**92,266**	979,276
Allowance for expected credit losses	21.1	**2,852**	3,792
Interest on bank borrowings	22	**15,762,518**	21,036,904
Net loss on interest rate swaps	22	**13,292,211**	10,327,392
Other finance costs	22	**440,166**	256,760
Operating profit before working capital changes		**13,033,079**	14,294,760
Working capital changes:			
Inventories		**(145,590)**	82,215
Accounts and other receivable		**35,552,906**	(24,029,478)
Due from related parties		**23,209**	(19,699)
Accounts payable and accruals		**(37,190,710)**	25,324,871
Due to related parties		**230,845**	(174,244)
Net cash flows from operating activities		**11,503,739**	15,478,425
INVESTING ACTIVITY			
Proceeds from finance lease principal and interest		**56,899,201**	56,586,555
Investment in a joint venture	6	**-**	(5,000)
Net cash flows from investing activities		**56,899,201**	56,581,555
FINANCING ACTIVITIES			
Repayment of borrowings	14	**(27,348,532)**	(27,455,586)
Repayment of subordinated loans from shareholders	9	**(10,716,000)**	(6,580,000)
Finance costs paid		**(29,940,478)**	(32,297,950)
Fuel demand model reserve account	10	**(1,363)**	(325,135)
Net cash flows used in financing activities		**(68,006,373)**	(66,658,671)
Net increase in cash and cash equivalents		**396,567**	5,401,309
Cash and cash equivalents, at the beginning of the year		**12,803,000**	7,401,691
Cash and cash equivalents, at the end of the year	10	**13,199,567**	12,803,000

The attached notes 1 to 26 form part of these financial statements.

1 INCORPORATION AND PRINCIPAL ACTIVITIES

Al Dur Power and Water Company B.S.C. (c) ("the Company") is a Bahraini Closed Joint Stock Company, incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under Commercial Registration (CR) number 69733 on 27 August 2008. The address of the Company's registered office address is Flat 1203, Building 2795, Road 2835, Block 428, Al Seef, Kingdom of Bahrain.

The Company is engaged in the private generation of electrical power using 1234MW power plant and production of desalinated water using 48 MIGD water desalination facility located in Al Dur, Kingdom of Bahrain. The Company commenced its commercial operations in February 2012 and is contracted to supply electricity and water to the Electricity and Water Authority ("EWA"), Kingdom of Bahrain under a long-term Power and Water Purchase Agreement ("PWPA").

The Company's majority shareholder is Al Dur Holding Company Limited ("the Parent Company"), a limited liability company registered in United Arab Emirates.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 9 March 2022.

2 BASIS OF PREPARATION

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in conformity with applicable requirements of the Bahrain Commercial Companies Law.

The financial statements have been presented in Bahraini Dinars ("BD"), being the presentation and functional currency of the Company.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value. The carrying values of recognised liabilities that are designated as hedged items in cash flow hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

New and amended standards and interpretations
In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after January 01, 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- *Phase 2 amendments to Interest Rate Benchmark Reform in IFRS 9, IFRS 7, IAS 39, IFRS 4 and IFRS 16:*

  These amendments enables the Company to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.
- *Amendments to IFRS 16 Leases relating to COVID-19-Related Rent Concessions beyond June 30, 2021:*

  In the prior year, the Company early adopted Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021.

2 BASIS OF PREPARATION (continued)

In March 2021, the Board issued Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before June 30, 2022.

In the current financial year, the Company has applied the amendment to IFRS 16 (as issued by the Board in May 2021) in advance of its effective date.

The practical expedient permits a lessee to elect not to assess whether a COVID-19 related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2022 and increased lease payments that extend beyond June 30, 2022)
- There is no substantive change to other terms and conditions of the lease.

There were no significant rent concessions received during the year.

New and revised standards issued but not yet effective
At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- *IFRS 17 Insurance Contracts (effective from January 1, 2023).*
- *Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not yet decided).*
- *Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective from January 1, 2023).*
- *Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (effective from January 1, 2022).*
- *Amendments to IAS 16 Property, Plant and Equipment related to proceeds before intended use (effective from January 1, 2022).*
- *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts—Cost of Fulfilling a Contract (effective from January 1, 2022).*
- *Annual Improvements to IFRS Standards 2018-2020: The Annual Improvements include amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective from January 1, 2022), IFRS 9 Financial Instruments (effective from January 1, 2022), IFRS 16 Leases (effective date not yet decided) and IAS 41 Agriculture (effective from January 1, 2022).*
- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Related to disclosure of accounting policies (effective from January 1, 2023).*

2 BASIS OF PREPARATION (continued)

- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates and Errors (effective from January 1, 2023).*

- *Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective from January 1, 2023).*

The Board of Directors is currently assessing the impact of the above standards and interpretations on the financial statements of the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification.

An asset is classified as current when it is:

- expected to be realised or intended to sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

Leases

The Company assesses at each 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.

The Company as a lessee

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

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 of long-term agreements for land leases and lease agreement for office premises 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company as a lessor

IFRS 16 applies to the identification of services and take-or-pay sales or purchasing contracts that do not take the legal form of a lease but convey a right to the customer / supplier to use an asset or a group of assets in return for a payment or a series of fixed payments. Contracts meeting these criteria should be identified as either operating leases or finance leases. Contractual provisions in the Company's PWPA with EWA fall within the requirements of IFRS 16.

Inventories

Inventories are stated at the lower of cost or net realisable value using the first-in, first-out method. Costs comprise purchase costs and, where applicable, directly attributable cost that have been incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Financial instruments - recognition and 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

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables 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, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

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

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

Subsequent measurement

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

(a) Financial assets at amortised cost (debt instruments);

(b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);

(c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and

(d) Financial assets at fair value through profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - recognition and measurement (continued)
(i) Financial assets (continued)

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

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

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

The Company's financial assets at amortised cost include finance lease receivable, accounts receivable and others, amounts due from related parties and bank balances and deposits.

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 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.

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

The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of financial assets
A financial asset (in whole or in part) is derecognised where:

- the right to receive cash flows from the asset has expired;
- the Company has transferred its rights to cash flows from an asset and either (a) has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - recognition and measurement (continued)

(i) Financial liabilities (continued)

Subsequent measurement

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

The Company's financial liabilities comprise of accounts and other payables, subordinated loans from shareholders, term loans, amounts due to related parties and derivative financial instruments.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, profit/ interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest / profit rate (EIR/ EPR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR/ EPR 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/ EPR. The EIR/ EPR amortisation is included as finance costs in the statement of profit or loss and comprehensive income. This category generally applies to interest-bearing loans and borrowings.

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

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

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment,
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The Company's derivative financial instruments qualify as cash flow hedges.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income "OCI" in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss and other comprehensive income.

The Company uses interest rate swap contracts as hedges of its exposure to interest rate risk. The ineffective portion relating to interest rate swaps contracts is recognised in finance costs.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged finance costs is recognised.

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

Fair value measurement

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The Company enters into interest rate swap agreements with certain counterparties, principally financial institutions with investment grade credit ratings. Interest rate swaps are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying hedged item. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Company's own non-performance risk. As at 31 December 2021, the marked-to market value of derivative liability position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment.

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

Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Employees' end of service benefits

Non-Bahraini employees

Non- Bahraini employees of the Company are paid an end of service indemnity. The entitlement to end of service indemnity is based upon the expatriate employee's final salary and length of service. The expected costs of these benefits are accrued over the period of the employment.

Bahraini employees

With respect to Bahraini employees, the Company makes contributions to the Social Insurance Organisation, calculated as a percentage of the employees' salaries in accordance with the relevant Law. The Company's obligations are limited to these contributions, which are expensed when due. As per the Company policy, company make provisions for termination benefits for Bahraini employees based on the length of the service.

The entitlement to leave pay and passage is based upon the terms of employment contract with the employees and length of service. The expected costs of these benefits are accrued at the end of each reporting period and carried forward until they are utilised.

Provisions

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 a provision is presented in the statement of comprehensive income net of any reimbursement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Imputed finance income

Imputed finance income is recognised in the statement of profit or loss and other comprehensive income under the effective interest rate method and is disclosed as part of revenue. This is recognized over the term as described in the PWPA.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods and services is transferred to the customer or services are rendered 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 (excluding any amounts collected on behalf of third parties such as value added tax, etc.). The Company has concluded that it acts as principal in majority of its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The recognition criteria for various types of revenue as follows;

Operations and maintenance revenue

The operations and maintenance revenue mainly comprises fixed and variable operations and maintenance charges. Operations and maintenance revenue are based on the PWPA with EWA, and is presented net of scheduled and forced unavailability's, and recognised over time, using an input method to measure progress towards complete satisfaction of the services, as the customer simultaneously receives and utilises the services provided by the Company.

Energy revenue

The energy revenue is mainly based on the consumption of the natural gas and fuel oil are based on the PWPA agreement.

Operations and maintenance revenue and energy revenue are recognised over time based on an output method as and when the services are rendered.

Foreign currencies

Transactions in foreign currencies are initially recorded in Bahraini Dinars at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Bahraini Dinars at exchange rate ruling at the statement of financial position date. All exchange gains and losses are taken to the statement of comprehensive income.

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Borrowing costs

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Going concern

The Company's Board of Directors has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue the business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

Arrangement that contains a lease

The Company's Board of Directors determined that the contractual provisions in the Company's Power and Water Purchase Agreement PWPA with EWA fall within IFRIC 4 "Determining whether an Arrangement contains a Lease", hence as per IAS 17 "Leases" (now superseded by IFRS 16 "Leases"), PWPA transfers all the substantial risks and rewards relating to the power & water plant to the off-taker (EWA) and hence qualifies as a finance lease (note 5).

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of trade and other receivables

The Company sets its provision initially based on the Company's historical observed default rates. The Company updates the rates to adjust the historical credit loss experience with forward-looking information.

The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 8.

The information about the ECLs on the Company's related party receivables is disclosed in note 9, and the ECLs provided for the bank balances, cash and deposits are disclosed in note 10 accordingly.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates (continued)

Provision for demobilisation costs

Based on the historical experience and contractual obligation as per the Operations and Maintenance Agreement with Al Ezzel Operation and Maintenance Company W.L.L., the Company has recognised a provision for decommissioning obligation associated with its power plant and water desalination facilities. In determining the fair value of the provision, assumptions and estimates are made in relation to the expected cost to dismantle and remove the plant from the site and the expected timing of those costs. Most suitable industry index for power sector under the United States Producer Price Index has been used in determining the present value of the demobilisation provision as the management expects to incur significant portion of these costs in US Dollars. The information about the demobilisation provision is disclosed in note 15.

If the estimated United States Producer Price Index used in the calculation had been 1% higher at the year end, the carrying amount of the provision would have been higher by BD 93,528 (2020: BD 90,612).

Provision for disputed and paid fuel margin and disputed and unpaid fuel margin and non- conforming water deductions by EWA

Fuel margin and non- conforming water disputes were referred to the Arbitration with EWA. The disputed fuel margins up to September 2015, and disputed non-conforming water deductions up to August 2014 were considered in the International Chamber of Commerce (ICC) Award issued on 17 November 2016, and addendum to the Award issued on 03 March 2017. The resulting impact has been recorded in the financial statements.

During November 2021, the Company and EWA agreed on the Award Implementation Protocol (AIP) to resolve Revised Fuel Demand model and non- conforming water issues and reconcile disputed fuel charges and non-conforming water amounts subsequent to the periods considered in the ICC Award. Disputed non-conforming water deductions remain unpaid and EWA paid disputed fuel charges for certain period and for some months disputed fuel charges remain unpaid. Therefore, until the matter is resolved as agreed with EWA in the AIP, the Company makes full provision for the disputed fuel charges and non- conforming water amounts based on best estimate.

5 FINANCE LEASE RECEIVABLES

The substance of the Company's PWPA with EWA is to construct, own and operate the Al Dur Power & Water plant over 25 years starting from the Commercial Operation date (February 2012). The agreement conveys the right to use the facility to EWA.

The Company also doesn't provide ECL allowances for the finance lease receivables as there is no history of default and the receivable from EWA is secured by a government guarantee issued by the Government of Bahrain.

	2021 *BD*	*2020* *BD*
Balance as at January	**674,068,233**	696,467,829
Less: payments received during the year	**(23,866,550)**	(22,399,596)
Balance at end of the year	**650,201,683**	674,068,233

	Minimum lease receipts		*Present value of minimum lease receipts*	
	2021 *BD*	*2020* *BD*	*2021* *BD*	*2020* *BD*
Within one year	**56,812,329**	56,899,201	**24,995,319**	23,866,550
In 2 to 5 years (inclusive)	**224,917,650**	225,266,589	**110,750,054**	105,724,314
After 5 years	**679,327,290**	735,790,680	**514,456,310**	544,477,369
	961,057,269	1,017,956,470	**650,201,683**	674,068,233
Less: Unearned finance income	**(310,855,586)**	(343,888,237)	-	-
Present value of minimum lease receipts	**650,201,683**	674,068,233	**650,201,683**	674,068,233

Included in the statement of financial position as:

	2021 *BD*	*2020* *BD*
Current	**24,995,319**	23,866,550
Non-current	**625,206,364**	650,201,683
	650,201,683	674,068,233

The land on which the power station, seawater desalination facilities and related buildings are constructed, is leased from the Government of Bahrain for a period of 30 years from the scheduled commercial operation date (1 June 2011) at a nominal rent of BD 1,000 per annum.

6 INVESTMENT IN A JOINT VENTURE

	2021 *BD*	*2020* *BD*
50% share of BD 10,000 stated share capital of Al Dur Shared Facilities Company W.L.L.	**5,000**	5,000

6 INVESTMENT IN A JOINT VENTURE (continued)

Under the PWPA with the EWA, it is a requirement to establish a new company and to transfer the Seawater Intake / Outfall Facilities. For this purpose, the Company entered into a Shared Facilities Shareholder Agreement dated 15 May 2019 with Haya Power and Desalination Company B.S.C. (Closed) (Al Dur - 2 Project Company), and established Al Dur Shared Facilities Company W.L.L on 26 December 2019 with a 50% ownership. Al Dur Shared Facilities Company W.L.L will be operated in accordance with the terms and conditions stated in the Shared Facilities Shareholder Agreement. The Company's interest in Al Dur Shared Facilities Company W.L.L. is accounted for using the equity method in the financial statements.

Summarised financial information of Al Dur Shared Facilities Company W.L.L.:

	2021 *BD*	*2020* *BD*
Total assets	**10,000**	10,000
Equity	**10,000**	10,000
Company's share in equity	**5,000**	5,000

7 INVENTORIES

	2021 *BD*	*2020* *BD*
Diesel	**2,539,482**	2,393,892

8 ACCOUNTS AND OTHER RECEIVABLES

	2021 *BD*	*2020* *BD*
Trade receivables	**23,336,682**	58,829,352
Allowance for expected credit losses	**(10,181,275)**	(7,913,478)
	13,155,407	50,915,874
Prepaid expenses	**283,172**	403,977
VAT recoverable	**234,276**	168,881
Staff loans and other receivables	**10,348**	15,174
	13,683,203	51,503,906

Trade receivables represent amounts receivable from EWA. Amounts receivable from EWA have a credit period of 45 days and are non-interest bearing.

As explained in note 4, the Company makes full provision for the disputed and unpaid fuel charges and the disputed and unpaid non-conforming water deductions relating to the periods subsequent to the period covered in the ICC Award. Accordingly, BD 7,965,588 (2020: BD 7,327,180) has been provided as disputed and unpaid non-conforming water deductions and BD 1,738,340 (2020: 426,939) has been provided as disputed and unpaid fuel charges.

The Company doesn't make ECL allowances for the trade receivable balances from EWA, as the Board of Directors believe that the receivable from EWA is secured by a government guarantee issued by the Government of Bahrain. Hence, any potential risk of default is transferred to the Government.

8 ACCOUNTS AND OTHER RECEIVABLES (continued)

Movement in allowance for disputed and unpaid receivable are as follows:

	Non-confirming water BD	*Un-paid fuel margin BD*	*Other disputes BD*	*Total BD*
At 1 January 2020	6,697,408	-	461,449	7,158,857
Charge for the year 2020 (note 21.1)	629,772	-	124,849	754,621
At 31 December 2020	7,327,180	-	586,298	7,913,478
Charge for the year 2021 (note 21.1)	368,408	1,311,401	161,049	1,840,858
Transfer from Provision for disputed margins (note 16)	-	426,939	-	426,939
At 31 December 2021	7,695,588	1,738,340	747,347	10,181,275

As at 31 December, the ageing analysis of accounts receivables are, as follows:

			Days past due	
	Total BD	*Current BD*	*<90 days BD*	*91 - 120 days BD*
2021				
Trade receivables - net	**13,155,407**	**13,155,407**	-	-
Staff and other receivables	10,348	10,348	-	-
	13,165,755	13,165,755	-	-

			Days past due	
	Total BD	*Current BD*	*<90 days BD*	*91 - 120 days BD*
2020				
Trade receivables - net	50,915,874	21,671,929	21,488,655	7,755,290
Staff and other receivables	15,174	15,174	-	-
	50,931,048	21,687,103	21,488,655	7,755,290

Receivable from EWA as at 31 December 2021 includes BD (nil) (2020: BD 38,893,647) natural gas revenue receivable amount. During the year 2021, EWA proposed a natural gas charge mechanism where EWA will directly settle natural gas invoices to Tatweer on behalf of the Company up to 31 December 2021 and proposed the Company to issue credit notes equivalent to Tatweer natural gas invoice amounts from July 2020 to 31 December 2021. After receiving the consent from Tatweer and lenders, the Company confirmed its consent to EWA and issued credit notes as proposed in the EWA natural gas charge mechanism.

9 RELATED PARTY TRANSACTIONS

Related parties represent the shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

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

Balances:
Due from a related party

	2021 *BD*	*2020* *BD*
Entities related to shareholders		
Haya Power & Desalination Company B.S.C.(c)	**645**	-
Al Dur Shared Facilities Company W.L.L.	-	23,853
	645	23,853
Allowance for expected credit losses	**(5)**	(726)
	640	23,127

As at 31 December 2021, the Company has recognised allowance for ECLs of BD 5 (2020: BD 726) for related party receivables considering the credit quality of the related parties. Movement in the ECL of the related party receivables during the year is as follows:

	2021 *BD*	*2020* *BD*
Balance at the beginning of the year	**726**	570
Expected credit loss allowance (reversed) / charged during the year	**(721)**	156
Balance at 31 December	**5**	726

The ageing analysis of due from related parties are as follows:

	Total *BD*	*Current* *BD*
2021		
Entities related to shareholders	**645**	**645**

	Total *BD*	*Current* *BD*
2020		
Entities related to shareholders	23,853	23,853

9 RELATED PARTY TRANSACTIONS (continued)

Due to related parties

	2021	*2020*
	BD	*BD*
Shareholders		
Gulf Investment Corporation G.S.C.	**15,057**	38,846
Al Dur Energy Investment Company	**12,917**	4,136,154
Social Insurance Organisation	**9,034**	15,538
Al Dur Investco	**480**	1,504,058
Kyuden International	**18,068**	-
Entities related to shareholders		
Al Ezzel Operations and Maintenance W.L.L.	**1,165,959**	915,631
Al Ezzel Power Company B.S.C.(c)	**108,284**	50,765
Al Dur Shared Facilities Company W.L.L.	**-**	4,277
Engie Invest International SA - B	**27,103**	69,923
	1,356,902	6,735,192

Amounts due from and due to related parties are interest free and have no pre-determined repayment period. The Board of Directors consider these balances to be current assets and current liabilities, as appropriate.

Subordinated loans from shareholders

	2021	*2020*
	Tier I Subordinated Shareholder Loan (a)	*Tier I Subordinated Shareholder Loan (a)*
	BD	*BD*
Balance at the beginning of the year	**200,025,949**	206,605,949
Repayment during the year	**(10,716,000)**	(6,580,000)
Balance at 31 December	**189,309,949**	200,025,949

(a) Subordinated loan from Tier I Shareholders is an unsecured interest free Subordinated Shareholder Loan from Al Dur Holding Company Limited and have no pre-determined repayment period.

These loans are disclosed under non-current liabilities as they are not expected to be settled in full before 31 December 2022 and there is no predetermined repayment schedule.

During 2021, the Company repaid BD 10,716,000 (2020: BD 6,580,000) Tier I Subordinated Shareholder loan, upon receiving approval from the Board of Directors.

Related party transactions:
Transactions with related parties included in the statement of profit or loss and other comprehensive income are as follows:

	2021	*2020*
	BD	*BD*
Shareholders:		
Finance costs	**54,838**	52,846
Other related parties (entities related to shareholders):		
Finance costs	**178,146**	158,539
Operating expenses	**19,223,125**	17,856,686
	19,456,109	18,068,071

9 RELATED PARTY TRANSACTIONS (continued)

Related party transactions (continued):
Transactions with shareholders and other related parties relating to the liability reserve account and restricted deposits are disclosed under note 10 (b).

Compensation of key management personnel:
Key management personnel of the Company comprise the Board of Directors and the key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. During the year, no remuneration was paid to the Board of Directors. Remunerations of other members of management are as follows:

	2021 ***BD***	*2020* *BD*
Short term benefits	**158,126**	153,075
End of service benefits	**8,958**	8,736
	167,084	161,811

Short term benefits were in the form of salaries, bonuses and allowances.

10 BANK BALANCES, CASH AND DEPOSITS

	2021 ***BD***	*2020* *BD*
Cash and cash equivalents	**13,199,567**	12,803,000
Liability reserve account cash deposits (a)	**4,784,653**	10,393,788
Fuel demand model reserve account (b)	**2,689,533**	2,688,170
	20,673,753	25,884,958
Allowance for expected credit losses	**(13,521)**	(9,948)
	20,660,232	25,875,010

(a) Amounts in the liability reserve account in year 2021 represent BD 4,784,653 (USD 12,725,141) deposits made by the Company to meet debt service cover obligations. (2020: BD 4,784,653 (USD 12,725,141) deposits made by the Company and BD 5,609,135 (USD 14,917,912) deposits made by Shareholders (Tier II shareholders) of Al Dur Holding Company Limited). These amounts are not considered as cash and cash equivalents in statement of cash flows.

(b) Amounts in fuel demand model reserve account represents the restricted deposits made by the Company for compliance with certain debt covenants. This amount is not considered as cash and cash equivalents.

Movement in the ECL provision of cash at bank balances during the year is as follows:

	2021 ***BD***	*2020* *BD*
Balance at the beginning of the year	**9,948**	6,312
Reversed during the year	**3,573**	3,636
Balance at 31 December	**13,521**	9,948

11 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company consists of 250,000 ordinary shares with a nominal value of BD 100 each. The legal shareholding structure of the Company is as follows:

		2021 and 2020		
	Country of incorporation	*Percentage ownership*	*Number of shares*	*Amount BD*
Al Dur Holding Company Limited	U.A.E.	99.0%	247,500	24,750,000
Kahrabel FZE	U.A.E.	0.5%	1,250	125,000
Gulf Investment Corporation G.S.C.	Kuwait	0.5%	1,250	125,000
		100.0%	250,000	25,000,000

12 STATUTORY RESERVE

In accordance with the Bahrain Commercial Companies Law of 2001 and the Company's articles of association, 10% of the annual profits has been transferred to statutory reserve. The Company may elect to discontinue such transfer when the reserve reaches 50% of the paid-up share capital. This reserve is not available for distribution except in such circumstances as stipulated in the Bahrain Commercial Companies law.

13 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial assets
Derivatives that are designated and effective as hedging instruments carried at fair value are as follows:

	2021 BD	*2020 BD*
Interest rate swaps:	**1,431,635**	-

Derivative financial liabilities
Derivatives that are designated and effective as hedging instruments carried at fair value are as follows:

	2021 BD	*2020 BD*
Interest rate swaps:	**36,831,773**	61,343,345

The Company did not enter into any enforceable netting arrangements for interest rate swaps.

	2021 BD	*2020 BD*
Asset		
Current	**-**	-
Non-current	**1,431,635**	-
	1,431,635	-

	2021 BD	*2020 BD*
Liabilities		
Current	**8,639,439**	9,585,553
Non-current	**28,192,334**	51,757,792
	36,831,773	61,343,345

The Company does not have current Derivative financial assets as of reporting date.

13 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	2021 BD	2020 BD
Cash flow hedges		
Effective portion of the cash flow hedges	**35,232,733**	61,236,778
Ineffective portion of the cash flow hedges (note 22)	**167,405**	106,567
	35,400,138	61,343,345

The Company uses interest rate swaps as part of its interest rate risk management. These derivatives qualify for hedge accounting and have been designated as cash flow hedges according to IFRS 9: Financial Instruments- Recognition and Measurement. Fair value of interest rate swaps is estimated based on the prevailing interest rates.

As at 31 December 2021, notional amounts outstanding for interest rate swaps was BD 388 million (USD 1,031 million) (2020: BD 414 million (USD 1,101 million)).

The term loans (note 14) bears interest at USD-LIBOR plus applicable margins. The Company has entered into "pay fixed, receive variable" IRS agreements with various counter parties.

The interest rate swaps settle on a semi annual basis. The floating rate on the interest rate swaps is 6-month LIBOR.

The Company will settle the difference between the fixed and floating interest rate on a net basis. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Company's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

Upon completion of refinancing during November 2018, the Company voluntarily terminated a portion of the existing IRS agreements which were otherwise due to mature on 1 April 2027. As part of the termination process, the Company paid net swap breakage cost of BD 24.2 million or USD 64.36 million and terminated a portion of the existing IRSs agreements effective from 29 November 2018. The corresponding hedging reserve for the terminated IRSs at 29 November 2018 is amortised until 1 April 2027.

Movement in the hedging reserve of the terminated IRSs during the year is as follows:

	2021 BD	2020 BD
Balance at the beginning of the year	**15,607,591**	18,788,795
Amortisation	**(2,979,328)**	(3,181,204)
Balance at the end of the year (a)	**12,628,263**	15,607,591

(a) Balance in the hedging reserve for the terminated IRSs will be amortised until 1 April 2027, which is the original maturity date of the terminated IRSs.

As part of the new financing, the Company entered into new IRSs agreements with new counter parties up to 1 April 2030, to cover the minimum 76% of the new term loans profile as per the new refinancing facility agreement (note 14). With effect from 1 April 2020, the hedge cover has been increased to 95% of the loan profile.

13 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Movement in hedging reserve during the year:

	2021 *BD*	*2020* *BD*
Balance at the beginning of the year	**76,698,500**	63,131,379
Net value (gain) / loss on IRS (i)	**(26,110,611)**	16,748,325
Amortisation of discontinued hedging reserves (i) (note 22)	**(2,979,328)**	(3,181,204)
Balance at the end of the year	**47,608,561**	76,698,500
(i) other comprehensive (income)/ loss	**(29,089,939)**	13,567,121

Movement in hedging liabilities during the year:

	2021 *BD*	*2020* *BD*
Balance at the beginning of the year	**61,343,345**	44,488,453
Net value (gain)/ loss on IRS	**(25,943,207)**	16,854,892
Balance at the end of the year	**35,400,138**	61,343,345

Movement in hedging loss recognised in profit or loss (ineffective portion):

	2021 *BD*	*2020* *BD*
Balance at the beginning of the year	**252,435**	145,868
Ineffective portion of cash flow hedge loss recognized during the year (note 22)	**167,405**	106,567
Balance at the end of the year	**419,840**	252,435

Maturity date:

	Nominal Amounts	
	2021 *BD*	*2020* *BD*
1 April 2027	**122,566,291**	129,245,894
1 October 2029	**77,117,055**	82,285,927
1 April 2030	**187,942,062**	202,074,693
Balance at the end of the year	**387,625,408**	413,606,514

14 BORROWINGS

	2021 *BD*	*2020* *BD*
Current	**29,434,884**	26,516,471
Non-current	**372,426,606**	401,861,489
	401,861,490	428,377,960

Re-Financing Facilities

During November 2018, the Company obtained BD 487 million (USD 1,295 million) re-financing facilities from a syndicate of banks. The purpose of the re-financing facilities is to settle the initial financing facilities. The re-financing facilities are denominated in United States Dollars and the aggregate amount is repayable on semi-annual instalments starting from 1 April 2019.

14 BORROWINGS (continued)

Securities
All the financing facilities are secured by a comprehensive legal and commercial mortgage over all of the assets of the Company.

Covenants
The financing facility agreements contain certain covenants pertaining to, amongst other items, project finance ratios, liquidation and merger, entering into material new agreements, negative pledge, change of business, loans and guarantees. During the year, the Company complied with these covenants.

Interest
The refinancing facilities are required to carry interest at a floating rate of USD-LIBOR plus applicable margins.

Fees
The Company is required to pay agency fees, security agent fees and all other bank fees.

Movements in the net borrowings:

	2021 *BD*	*2020* *BD*
Loan Balance:		
Balance at the beginning of the year	**435,375,277**	462,830,863
Repayments during the year	**(27,348,532)**	(27,455,586)
	408,026,745	435,375,277
Less: Un-amortised Loan Origination fees:		
Balance at the beginning of the year	**6,997,317**	7,831,658
Amortisation during the year (note 22)	**(832,062)**	(834,341)
	6,165,255	6,997,317
Net loan balance	**401,861,490**	428,377,960

14 BORROWINGS (continued)

Borrowing Schedule

	International Facilities BD	*Ijara A Facilities BD*	*Ijara B Facilities BD*	*Murabaha Facilities BD*	***Total BD***
Total Commitment / utilisation	168,878,942	129,934,475	112,800,000	75,200,000	**486,813,417**
Bank Borrowings:					
At 1 January 2021	142,494,985	109,634,812	109,947,288	73,298,192	**435,375,277**
Repayments	(14,560,742)	(11,202,950)	(950,904)	(633,936)	**(27,348,532)**
At 31 December 2021	127,934,243	98,431,862	108,996,384	72,664,256	**408,026,745**
Un-amortised loan origination fees:					
At 1 January 2021	1,441,709	1,109,240	2,667,821	1,778,547	**6,997,317**
Amortisation during the year	(198,725)	(152,898)	(288,264)	(192,175)	**(832,062)**
At 31 December 2021	1,242,984	956,342	2,379,557	1,586,372	**6,165,255**
Net bank borrowings:					
At 31 December 2021	**126,691,259**	**97,475,520**	**106,616,827**	**71,077,884**	**401,861,490**
At 31 December 2020	141,053,276	108,525,572	107,279,467	71,519,645	428,377,960
Interest rate as per agreement	LIBOR + 3.3%	LIBOR + 3.3%	LIBOR + 3.7%	LIBOR + 3.7%	
Weighted average interest / profit rates	3.51%	3.51%	3.91%	3.91%	
Maturity date	1 Apr 2028	1 Apr 2028	1 Oct 2031	1 Oct 2031	
Interest/ profit for the year 2021	4,820,763	3,709,067	4,339,613	2,893,075	**15,762,518**

All the above facilities are in United States Dollars.

15 DEMOBILISATION PROVISION

	2021 BD	*2020 BD*
Balance at the beginning of the year	**9,061,210**	8,782,101
Unwinding of discount and effect of the change in discount rate	**291,570**	279,109
Balance at the end of the year	**9,352,780**	9,061,210

The provision for demobilisation costs represents the present value of the management's best estimates of the future outflow of economic benefits that will be required to demobilise the plant at the end of the Power & Water Purchase Agreement ("PWPA") period. Management uses the United States Producer Price Index to determine the discount rate and periodic unwinding of the discount has been recognised in profit or loss. Unexpired term of the PWPA is 14.5 years as at the reporting date ending in May 2036.

16 PROVISION FOR DISPUTED FUEL MARGINS

	2021 BD	2020 BD
Balance at the beginning of the year	5,802,828	4,823,552
Charge during the year	92,266	979,276
Transfer to allowance for expected credit losses (Note 8)	(426,939)	-
Balance at the end of the year	5,468,155	5,802,828

Provision for disputed fuel margins are related to amounts disputed and paid by EWA from October 2015 (subsequent to the periods considered in the EWA Arbitration). As per the ICC (International Chamber of Commerce) Award, the Company's Fuel Demand Model need to be revised and fuel charges disputed by EWA are required to be recalculated. During November 2021, the Company entered into an Award Implementation Protocol (AIP) with EWA to implement Revised Fuel Demand Model. Once the Revised Fuel Demand Model finalised, all the disputed fuel margins are required to be recalculated and reconciled. On conservative basis, until the reconciliation process completed, the Company's Management make full provision for disputed and paid fuel margins.

17 EMPLOYEES' END OF SERVICE BENEFITS

	2021 BD	2020 BD
Balance at the beginning of the year	18,416	14,637
Charge for the year	21,830	3,779
Balance at the end of the year	40,246	18,416

18 ACCOUNTS PAYABLE AND ACCRUALS

	2021 BD	2020 BD
Trade payables	1,815,074	39,001,176
Other payables	21,209	25,815
Accrued interest	6,857,523	7,470,511
	8,693,806	46,497,502

Trade payables are non-interest bearing and are normally settled within 45-90 days terms.

19 REVENUE AND LEASE INCOME

	2021 BD	2020 BD
Imputed finance income	33,032,651	34,186,959
Revenue from contracts with a customer		-
Energy revenue	75,578,921	73,147,597
Operations and maintenance revenue	33,202,675	33,157,866
	108,781,596	106,305,463
	141,814,247	140,492,422

20 OPERATIONS AND MAINTENANCE COSTS

	2021 BD	2020 BD
Energy cost	**74,107,003**	72,117,726
Operations and maintenance costs	**20,265,676**	18,601,170
	94,372,679	90,718,896

21 GENERAL, ADMINISTRATIVE & OTHER EXPENSES

	2021 BD	2020 BD
Provisions - net (21.1)	**1,843,710**	758,413
Insurance	**644,908**	587,942
Staff costs	**358,239**	268,702
General administrative costs	**80,905**	166,217
Professional fees	**87,803**	67,397
	3,015,565	1,848,671

21.1 Provisions - net:

Provision for disputed and unpaid receivables (note 8)	**1,840,858**	754,621
Allowance for expected credit losses (note 9 and note 10)	**2,852**	3,792
	1,843,710	758,413

22 FINANCE COSTS - NET

	2021 BD	2020 BD
Interest on bank borrowings 9note 14)	**15,762,518**	21,036,904
Net loss on interest rate swaps – cash flow hedges	**13,292,211**	10,327,392
Amortisation of discontinued cash flow hedges (note 13)	**2,979,328**	3,181,204
Amortisation of deferred finance costs (note 14)	**832,062**	834,341
Ineffective portion of cash flow hedge loss recognized (note 13)	**167,405**	106,567
Other finance costs	**272,761**	150,193
	33,306,285	35,636,601

23 COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Commitments under Operations and Maintenance Agreement:

The Company has entered into an Operations and Maintenance Agreement with Al Ezzel Operations and Maintenance Company ("the operator") under which it is committed to pay certain fees to the Operator of the Plant as fixed and variable fees, with relevant indexation adjustments, as specified in the operation and maintenance agreement.

b) Capital expenditure commitments

There were no capital expenditure contracted for at the reporting date.

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Company's financial instruments expose it to a variety of financial risks. These include foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Board of Directors monitors these risks to minimize potential adverse effects on the Company's financial performance.

The Company's financial assets include finance lease receivables, accounts and other receivable, due from related parties and bank balances, cash and deposits. Financial liabilities include derivative financial instruments, accounts payables and accruals, due to related parties, subordinated loans from shareholders and term loans.

The summary of financial assets and financial liabilities are follows:

	Amortised cost		*Fair value through OCI*	
	2021	*2020*	***2021***	*2020*
	BD	*BD*	***BD***	*BD*
Financial assets				
Finance lease receivables	***650,201,683***	*674,068,233*	-	-
Derivative financial instruments	-	-	**1,431,635**	-
Due from a related party	***640***	*23,127*	-	-
Accounts and other receivable	***13,165,755***	*51,099,929*	-	-
Bank balances, cash and deposits	***20,660,232***	*25,875,010*	-	-
	684,028,310	751,066,299	**1,431,635**	-
Financial liabilities				
Derivative financial instruments	-	-	**36,831,773**	61,343,345
Accounts payable and accruals	**8,693,806**	46,497,502	-	-
Due to related parties	**1,356,902**	6,735,192	-	-
Subordinated loans from Shareholders	**189,309,949**	200,025,949	-	-
Borrowings	**408,026,745**	435,375,277	-	-
	607,387,402	688,633,920	**36,831,773**	61,343,345

Board of Directors
The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

The risk associated with financial instruments and the Company's approaches to managing such risks are described 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.

Please refer to notes 5, 8 and 9 for concentration of credit risk. The Company's exposure to credit risk is limited as it has only one customer, the EWA of the Kingdom of Bahrain, a government entity.

An impairment analysis is performed at each reporting date to measure expected credit losses. Based on the Company's management review, an allowance for ECLs amounting to BD 5 (2020: BD 726) has been recognised for the Company's due from a related party as of 31 December 2021 and 31 December 2020.

The credit risk on liquid funds is limited as the counterparties are financial institutions regulated by the Central Bank of Bahrain and other regulators in the United Kingdom and France. All these financial institutions have acceptable credit ratings assigned by international rating agencies.

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Credit risk (continued)
As per the Company's management assessment, allowance for expected credit losses on its bank balances as at 31 December 2021 amounting to BD 13,521 (2020: BD 9,948).

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below).

Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's financial assets and financial liabilities are denominated primarily in Bahraini Dinars, United States Dollars and Euros. As the Bahraini Dinar is pegged to the United States Dollars, balances in the US Dollars are not considered to represent a significant currency risk and a change in the Euro rate against BD is not expected to have a material impact on the Company's profit for the year.

The carrying amounts of the Company's monetary financial assets and monetary financial liabilities denominated in foreign currency at the reporting date are as follows:

	USD		*EUR*	
	2021	*2020*	***2021***	*2020*
	BD	*BD*	***BD***	*BD*
Financial assets				
Bank balances, cash and deposits	**13,803,480**	19,172,684	**1,365**	3,547
	13,803,480	19,172,684	**1,365**	3,547
Financial liabilities				
Borrowings	**408,026,745**	435,375,277	**-**	-
Shareholder loans	**189,309,949**	200,025,949	**-**	-
Accounts payables and accruals	**26,692**	529,545	**-**	-
Due to related parties	**1,147,718**	6,743,265	**-**	-
	598,511,104	642,674,036	**-**	-

Interest/ profit rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company is exposed to interest rate risk on its interest bearing liabilities (term loans).

The Company reviews the market analysis and expectations for interest/ profit rate movements as the basis on which the Company decides to utilise floating or fixed rates for its interest/ profit bearing liabilities. The Company has hedged its interest/ profit rate risk on its loan facilities by entering into interest rate swap transactions (note 13).

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2021	*2020*
	BD	*BD*
Variable rate instruments		
Borrowings	**408,026,745**	435,375,277
Derivative financial instruments	**35,400,138**	61,343,345
	443,426,883	496,718,622

Interest/ profit rate sensitivity analysis:

The following interest/ profit rate sensitivity analysis has been calculated considering the exposure to variation in market interest rates for the un-hedged portion of the term loans as at the reporting date. A 50 basis point increase or decrease has been considered for the average loan balance when reporting interest/ profit rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest/ profit rates.

	Profit or loss	
	50 bp increase	*50 bp decrease*
	BD	*BD*
December 31, 2021		
Borrowings	(2,139,650)	2,139,650
Derivative financial instruments	2,032,668	(2,032,668)
	(106,982)	106,982
December 31, 2020		
Borrowings	(2,282,591)	2,282,591
Derivative financial instruments	2,056,688	(2,056,688)
	(225,903)	225,903

The Company is exposed to the following interest rate benchmarks within its hedge accounting relationships, which are subject to interest rate benchmark reform: USD LIBOR. As listed in note 14, the hedged items include floating rate debt issued in United States Dollars.

The Company and its Shareholders have closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the IBOR regulators. The regulators announced that the cut off date for transmission to alternative reference rate for contracts with 6 months LIBOR is 30 June 2023.

In response to the announcements, the Company coordinating with one of its major Shareholders has set up an IBOR transition programme comprised of the following work streams: risk management, treasury, legal, accounting and systems. The programme is let by a team of appointed at the Shareholder level in Coordination with the Chief Financial Officer who reports to the Board. The aim of the programme is to understand where IBOR exposures are within the business and prepare and deliver on an action plan to enable a smooth transition to alternative benchmark rates. The Company's aims to finalise its transition by the end of first half of 2023 before the end of cut off date.

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Interest/ profit rate risk (continued)

Refer note 13 for details of the hedging instruments and hedged items in scope of the IFRS 9 amendments due to interest rate benchmark reform, by hedge type. The terms of the hedged items listed match those of the corresponding hedging instruments.

The Company will continue to apply the amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the company is exposed to ends. The Company has assumed that this uncertainty will not end until the Company's contracts that reference LIBORs are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Ultimate responsibility for liquidity risk management rests with the Company's management, which has established an appropriate liquidity risk management framework for the Company's short, medium and long-term funding and liquidity requirements. The Company limit its liquidity risk by ensuring bank facilities are available.

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	Weighted average effective rate	*Carrying amount BD*	*Contractual cash flows BD*	*Less than 3 months BD*	*3 months to 1 year BD*	*1-5 years BD*	*5+ years BD*
2021							
Accounts payable and accruals		8,693,806	8,693,806	1,836,283	6,857,523	-	-
Due to related parties		1,356,902	1,356,902	1,356,902	-	-	-
Subordinated loans from shareholders		189,309,949	189,309,949	-	-	-	189,309,949
Borrowings	3.68%	408,026,745	543,504,248	-	46,637,522	222,576,127	274,290,599
		607,387,402	**742,864,905**	**3,193,185**	**53,495,045**	**222,576,127**	**463,600,548**
2020							
Accounts payable and accruals		46,497,502	46,497,502	38,243,524	8,253,978	-	-
Due to related parties		6,735,192	6,735,192	6,735,192	-	-	-
Subordinated loans from shareholders		200,025,949	200,025,949	-	-	-	200,025,949
Borrowings	4.62%	435,375,277	543,504,248	-	46,637,522	222,576,127	274,290,599
		688,633,920	796,762,891	44,978,716	54,891,500	222,576,127	474,316,548

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk (continued)

The following table details the Company's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that are settled on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The undiscounted contractual cash flows are based on the contractual maturities of the derivatives.

	3 months to 1 year	*1-5 years*	*5+ years*	*Total*
	BD	*BD*	*BD*	*BD*
2021				
Net settled				
Interest rate swaps	**8,639,439**	**30,294,202**	**(2,101,868)**	**36,831,773**
2020				
Net settled				
Interest rate swaps	9,585,553	34,793,223	16,964,569	61,343,345

Capital management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year.

Gearing ratio

The Company's Board of Directors review the capital structure on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end was as follows:

	2021	*2020*
	BD	*BD*
Debt (i)	**408,026,745**	435,375,277
Cash and cash equivalents	**(13,199,567)**	(12,803,000)
Net debt	**394,827,178**	422,572,277
Equity (ii)	**224,916,723**	196,032,715
Net debt to equity ratio	**1 : 0.46**	1 : 0.45

(i) Debt is defined as term loan (note 14).

(ii) Equity includes all capital, retained earnings, reserves & Subordinated loans from shareholders (note 9) of the Company.

25 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The Board of Directors believe that the fair values of the Company's financial instruments carried at amortised cost approximated their carrying amounts as at the reporting dates.

Set out below is an overview of financial instruments, other than derivative financial instruments, held by the Company as at 31 December:

		Amortised cost	
		2021	*2020*
		BD	*BD*
Financial assets:			
Finance lease receivables	5	**650,201,683**	674,068,233
Accounts and other receivable	8	**13,165,755**	51,099,929
Due from a related party	9	**640**	23,127
Bank balances, cash and deposits	10	**20,660,232**	25,875,010
		684,028,310	751,066,299
Financial liabilities:			
Accounts payable and accruals	18	**8,693,806**	46,497,502
Due to related parties	9	**1,356,902**	6,735,192
Subordinated loans from Shareholders	9	**189,309,949**	200,025,949
Borrowings	14	**408,026,745**	435,375,277
		607,387,402	688,633,920

Fair value measurements recognised in the statement of financial position

The following methods and assumptions were used to estimate the fair values:

a) Bank balances, cash and deposits, certain portion of accounts and other receivables and certain portion of accounts and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments;

b) Term loans are evaluated by the Company based on parameters such as interest rates. As at 31 December 2021, the carrying amounts are not materially different from their fair values (2020: carrying amounts are not materially different from their fair values);

c) The Company enters into derivative financial instruments with certain counterparties, principally financial institutions with investment grade credit ratings. Fair values of interest rate swap contracts remeasured to fair value as disclosed in the accounting policy described on fair value measurement. These are Level 2 as per the fair value hierarchy for the year ended 31 December 2021 and year ended 31 December 2020.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

25 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements recognised in the statement of financial position (continued)

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements recognised in the statement of financial position (continued)

The table below analyses assets and liabilities, measured at fair value as at the end of the year, by level in the fair value hierarchy into which the fair value measurement is categorized:

	2021 Level 2 BD	*2020 Level 2 BD*
Financial assets measured at fair value		
Interest rate swap	**1,431,635**	-

	2021 Level 2 BD	*2020 Level 2 BD*
Financial liabilities measured at fair value		
Interest rate swap	**36,831,773**	61,343,345

The Company does not have financial instruments qualifying for Level 1 or Level 3 classification.

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

Valuation techniques and key inputs

Fair value of financial liabilities categorised under Level 2 have been determined using discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

26 IMPACT OF COVID-19

During the period, the rapid outbreak and spread of coronavirus ("COVID-19") pandemic across various geographies globally has resulted in an alarming health crisis. In addition to the human impact, it is causing severe disruption to business and economic activities. COVID-19 has also brought about significant uncertainties in the global economic environment.

The Company has been closely monitoring the impact of the COVID-19 developments on the Company's operations and financial position; including possible loss of revenue, impact on asset valuations, impairment, outsourcing arrangements etc. The Company has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans. As a result, the Company was able to manage and minimise the COVID 19 impact its business activates. Therefore, the management and the Board of Directors have concluded that the Company will continue as a going concern entity.

Deloitte.

AL DUR POWER AND WATER COMPANY B.S.C. (c)

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

AL DUR POWER AND WATER COMPANY B.S.C. (c)

Commercial registration number	69733
Chairman	Mr. Meshary M A M Al Judaimi
Vice Chairman	Mr. Tomaz Henrique Guadagnin
Directors	Mr. Willem Van den Abeele (up to 9 May 2023) Mr. Sharjeel Arshad Sheikh Ms. Anwar Al-Ajeel Mr. Mohammed Kazim Surve Mr. Masashi Mizoguchi Mr. Laurent Raymond Louis Furedi Mr. Hiroshi Arakawa (up to 7 July 2023) Mr. Axel Henri J. De Ghellinck (from 9 May 2023) Mr. Takehiro Koga (from 7 July 2023)
Registered Office	Flat 1203, Building 2795, Road 2835, Block 428, Al Seef, Manama, Kingdom of Bahrain.
Bankers	Standard Chartered Bank PLC - Bahrain Standard Chartered Bank PLC - London Arab Banking Corporation B.S.C. - Bahrain
Auditor	Deloitte & Touche Middle East P.O. Box 421, Manama, Kingdom of Bahrain.

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AL DUR POWER AND WATER COMPANY B.S.C. (c)
DIRECTORS' REPORT

The Board of Directors has pleasure in submitting its annual report and the audited financial statements of Al Dur Power and Water Company B.S.C.(c) ("the Company") as of and for the year ended 31 December 2023.

Principal activities

The Company is engaged in the private generation of electrical power from its 1,234 MW power plant and production of desalinated water from its 48 MIGD water desalination facility located in Al Dur, Kingdom of Bahrain.

The Company commenced its commercial operations in February 2012 and contracted to supply electricity and water to the Electricity and Water Authority ("EWA"), Kingdom of Bahrain, under a long-term Power and Water Purchase Agreement ("PWPA").

Operating Highlights

In 2023 the Al Dur Plant supplied a total of 5,105 GWh electricity and 76.6 million cubic meters of water to EWA and achieved a power technical availability of 95.64% and a water technical availability of 95.43%.

The results for the year are set out on page 7 of the financial statements.

Disclosure of remuneration to members of Board of Directors and Executive Management

Reference to the provisions of Commercial Companies Law No. (21) of 2001 and its amendments and pursuant to the provisions of Article No. (188) of the Commercial Companies Law and Article No. (125) of the Executive Regulations of Resolution No. (3) for the year 2022, remuneration and sitting fees and other benefits to Board of Directors and salaries and benefits paid to members of Executive Management has been disclosed as follows:

a. Board of Directors remuneration / sitting fees and other benefits:

Name	Fixed remuneration					Variable remuneration					End-of-service award	Aggregate amount	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending board and committee meetings	Salaries	Others	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total			
First: Independent Directors													
None	-	-	-	-	-	-	-	-	-	-	-	-	-
Second: Non-Executive Directors													
1. Mr. Yeshary M A M Al-Judaimi	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Mr. Tomaz Henrique Guadagnin	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Mr. Willem Van den Aeeele (i)	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Mr. Shaheel Arshad Sheikh	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Ms. Anwar Al-Ajeel	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Mr. Mohammed Kazim Surve	-	-	-	-	-	-	-	-	-	-	-	-	-
7. Mr. Yasashi Mizoguchi	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Mr. Laurent R. L. Furedi	-	-	-	-	-	-	-	-	-	-	-	-	-
9. Mr. Hiroshi Arakawa (ii)	-	-	-	-	-	-	-	-	-	-	-	-	-
10. Mr. Axel Henri J. De Chellinck (iii)	-	-	-	-	-	-	-	-	-	-	-	-	-
11. Mr. Takahiro Koga (iv)	-	-	-	-	-	-	-	-	-	-	-	-	-
Third: Executive Directors													
None	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: All amounts are stated in Bahraini Dinars

(i) Resigned w.e.f. 9 May 2023
(ii) Resigend w.e.f. 7 July 2023
(iii) Appointed w.e.f. 9 May 2023
(iv) Appointed w.e.f. 7 July 2023

b. Remuneration and benefits paid to Executive Management:

Salaries, benefits and other allowance paid to executive management are disclosed as follows;

Executive management	*Total paid salaries and allowance*	*Total paid remuneration (Bonus)*	*Any other cash/ in kind remuneration for 2023*	***Aggregate Amount***
Remuneration of top executives (Chief Executive Officer and Chief Financial Officer) *	141,196	21,161	3,000	**165,357**
Note: All amounts are stated in Bahraini Dinars * Executive management consist of Chief Executive Officer & Chief Financial Officer only				

Signed on behalf of the Board of Directors

Meshary M A M Al-Judaimi
Chairman
13 February 2024

Tomaz Henrique Guadagnin
Vice-Chairman
13 February 2024

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Al Dur Power and Water Company B.S.C. (c)
Manama, Kingdom of Bahrain

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Al Dur Power and Water Company B.S.C. (c) ("the Company"), which comprise the statement of financial position as at 31 December 2023, and the statements of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements including a summary of material accounting policies 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 International Financial Reporting Standards (IFRS Accounting Standards) (IFRSs).

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 the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

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 IFRSs, 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 have no realistic alternative but to do so.

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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 judgement and maintain professional scepticism 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control;

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

- 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 the 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.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on other legal and regulatory requirements

We report that:

1) As required by the Bahrain Commercial Companies Law 2001 (and subsequent amendments), we report that:

a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;

b) the financial information contained in the Director's report is consistent with the financial statements;

c) we are not aware of any violations during the year of the Commercial Companies Law or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position, and

d) satisfactory explanations and information have been provided to us by the Board of Directors in response to all our requests.

2) As required by the Ministry of Industry and Commerce in their letter dated 30 January 2020 in respect of Article (8) of Section (2) of Chapter (1) of the Bahrain Corporate Governance Code, we report that the Company has:

a) a Corporate Governance Officer, and

b) a board approved written guidance and procedures for corporate governance.

Deloitte & Touche

Deloitte & Touche - Middle East
Registration Number: 256
Manama, Kingdom of Bahrain
7 March 2024

AL DUR POWER AND WATER COMPANY B.S.C. (c)

STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 BD	2022 BD
ASSETS			
Non-current asset			
Finance lease receivables	5	573,043,217	599,649,267
Investment in a joint venture	6	5,000	5,000
Derivative financial instruments	14	6,610,381	10,338,892
Total non-current asset		579,658,598	609,993,159
Current assets			
Finance lease receivables	5	26,606,056	25,567,097
Inventories	7	2,682,464	2,443,060
Accounts and other receivables	8	16,667,367	18,992,064
Due from a related party	9	8,650	1,829
Derivative financial instruments	14	3,270,451	3,193,649
Bank balances, cash and deposits	10	18,521,959	23,550,272
Total current asset		67,796,818	73,738,160
TOTAL ASSETS		647,455,416	683,731,319
EQUITY AND LIABILITIES			
Equity			
Share capital	11	25,000,000	25,000,000
Additional shareholder contribution	12	161,673,949	178,969,949
Statutory reserve	13	10,469,073	8,641,709
Retained earnings		76,443,307	59,997,022
Hedging reserve	14	(541,337)	(630,753)
Total equity		273,044,992	271,977,929
Liabilities			
Non-current liabilities			
Derivative financial instruments	14	3,078,839	3,949,072
Borrowings	15	305,895,372	339,516,722
Demobilisation provision	16	10,288,463	9,745,490
Provision for disputed margins	17	9,298,120	7,954,940
Employees' end of service benefits	18	48,426	46,609
Total non-current liabilities		328,407,219	361,012,840
Current liabilities			
Accounts payables and accruals	19	9,826,360	9,415,365
Amounts due to related parties	9	2,055,199	7,821,152
Derivative financial instruments	14	291,308	594,153
Borrowings	15	33,821,360	32,909,884
Total current liabilities		46,003,205	50,740,550
Total liabilities		374,410,424	411,753,390
TOTAL EQUITY AND LIABILITIES		647,455,416	683,731,319

Meshary M A M Al-Judaimi
Chairman

Tomaz Henrique Guadagnin
Vice-Chairman

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	*2023 BD*	*2022 BD*
Revenue and lease income	20	**135,213,961**	135,849,299
Operations and maintenance costs	21	**(85,436,076)**	(86,277,816)
Gross profit		**49,777,885**	39,571,483
Other income - net	22	**2,618,637**	4,465,229
General, administrative and other expenses	23	**(1,256,869)**	(1,109,490)
Allowance for disputed and unpaid receivables	24	**(201,102)**	(262,062)
Provision for disputed margins	17	**(1,368,640)**	(848,445)
Provision for demobilisation	18	**(542,965)**	(392,716)
Net operating profit for the year		**48,917,046**	41,624,007
Finance costs	25	**(30,643,396)**	(31,200,612)
Profit for the year		**18,273,650**	10,423,395
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Net fair value gain on cash flow hedges	14	**89,413**	46,977,811
Total comprehensive income for the year		**18,363,063**	57,401,206

Meshary M A M Al-Judaimi
Chairman

Tomaz Henrique Guadagnin
Vice-Chairman

The attached notes 1 to 26 form part of these financial statements.

AL DUR POWER AND WATER COMPANY B.S.C. (c)

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Notes	Share capital	Additional Shareholder Contribution	Statutory reserve	Retained earnings	Hedging reserve	Total
		BD	BD	BD	BD	BD	BD
At 01 January 2022		25,000,000	-	7,599,368	50,615,967	(47,608,561)	35,606,774
Profit for the year		-	-	-	10,423,395	-	10,423,395
Other comprehensive income for the year		-	-	-	-	46,977,811	46,977,811
Total comprehensive income for the year		-	-	-	10,423,395	46,977,811	57,401,206
Transfer to statutory reserve	13	-	-	1,042,340	(1,042,340)	-	-
Transfer of subordinated loan from shareholders	12	-	189,309,949	-	-	-	189,309,949
Repayment of additional shareholder contribution	12	-	(10,340,000)	-	-	-	(10,340,000)
At 31 December 2022		25,000,000	178,969,949	8,641,708	59,997,022	(630,750)	271,977,929
Profit for the year		-	-	-	18,273,650	-	18,273,650
Other comprehensive income for the year		-	-	-	-	89,413	89,413
Total comprehensive income for the year		-	-	-	18,273,650	89,413	18,363,063
Transfer to statutory reserve	13	-	-	1,827,365	(1,827,365)	-	-
Repayment of additional shareholder contribution	12	-	(17,296,000)	-	-	-	(17,296,000)
At 31 December 2023		**25,000,000**	**161,673,949**	**10,469,073**	**76,443,307**	**(541,337)**	**273,044,992**

The attached notes 1 to 28 form part of these financial statements.

AL DUR POWER AND WATER COMPANY B.S.C. (c)

STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 BD	2022 BD
OPERATING ACTIVITIES			
Profit for the year		18,273,650	10,423,395
Adjustments for:			
Imputed finance income	20	(30,550,286)	(31,817,010)
Amortisation of deferred finance costs	25	832,062	832,062
Amortisation of discontinued hedging reserve	25	2,667,290	2,968,715
Provision for demobilisation	16	542,965	392,718
Provision for employees' end-of-service benefits	18	6,957	6,362
Allowance for disputed and unpaid receivables	24	204,540	259,956
Provision for disputed and paid gas margin	17	1,368,540	648,445
(Reversal) / allowance for expected credit losses	24	(3,436)	2,097
Insurance claim	22	(2,000,613)	(4,512,000)
Interest on bank borrowings	25	31,774,685	20,900,016
Net (gain) / loss on interest rate swaps	25	(5,566,335)	6,512,248
Other finance costs	25	935,494	87,571
Operating profit before working capital changes		18,485,711	6,604,574
Working capital changes:			
Inventories		(139,391)	96,422
Accounts and other receivable		493,178	(2,317,847)
Due from related parties		(6,771)	(1,197)
Accounts payable and accruals		(374,602)	34,479
Due to related parties		(5,755,953)	11,248,903
Employee benefits paid		(5,140)	-
Net cash flows from operating activities		12,697,032	15,665,334
INVESTING ACTIVITY			
Proceeds from finance lease		56,107,383	56,812,329
Decrease / (increase) in fixed deposits		4,880,000	(11,280,000)
Proceeds from insurance claim		3,213,232	3,299,381
Net cash flows from investing activities		64,200,615	48,831,710
FINANCING ACTIVITIES			
Repayment of borrowings	15	(33,741,946)	(30,266,946)
Repayment of additional shareholder contribution	9	(17,296,000)	(10,340,000)
Finance costs paid		(26,311,501)	(27,193,317)
Fuel demand model reserve account		(56,521)	(1,221,073)
Net cash used in financing activities		(77,405,968)	(69,021,336)
Net decrease in cash and cash equivalents		(508,321)	(4,524,292)
Cash and cash equivalents, at the beginning of the year		8,675,275	13,199,567
Cash and cash equivalents, at the end of the year	10	8,166,954	8,675,275

The attached notes 1 to 28 form part of these financial statements.

1 INCORPORATION AND PRINCIPAL ACTIVITIES

Al Dur Power and Water Company B.S.C. (c) ("the Company") is a Bahraini Closed Joint Stock Company, incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under Commercial Registration (CR) number 69733 on 27 August 2008. The address of the Company's registered office address is Flat 1203, Building 2795, Road 2835, Block 428, Al Seef, Kingdom of Bahrain.

The Company is engaged in the private generation of electrical power using 1234MW power plant and production of desalinated water using 48 MIGD water desalination facility located in Al Dur, Kingdom of Bahrain. The Company commenced its commercial operations in February 2012 and is contracted to supply electricity and water to the Electricity and Water Authority ("EWA"), Kingdom of Bahrain under a long-term Power and Water Purchase Agreement ("PWPA").

The Company's majority shareholder is Al Dur Holding Company Limited ("the Parent Company"), a limited liability company registered in United Arab Emirates.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 7 March 2024.

2 BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in conformity with applicable requirements of the Bahrain Commercial Companies Law of 2001 (and subsequent amendments).

The financial statements have been presented in Bahraini Dinars ("BD"), being the presentation and functional currency of the Company.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value. The carrying values of recognised liabilities that are designated as hedged items in cash flow hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

New and amended standards and interpretations

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17):

  The Company has adopted IFRS 17 and the related amendments for the first time in the current year. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

  IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

  The Company does not have any contracts that meet the definition of an insurance contract under IFRS 17.

2 BASIS OF PREPARATION (continued)

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies:

  The Company has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

  The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

  The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

- Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction:

  The Company has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

- Amendments to IAS 12 Income Taxes—International Tax Reform — Pillar Two Model Rules.

  The Company has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

  The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

  Following the amendments, the Company is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

  The Company has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

2 BASIS OF PREPARATION (continued)

New and revised standards issued but not yet effective
At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IFRS 10 Consolidated *Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- Amendments to IAS 1 *Presentation of Financial Statements* : Classification of Liabilities as Current or Non-current.
- Amendments to IAS 1 *Presentation of Financial Statements* - Non-current Liabilities with Covenants.
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments. Disclosures.
- Amendments to *IFRS 16 Leases* - Lease Liability in a Sale and Leaseback

Management do not expect that the adoption of the above Standards will have a material impact on the Company's financial statements in future periods.

3 MATERIAL ACCOUNTING POLICIES INFORMATION

Current versus non-current classification
The Company presents assets and liabilities in the statement of financial position based on current / non-current classification.

An asset is classified as current when it is:

- expected to be realised or intended to sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period: or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

Leases
The Company assesses at each 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.

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

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

The Company as a lessee (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 to leases of long-term agreements for land leases and lease agreement for office premises 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.

The Company as a lessor

IFRS 16 applies to the identification of services and take-or-pay sales or purchasing contracts that do not take the legal form of a lease but convey a right to the customer / supplier to use an asset or a group of assets in return for a payment or a series of fixed payments. Contracts meeting these criteria should be identified as either operating leases or finance leases. Contractual provisions in the Company's PWPA with EWA fall within the requirements of IFRS 16.

Inventories

Inventories are stated at the lower of cost or net realisable value using the first-in, first-out method. Costs comprise purchase costs and, where applicable, directly attributable cost that have been incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Financial instruments - recognition and 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

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables 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, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

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

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

Subsequent measurement

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

(a) Financial assets at amortised cost (debt instruments).

(b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt

(c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), and

(d) Financial assets at fair value through profit or loss.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Financial instruments - recognition and measurement (continued)

(i) Financial assets (continued)

Financial assets at amortised cost

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

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

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

The Company's financial assets at amortised cost include finance lease receivable, accounts receivable and others, amounts due from related parties and bank balances and deposits.

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 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.

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

The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of financial assets

A financial asset (in whole or in part) is derecognised where:

- the right to receive cash flows from the asset has expired,
- the Company has transferred its rights to cash flows from an asset and either (a) has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset.

(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.

3 **MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

Financial instruments - recognition and measurement (continued)

(ii) **Financial liabilities (continued)**

Subsequent measurement

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

The Company's financial liabilities comprise of accounts and other payables, subordinated loans from shareholders, term loans, amounts due to related parties and derivative financial instruments.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, profit/ interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest / profit rate (EIR/ EPR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR/ EPR 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/ EPR. The EIR/ EPR amortisation is included as finance costs in the statement of profit or loss and comprehensive income. This category generally applies to interest-bearing loans and borrowings.

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

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

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment,
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The Company's derivative financial instruments qualify as cash flow hedges.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Financial instruments - recognition and measurement (continued)

Derivative financial instruments and hedge accounting (continued)

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

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income "OCI" in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss and other comprehensive income.

The Company uses interest rate swap contracts as hedges of its exposure to interest rate risk. The ineffective portion relating to interest rate swaps contracts is recognised in finance costs.

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

Fair value measurement

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

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

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

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

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

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

The Company enters into interest rate swap agreements with certain counterparties, principally financial institutions with investment grade credit ratings. Interest rate swaps are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying hedged item. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Company's own non-performance risk. As at 31 December 2023, the marked-to market value of derivative liability position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment.

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

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Fair value measurement (continued)

Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, and

Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Employees' end of service benefits

Non-Bahraini employees

Non-Bahraini employees of the Company are paid an end of service indemnity. The entitlement to end of service indemnity is based upon the expatriate employee's final salary and length of service as per Bahrain Labour Law. The expected costs of these benefits are accrued over the period of the employment.

Bahraini employees

With respect to Bahraini employees, the Company makes contributions to the Social Insurance Organisation, calculated as a percentage of the employees' salaries in accordance with the relevant Law. The Company's obligations are limited to these contributions, which are expensed when due. As per the Company policy, the Company make provisions for termination benefits for Bahraini employees based on the length of the service.

The entitlement to leave pay and passage is based upon the terms of employment contract with the employees and length of service. The expected costs of these benefits are accrued at the end of each reporting period and carried forward until they are utilised.

Provisions

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 a provision is presented in the statement of comprehensive income net of any reimbursement.

Revenue recognition

Imputed finance income

Imputed finance income is recognised in the statement of profit or loss and other comprehensive income under the effective interest rate method and is disclosed as part of revenue. This is recognized over the term as described in the PWPA.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods and services is transferred to the customer or services are rendered 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 (excluding any amounts collected on behalf of third parties such as value added tax, etc.). The Company has concluded that it acts as principal in majority of its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The recognition criteria for various types of revenue as follows.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Revenue recognition (continued)

Operations and maintenance revenue

The operations and maintenance revenue mainly comprises fixed and variable operations and maintenance charges. Operations and maintenance revenue are based on the PWPA with EWA, and is presented net of scheduled and forced unavailability's and recognised over time, using an input method to measure progress towards complete satisfaction of the services, as the customer simultaneously receives and utilises the services provided by the Company.

Energy revenue

The energy revenue is mainly based on the consumption of the natural gas and fuel oil are based on the PWPA agreement

Operations and maintenance revenue and energy revenue are recognised over time based on an output method as and when the services are rendered

Foreign currencies

Transactions in foreign currencies are initially recorded in Bahraini Dinars at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Bahraini Dinars at exchange rate ruling at the statement of financial position date. All exchange gains and losses are taken to the statement of comprehensive income

Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined

Borrowing costs

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue the business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Arrangement that contains a lease

The Company's management determined that the contractual provisions in the Company's Power and Water Purchase Agreement PWPA with EWA fall within IFRIC 4 "Determining whether an Arrangement contains a Lease", hence as per IAS 17 "Leases" (now superseded by IFRS 16 "Leases"). The Company adopted IFRS 16 parctical expedient at transition from IAS 17 to IFRS 16 and the lessor accounting under IFRS 16 is substantially unchanged from IAS 17. The lessors will continue to classify leases as either operating or finance lease using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor. Accordingly, PWPA transfers all the substantial risks and rewards relating to the power & water plant to the off taker (EWA) and hence qualifies as a finance lease (note 5).

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of trade and other receivables

The Company sets its provision initially based on the Company's historical observed default rates. The Company updates the rates to adjust the historical credit loss experience with forward-looking information.

The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 8.

The information about the ECLs on the Company's related party receivables is disclosed in note 9, and the ECLs provided for the bank balances, cash and deposits are disclosed in note 10 accordingly.

Provision for demobilisation costs

Based on the historical experience and contractual obligation as per the Operations and Maintenance Agreement with Al Ezzel Operation and Maintenance Company W.L.L., the Company has recognised a provision for decommissioning obligation associated with its power plant and water desalination facilities. In determining the fair value of the provision, assumptions and estimates are made in relation to the expected cost to dismantle and remove the plant from the site and the expected timing of those costs. Most suitable industry index for power sector under the United States Producer Price Index has been used in determining the present value of the demobilisation provision as the management expects to incur significant portion of these costs in US Dollars. The information about the demobilisation provision is disclosed in note 16.

If the estimated United States Producer Price Index used in the calculation had been 1% higher at the year end, the carrying amount of the provision would have been higher by BD 97,455 (2022: BD 93,528).

Provision for disputed and paid fuel margin and disputed and unpaid fuel margin and non- conforming water deductions by EWA

Fuel margin and non-conforming water disputes were referred to the Arbitration with EWA. The disputed fuel margins up to September 2015, and disputed non-conforming water deductions up to August 2014 were considered in the International Chamber of Commerce (ICC) Award issued on 17 November 2016, and addendum to the Award issued on 03 March 2017. The resulting impact has been recorded in the financial

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates (continued)

During November 2021, the Company and EWA agreed on the Award Implementation Protocol (AIP) to agree on revised Fuel Demand model and resolve disputes related fuel margin and Non-Conforming Water Issues subsequent to the periods considered in the ICC Award. During the year 2023, revised Fuel Demand Model (FDM) was implemented and agreed with EWA.

Subsequent to the year end the Company obtained lenders approval as required under the Finance Documents for the proposed interim settlement agreement with EWA in respect of disputes related to fuel charges and non-conforming water up to the 31 December 2022. Accordingly, the Company will coordinate with EWA to recalculate and agree the fuel charges based on revised FDM. At the reporting date, the Company has made full provision for the disputed Fuel Charges and Non- Conforming Water amounts based on best estimate.

5 FINANCE LEASE RECEIVABLES

The substance of the Company's PWPA with EWA is to construct, own and operate the Al Dur Power & Water plant over 25 years starting from the Commercial Operation date (February 2012). The agreement conveys the right to use the facility to EWA.

The Company also doesn't provide ECL allowances for the finance lease receivables as there is no history of default and the receivable from EWA is secured by a government guarantee issued by the Government of Bahrain.

	2023 *BD*	*2022* *BD*
Balance as at January	**625,206,364**	650,201,683
Less: payments received during the year	**(25,557,097)**	(24,995,319)
Balance at end of the year	**599,649,267**	625,206,364

	Minimum lease receipts		*Present value of minimum lease receipts*	
	2023 *BD*	*2022* *BD*	*2023* *BD*	*2022* *BD*
Within one year	**55,883,487**	56,107,384	**26,606,050**	25,557,097
in 2 to 5 years (inclusive)	**226,001,041**	225,273,656	**123,448,679**	116,743,359
After 5 years	**566,253,028**	622,863,900	**449,594,538**	482,905,908
	848,137,556	904,244,940	**599,649,267**	625,206,364
Less: Unearned finance income	**(248,488,289)**	(279,038,575)	-	-
Present value of minimum lease receipts	**599,649,267**	625,206,365	**599,649,267**	625,206,364

Included in the statement of financial position as:

	2023 *BD*	*2022* *BD*
Current	26,606,050	25,557,097
Non-current	**573,043,217**	599,649,267
	599,649,267	625,206,364

The land on which the power station, seawater desalination facilities and related buildings are constructed, is leased from the Government of Bahrain for a period of 30 years from the scheduled commercial operation date (1 June 2011) at a nominal rent of BD 1,000 per annum.

6 INVESTMENT IN A JOINT VENTURE

	2023 BD	2022 BD
50% share of BD 10,000 stated share capital of Al Dur Shared Facilities Company W.L.L.	**5,000**	5,000

Based on the Company's PWPA with the EWA, it is required the Company and Haya Power and Desalination Company B.S.C. (Closed) (Al Dur - 2) to establish a company and jointly own the Al Dur Seawater Intake/ Outfall Facilities. Accordingly, the Company entered into a Shared Facilities Shareholder Agreement dated 15 May 2019 with Al Dur - 2, and established Al Dur Shared Facilities Company W.L.L (ADSFC) on 26 December 2019 with 50% equal ownership. ADSFC is required to be operated in accordance with the terms and conditions stated in the Shared Facilities Shareholder Agreement. Upon commencement of commercial operations of Al Dur- 2 Project Company, ADSFC started its operations and maintenance activities effective from 1 June 2022. As of 31 December 2023, transfer of Al Dur Seawater Intake/ Outfall Facilities was not completed. Upon receiving approval from Company's Finance Parties and receiving notification form EWA, Company intends to transfer the Al Dur Seawater Intake/ Outfall Facilities to ADSFC at BD 1 nominal value as per the PWPA. The Company's interest in ADSFC accounted for using the equity method in the financial statements.

Summarised financial information of Al Dur Shared Facilities Company W.L.L.:

	2023 BD	2022 BD
Total assets	**79,929**	229,464
Total liabilities	**69,929**	219,464
Equity	**10,000**	10,000
Company's share in equity	**5,000**	5,000

7 INVENTORIES

	2023 BD	2022 BD
Diesel	**2,582,451**	2,443,060

8 ACCOUNTS AND OTHER RECEIVABLES

	2023 BD	2022 BD
Trade receivables	**22,864,673**	23,782,305
Allowance for expected credit losses	**(8,831,790)**	(8,702,890)
	14,032,883	15,079,415
Prepaid expenses	**404,937**	276,297
VAT recoverable	**534,351**	1,111,288
Interest and other receivables	**1,885,186**	2,225,054
	16,857,357	18,692,054

Trade receivables represent amounts receivable from EWA. Amounts receivable from EWA have a credit period of 45 days and are non-interest bearing.

8 ACCOUNTS AND OTHER RECEIVABLES (continued)

As explained in note 4, the Company makes full provision for the disputed and unpaid fuel charges and the disputed and unpaid non-conforming water deductions relating to the periods subsequent to the period covered in the ICC Award. Accordingly, BD 7,777,180 (2022: BD 7,752,361) has been provided as disputed and unpaid non-conforming water deductions and provision for disputed and unpaid fuel charges at December 31, 2023 is amounting to BD Nil (2022: 75,640). Please refer Note 17 for provision for disputed and paid fuel charges.

As discussed in note 04, subsequent to the year end, the Company obtained lenders approval as required under the Finance Documents for the proposed interim settlement agreement with EWA in respect of disputes related to fuel charges and non-conforming water up to the 31 December 2022.

The Company does not make ECL allowances for the trade receivable balances from EWA, as the Board of Directors believe that the receivable from EWA is secured by a government guarantee issued by the Government of Bahrain. Hence, any potential risk of default is transferred to the Government.

Movement in allowance for disputed and unpaid receivable are as follows:

	Non-conforming water	*Un-paid fuel margin*	*Other disputes*	*Total*
	BD	*BD*	*BD*	*BD*
At 1 January 2022	7,695,588	1,738,340	747,347	10,181,275
Charge for the year 2022 (note 24)	56,773	75,640	127,542	259,955
Transfer to provision for disputed margins (note 17)	-	(1,738,340)	-	(1,738,340)
At 31 December 2022	7,752,361	75,640	874,889	8,702,890
Charge for the year 2023 (note 24)	24,819	-	179,721	204,540
Transfer to provision for disputed margins (note 17)	-	(75,640)	-	(75,640)
At 31 December 2023	7,777,180	-	1,054,610	8,831,790

As at 31 December, the ageing analysis of accounts receivables are, as follows:

	Total	*Neither past due nor impaired*
	BD	*BD*
2023		
Trade receivables - net	**14,032,883**	**14,032,883**
Interest and other receivables	**1,885,186**	**1,885,186**
	15,918,069	**15,918,069**

	Total	*Neither past due nor impaired*
	BD	*BD*
2022		
Trade receivables - net	15,079,415	15,079,415
Interest and other receivables	2,225,054	2,225,054
	17,304,469	17,304,469

During the year 2023, after receiving relevant consents, the Company extended the natural gas invoicing mechanism agreed with EWA for further period up to 31 December 2023.

9 RELATED PARTY TRANSACTIONS

Related parties represent the shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

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

Balances:

Due from a related party

	2023 *BD*	*2022* *BD*
Entities related to shareholders		
Haya Power & Desalination Company B.S.C.(c)	**8,613**	1,842
	8,613	1,842
Allowance for expected credit losses	**(63)**	(14)
	8,550	1,828

As at 31 December 2023, the Company has recognised allowance for ECLs of BD 63 (2022: BD 14) for related party receivables considering the credit quality of the related parties. Movement in the ECL of the related party receivables during the year is as follows:

	2023 *BD*	*2022* *BD*
Balance at the beginning of the year	**14**	5
Expected credit loss allowance charged during the year	**49**	9
Balance at 31 December	**63**	14

The ageing analysis of due from a related party is as follows:

	Total *BD*	*Current* *BD*
2023		
Entities related to shareholders	**8,613**	**8,613**

	Total *BD*	*Current* *BD*
2022		
Entities related to shareholders	1,842	1,842

9 RELATED PARTY TRANSACTIONS (continued)

Due to related parties

	2023 BD	2022 BD
Shareholders		
Gulf Investment Corporation G.S.C.	**56,410**	17,653
Social Insurance Organisation	**91,708**	11,492
Kyuden International Europe B.V.	**33,846**	22,963
Entities related to shareholders		
Al Ezzel Operations and Maintenance W.L.L	**1,493,427**	7,575,962
Al Ezzel Power Company B.S.C.(c)	**97,702**	91,913
Aldur Shared Facilities Company W.L.L.	**15,147**	-
Engie Invest International SA - B	**137,583**	101,129
International Power SA Dubai Branch	**139,396**	-
	2,065,199	7,821,152

Amounts due from and due to related parties are interest free and have no pre-determined repayment period. Management considers these balances to be current assets and current liabilities, as appropriate.

Related party transactions:

Transactions with related parties (shareholders,entities related to shareholders, associates and joint ventures) included in the statement of profit or loss and other comprehensive income are as follows:

	2023 BD	2022 BD
Shareholders:		
Finance costs	**76,424**	71,411
Settlement of liabilities on behalf of other related parties	**-**	1,500
Repayment of additional shareholder contribution	**17,298,000**	10,340,000
Entities related to shareholders:		
Finance costs	**275,125**	257,080
Operations and maintenance costs	**21,000,857**	19,563,752
Settlement of liabilities on behalf of other related parties	703,514	59,350
	39,351,720	30,293,093

Compensation of key management personnel:

Key management personnel of the Company comprise the Board of Directors and the key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. During the year, no remuneration was paid to the Board of Directors. Remunerations of other members of management are as follows:

	2023 BD	2022 BD
Short term benefits	**165,357**	157,441
End of service benefits	**13,730**	10,102
	179,087	167,543

Short term benefits were in the form of salaries, bonuses and allowances.

10 BANK BALANCES, CASH AND DEPOSITS

	2023 *BD*	*2022* *BD*
Cash and cash equivalents	**8,166,954**	8,675,275
Term deposit with original maturity more than 3 months (a)	**6,400,000**	11,280,000
Fuel demand model reserve account (b)	**3,967,127**	3,910,606
	18,534,081	23,865,881
Allowance for expected credit losses	**(12,122)**	(15,609)
	18,521,959	23,850,272

(a) The original maturity of term deposit varies between 90 to 120 days and earn interest at rates ranging between 5% and 5.8% (2022: between 4.5% and 4.77%) per annum.

(b) Amounts in fuel demand model reserve account represents the restricted deposits made by the Company for compliance with certain debt covenants. This amount is not considered as cash and cash equivalents.

Movement in the ECL provision of cash at bank balances during the year is as follows:

	2023 *BD*	*2022* *BD*
Balance at the beginning of the year	**15,609**	13,521
(Reversal) / provided during the year	**(3,487)**	2,088
Balance at 31 December	**12,122**	15,609

11 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company consists of 250,000 ordinary shares with a nominal value of BD 100 each. The legal shareholding structure of the Company is as follows:

		2023 and 2022		
	Country of incorporation	*Percentage ownership*	*Number of shares*	*Amount BD*
Al Dur Holding Company Limited	U.A.E.	99%	247,500	24,750,000
Kahrabel FZE	U.A.E.	0.5%	1,250	125,000
Gulf Investment Corporation G.S.C.	Kuwait	0.5%	1,250	125,000
		100.0%	250,000	25,000,000

12 ADDITIONAL SHAREHOLDER CONTRIBUTION

During the year 2022, the Company transferred the balance in Subordinated Shareholder loan to additional shareholder contribution under the Shareholders' equity, as agreed with the Al Dur Holding Company Limited. The Company repaid BD 17,296,000 (2022: BD 10,340,000) during the year.

13 STATUTORY RESERVE

In accordance with the Bahrain Commercial Companies Law of 2001 of 2001 (and subsequent amendments) and the Company's articles of association, 10% of the annual profits has been transferred to statutory reserve. The Company may elect to discontinue such transfer when the reserve reaches 50% of the paid-up share capital. This reserve is not available for distribution except in such circumstances as stipulated in the Bahrain Commercial Companies law of 2001 (and subsequent amendments).

14 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial assets
Derivatives that are designated and effective as hedging instruments carried at fair value are as follows:

	2023 *BD*	*2022* *BD*
Interest rate swaps:	**9,830,832**	13,532,741

Derivative financial liabilities
Derivatives that are designated and effective as hedging instruments carried at fair value are as follows

	2023 *BD*	*2022* *BD*
Interest rate swaps:	**3,367,145**	4,443,231

The Company did not enter into any enforceable netting arrangements for interest rate swaps.

	2023 *BD*	*2022* *BD*
Asset		
Current	**3,220,451**	3,193,849
Non-current	**6,610,381**	10,338,892
	9,830,832	**13,532,741**

	2023 *BD*	*2022* *BD*
Liabilities		
Current	**291,306**	594,159
Non-current	**3,075,839**	3,849,072
	3,367,145	4,443,231

	2023 *BD*	*2022* *BD*
Cash flow hedges		
Effective portion of the cash flow hedges	**(6,550,921)**	(9,128,798)
Ineffective portion of the cash flow hedges	**87,234**	39,288
	(6,463,687)	(9,089,510)

The Company uses interest rate swaps as part of its interest rate risk management. These derivatives qualify for hedge accounting and have been designated as cash flow hedges according to IFRS 9: Financial Instruments-Recognition and Measurement. Fair value of interest rate swaps is estimated based on the prevailing interest rates.

As at 31 December 2023, notional amounts outstanding for Interest rate swaps was BD 326.8 million (USD 869.2 million) (2022: BD 358.9 million (USD 954.4 million))

The bank borrowings (note 15) carried interest rate at 3.825% plus 6-month LIBOR. During the final quarter of 2023, the Company transitioned its bank borrowings to SOFR with additional fixed spread of 42.826bps. No other terms were amended as part of the transition. The Company accounted for the change to SOFR using the practical expedient in IFRS 9, which allows the Company to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

The Company entered into IRSs agreements with counterparties up to 1 April 2030 with hedging coverage of 95% of the term loan facility (note 15).

14 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Movement in the hedging reserve of the terminated IRSs during the year is as follows:

	2023 BD	2022 BD
Balance at the beginning of the year	**9,759,548**	12,626,263
Amortisation (note 25)	**(2,667,290)**	(2,866,715)
Balance at the end of the year (a)	**7,092,258**	9,759,548

(a) Balance in the hedging reserve for the terminated IRSs will be amortised until 1 April 2027, which is the original maturity date of the terminated IRSs.

As part of the new financing, the Company entered into new IRSs agreements with new counter parties up to 1 April 2030, to cover the minimum 76% of the new term loans profile as per the new refinancing facility agreement (note 14). With effect from 1 April 2020, the hedge cover has been increased to 95% of the loan profile.

Movement in hedging reserve during the year:

	2023 BD	2022 BD
Balance at the beginning of the year	**630,750**	47,608,561
Net value loss / (gain) on IRS (i)	**2,577,877**	(44,109,096)
Amortisation of discontinued hedging reserves (i) (note 25)	**(2,667,290)**	(2,868,715)
Balance at the end of the year	**541,337**	630,750
(i) other comprehensive income	**(89,413)**	(46,977,811)

Movement in net hedging assets during the year:

	2023 BD	2022 BD
Balance at the beginning of the year	**9,089,510**	(35,400,138)
Net value (loss) / gain on IRS	**(2,625,823)**	44,489,648
Balance at the end of the year	**6,463,687**	9,089,510

Movement in hedging loss recognised in profit or loss (ineffective portion):

	2023 BD	2022 BD
Balance at the beginning of the year	**39,288**	419,840
Ineffective portion of cash flow hedge loss / (gain) recognized during the year (note 25)	**47,946**	(380,552)
Balance at the end of the year	**87,234**	39,288

Maturity date:

	Nominal Amounts	
	2023 BD	2022 BD
1 April 2027	**107,993,333**	115,396,620
1 October 2029	**153,804,252**	71,396,602
1 April 2030	**65,019,374**	172,078,587
Balance at the end of the year	**326,816,959**	358,871,809

15 BORROWINGS

	2023 BD	2022 BD
Current	33,821,350	32,909,884
Non-current	305,695,372	339,516,722
	339,516,722	372,426,606

During November 2018, the Company obtained BD 487 million (USD 1,295 million) re-financing facilities from a syndicate of banks. The purpose of the re-financing facilities is to settle the initial financing facilities. The re-financing facilities are denominated in United States Dollars and the aggregate amount is repayable on semi-annual instalments starting from 1 April 2019.

All the financing facilities are secured by a comprehensive legal and commercial mortgage over all of the assets of the Company

The financing facility agreements contain certain covenants pertaining to, amongst other items, project finance ratios, liquidation and merger, entering into material new agreements, negative pledge, change of business, loans and guarantees. During the year, the Company complied with these covenants

As disclosed in note 14, the bank borrowings carried interest rate at 3.825% plus 6-month LIBOR. During the final quarter of 2023, the Company transitioned its bank borrowings to SOFR with additional fixed spread of 42.826bps.

Movements in the net borrowings:

	2023 BD	2022 BD
Loan balance:		
Balance at the beginning of the year	377,759,799	408,026,745
Repayments during the year	(33,741,946)	(30,266,946)
	344,017,853	377,759,799
Less: Un-amortised loan origination fees:		
Balance at the beginning of the year	5,333,193	6,165,255
Amortisation during the year (note 25)	(832,062)	(832,062)
	4,501,131	5,333,193
Net loan balance	339,516,722	372,426,606

15 BORROWINGS (continued)

Borrowing Schedule

	International Facilities BD	*Ijara A Facilities BD*	*Ijara B Facilities BD*	*Murabaha Facilities BD*	***Total BD***
Total Commitment / utilisation	168,878,942	129,934,475	112,800,000	75,200,000	**486,813,417**
Bank Borrowings:					
At 1 January 2023	112,054,556	86,214,123	107,694,672	71,796,448	**377,759,799**
Repayments	(17,445,195)	(13,422,231)	(1,724,712)	(1,149,808)	**(33,741,946)**
At 31 December 2023	94,609,361	72,791,892	105,969,960	70,646,640	**344,017,853**
Un-amortised loan origination fees:					
At 1 January 2023	1,044,259	803,444	2,091,293	1,394,197	**5,333,193**
Amortisation during the year	(198,725)	(152,898)	(288,264)	(192,175)	**(832,062)**
At 31 December 2023	845,534	650,546	1,803,029	1,202,022	**4,501,131**
Net bank borrowings:					
At 31 December 2023	**93,763,827**	**72,141,346**	**104,166,931**	**69,444,618**	**339,516,722**
At 31 December 2022	111,010,297	85,410,679	105,603,379	70,402,251	372,426,606
Interest rates					
Up to 1 October 2023	LIBOR + 3.30%	LIBOR + 3.30%	LIBOR + 3.70%	LIBOR + 3.70%	
Form 2 October 2023	SOFR + 3.55%	SOFR + 3.55%	SOFR + 3.95%	SOFR + 3.95%	
Weighted average interest / profit rates	8.42%	8.42%	8.86%	8.86%	
Maturity date	1 Apr 2028	1 Apr 2028	1 Oct 2031	1 Oct 2031	
Interest/ profit for the year 2023	8,885,257	6,836,265	9,632,018	6,421,345	31,774,885

All the above facilities are in United States Dollars.

16 DEMOBILISATION PROVISION

	2023 BD	*2022 BD*
Balance at the beginning of the year	**9,745,498**	9,352,780
Unwinding of discount and effect of the change in discount rate	**542,965**	392,718
Balance at the end of the year	**10,288,463**	9,745,498

The provision for demobilisation costs represents the present value of the management's best estimates of the future outflow of economic benefits that will be required to demobilise the plant at the end of the Power & Water Purchase Agreement ("PWPA") period. Management uses the United States Producer Price Index to determine the discount rate and periodic unwinding of the discount has been recognised in profit or loss. Unexpired term of the PWPA is 12.5 years as it ends in May 2036.

17 PROVISION FOR DISPUTED FUEL MARGINS

	2023 BD	2022 BD
Balance at the beginning of the year	**7,854,940**	5,468,155
Charge during the year	**1,368,540**	648,445
Transfer from allowance for expected credit losses (Note 8)	**75,640**	1,738,340
Balance at the end of the year	**9,298,120**	7,854,940

Provision for disputed fuel margins are related to amounts disputed and paid by EWA from October 2016 (subsequent to the periods considered in the EWA Arbitration).In order to accelerate the FDM finalisation and finalise the Non Confirming Water calculation protocol, the Company and EWA signed the Award Implementation Protocol ("AIP") during November 2021. As discussed in note 04, subsequent to the year end, the Company obtained lenders approval as required under the Finance Documents for the proposed interim settlement agreement with EWA in respect of disputes related to fuel charges and non-conforming water up to the 31 December 2022 and as agreed in the AIP, the Company will coordinate with EWA to reconcile fuel charges subsequent to the settlement period based on the revised FDM.

18 EMPLOYEES' END OF SERVICE BENEFITS

	2023 BD	2022 BD
Balance at the beginning of the year	**46,608**	40,246
Paid during the year	**(5,140)**	-
Charge for the year	**6,957**	6,362
Balance at the end of the year	**48,425**	46,608

19 ACCOUNTS PAYABLE AND ACCRUALS

	2023 BD	2022 BD
Trade payables	**1,476,973**	1,849,244
Other payables	**19,187**	21,518
Accrued interest	**8,329,190**	7,544,593
	9,825,350	9,415,355

Trade payables are non-interest bearing and are normally settled within 45-90 days terms.

20 REVENUE AND LEASE INCOME

	2023 BD	2022 BD
Imputed finance income	**30,550,286**	31,817,010
Revenue from contracts with a customer		
Energy revenue	**67,378,823**	70,767,752
Operations and maintenance revenue	**37,284,852**	33,264,537
	104,663,675	104,032,289
	135,213,961	135,849,299

21 OPERATIONS AND MAINTENANCE COSTS

	2023 BD	2022 BD
Energy cost	**66,036,242**	69,984,331
Operations and maintenance costs	**19,400,834**	26,293,485
	85,436,076	96,277,816

22 OTHER INCOME

	2023 BD	2022 BD
Proceeds from insurance claim (note 22.1)	**2,000,613**	4,512,000
Interest income	**744,739**	205,730
Net foreign exchange loss	**(226,715)**	(252,501)
	2,518,637	4,465,229

22.1 During August 2022, a gas turbine (GT-12) was damaged due to generator compressor casing quenching incident. Total amount claimed from insurance was BD 6,512,613 (USD 17,320 779). Interim claim of BD 4,512,000 was recognised during year 2022 and the balance amount of BD 2,000,613 was received during the year 2023. Repair costs incurred for this incidend has been included under the operation and maintennace costs.

23 GENERAL, ADMINISTRATIVE & OTHER EXPENSES

	2023 BD	2022 BD
Insurance	**813,559**	647,355
Staff costs	**292,871**	285,445
General administrative costs	**60,786**	68,195
Professional fees	**99,653**	108,495
	1,266,869	1,109,490

24 PROVISION FOR DISPUTED RECEIVABLES

	2023 BD	2022 BD
Provision for disputed and unpaid receivables (note 8)	**204,540**	259,955
Allowance for expected credit losses (note 9 and note 10)	**(3,438)**	2,097
	201,102	262,052

25 FINANCE COSTS - NET

	2023 BD	2022 BD
Interest on bank borrowings (note 15)	**31,774,885**	20,900,016
Net (gain) / loss on interest rate swaps – cash flow hedges	**(5,568,335)**	6,512,246
Amortisation of discontinued cash flow hedges (note 14)	**2,667,290**	2,868,715
Amortisation of deferred finance costs (note 15)	**832,062**	832,062
Ineffective portion of cash flow hedge loss / (gain) recognized (note 14)	**47,946**	(380,552)
Other finance costs	**887,548**	468,125
	30,643,396	31,200,612

26 COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Commitments under Operations and Maintenance Agreement:

The Company has entered into an Operations and Maintenance Agreement with Al Ezzel Operations and Maintenance Company ("the operator") under which it is committed to pay certain fees to the Operator of the Plant as fixed and variable fees, with relevant indexation adjustments, as specified in the operation and maintenance agreement.

b) Capital expenditure commitments

There were no capital expenditure contracted for at the reporting date.

27 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Company's financial instruments expose it to a variety of financial risks. These include foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Board of Directors monitors these risks to minimize potential adverse effects on the Company's financial performance.

The Company's financial assets include finance lease receivables, accounts and other receivable, due from related parties and bank balances, cash and deposits. Financial liabilities include derivative financial instruments, accounts payables and accruals, due to related parties, subordinated loans from shareholders and term loans.

The summary of financial assets and financial liabilities are follows:

	Amortised cost		*Fair value through OCI*	
	2023	2022	**2023**	2022
	BD	BD	**BD**	BD
Financial assets				
Finance lease receivables	**599,649,267**	625,206,364	-	-
Derivative financial instruments	-	-	**9,830,832**	10,338,892
Due from a related party	**8,550**	1,828	-	-
Accounts and other receivable	**15,918,069**	17,304,469	-	-
Bank balances, cash and deposits	**18,521,959**	23,850,272	-	-
	634,097,845	666,362,933	**9,830,832**	10,336,892
Financial liabilities				
Derivative financial instruments	-	-	**3,367,145**	4,443,231
Accounts payable and accruals	**9,825,350**	9,415,355	-	-
Due to related parties	**2,065,199**	7,821,152	-	-
Borrowings	**344,017,853**	377,759,799	-	-
	355,908,402	394,996,306	**3,367,145**	4,443,231

Board of Directors and Those Charged with Governance (TCWG)

The Board of Directors and TCWG are responsible for the overall risk management approach and for approving the risk strategies and principles.

The risk associated with financial instruments and the Company's approaches to managing such risks are described 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.

27 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Credit risk (continued)

Please refer to notes 5, 6 and 10 for concentration of credit risk. The Company's exposure to credit risk is limited as it has only one customer, the EWA of the Kingdom of Bahrain, a government entity.

An impairment analysis is performed at each reporting date to measure expected credit losses. Based on the Company's management review, an allowance for ECLs amounting to BD 63 (2022: BD 14) has been recognised for the Company's due from a related party as of 31 December 2023 and 31 December 2022 (Note 9).

The credit risk on liquid funds is limited as the counterparties are financial institutions regulated by the Central Bank of Bahrain and other regulators in the United Kingdom and France. All these financial institutions have acceptable credit ratings assigned by international rating agencies.

As per the Company's management assessment, allowance for expected credit losses on its bank balances as at 31 December 2023 amounting to BD 12,122 (2022: BD 15,609) (Note 10).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below).

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's financial assets and financial liabilities are denominated primarily in Bahraini Dinars, United States Dollars and Euros. As the Bahraini Dinar is pegged to the United States Dollars, balances in the US Dollars are not considered to represent a significant currency risk and a change in the Euro rate against BD is not expected to have a material impact on the Company's profit for the year.

The carrying amounts of the Company's monetary financial assets and monetary financial liabilities denominated in foreign currency at the reporting date are as follows:

	USD		*EUR*	
	2023	*2022*	***2023***	*2022*
	BD	*BD*	***BD***	*BD*
Financial assets				
Bank balances, cash and deposits	**10,383,006**	15,223,857	**1,320**	1,282
	10,383,006	15,223,857	**1,320**	1,282
Financial liabilities				
Borrowings	**344,017,853**	377,759,799	**-**	-
Accounts payables and accruals	**13,171**	1,910,243	**-**	-
Due to related parties	**1,974,918**	7,383,513	**-**	-
	346,005,942	387,053,555	**-**	-

Interest/ profit rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company is exposed to interest rate risk on its interest bearing liabilities (term loans).

27 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Interest/ profit rate risk (continued)

The Company reviews the market analysis and expectations for interest/ profit rate movements as the basis on which the Company decides to utilise floating or fixed rates for its interest/ profit bearing liabilities. The Company has hedged its interest/ profit rate risk on its loan facilities by entering into interest rate swap transactions (note 14).

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2023	*2022*
	BD	*BD*
Variable rate instruments		
Borrowings	**344,017,853**	377,759,799
Derivative financial instruments - net	**(6,463,687)**	(5,895,661)
	337,554,166	371,864,138

Interest/ profit rate sensitivity analysis:

The following interest/ profit rate sensitivity analysis has been calculated considering the exposure to variation in market interest rates for the un-hedged portion of the term loans as at the reporting date. A 50 basis point increase or decrease has been considered for the average loan balance when reporting interest/ profit rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest/ profit rates.

	Profit or loss	
	50 bp increase	*50 bp decrease*
	BD	*BD*
December 31, 2023		
Borrowings	(1,828,353)	1,828,353
Derivative financial instruments	1,736,936	(1,736,936)
	(91,417)	91,417
December 31, 2022		
Borrowings	(1,992,362)	1,992,362
Derivative financial instruments	1,892,744	(1,892,744)
	(99,618)	99,618

The Company is exposed to the interest rate benchmarks risk within its hedge accounting relationships. In the final quarter of 2023, the Company transitioned its interest rate benchmark from USD LIBOR to SOFR with additional fixed spread added of 42.826bps. As listed in note 14, the hedged items include floating rate debt issued in United States Dollars.

27 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Ultimate responsibility for liquidity risk management rests with the Company's management, which has established an appropriate liquidity risk management framework for the Company's short, medium and long-term funding and liquidity requirements. The Company limit its liquidity risk by ensuring bank facilities are available.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	Weighted average effective interest	*Carrying amount BD*	*Contractual cash flows BD*	*Less than 3 months BD*	*3 months to 1 year BD*	*1-5 years BD*	*5+ years BD*
2023							
Accounts payable and accruals		9,825,350	9,825,350	1,496,160	8,329,190	-	-
Due to related parties		2,065,199	2,065,199	2,065,199	-	-	-
Borrowings	8.64%	344,017,853	470,086,816	-	75,528,951	277,637,104	116,920,761
		355,908,402	**481,977,365**	**3,561,359**	**83,858,141**	**277,637,104**	**116,920,761**
2022							
Accounts payable and accruals		9,415,355	9,415,355	1,870,762	7,544,593	-	-
Due to related parties		7,821,152	7,821,152	7,821,152	-	-	-
Borrowings	5.38%	377,759,799	482,316,605	-	42,811,324	257,213,030	182,292,251
		394,996,306	499,553,112	9,691,914	50,355,917	257,213,030	182,292,251

27 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk (continued)

The following table details the Company's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that are settled on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The undiscounted contractual cash flows are based on the contractual maturities of the derivatives.

	3 months to 1 year BD	*1-5 years BD*	*5+ years BD*	*Total BD*
2023				
Net settled				
Interest rate swaps	**2,929,145**	**3,699,066**	**(164,524)**	**6,463,687**
2022				
Net settled				
Interest rate swaps	2,599,689	5,845,216	644,605	9,089,510

Capital management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year.

Gearing ratio

The Company's Board of Directors and TCWG review the capital structure on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end was as follows:

	2023 BD	*2022 BD*
Debt (i)	**344,017,853**	377,759,799
Cash and cash equivalents	**(8,166,954)**	(8,675,275)
Net debt	**335,850,899**	369,084,524
Equity (ii)	**273,044,992**	271,977,929
Net debt to equity ratio	**1 : 0.81**	1 : 0.74

(i) Debt is defined as term loan (note 14).

(ii) Equity includes all capital, retained earnings, reserves and additional shareholder contribution (note 12) of the Company.

28 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The Board of Directors believe that the fair values of the Company's financial instruments carried at amortised cost approximated their carrying amounts as at the reporting dates.

Set out below is an overview of financial instruments, other than derivative financial instruments, held by the Company as at 31 December

		Amortised cost	
		2023	*2022*
		BD	*BD*
Financial assets:			
Finance lease receivables	5	**599,649,267**	625,206,364
Accounts and other receivable	8	**15,916,069**	17,304,469
Due from a related party	9	**6,550**	1,828
Bank balances, cash and deposits	10	**18,521,959**	23,850,272
		634,097,845	666,362,933
Financial liabilities:			
Accounts payable and accruals	19	**9,825,350**	9,415,355
Due to related parties	9	**2,065,199**	7,821,152
Borrowings	15	**344,017,853**	377,759,799
		355,908,402	394,996,306

Fair value measurements recognised in the statement of financial position

The following methods and assumptions were used to estimate the fair values:

a) Bank balances, cash and deposits, certain portion of accounts and other receivables and certain portion of accounts and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments;

b) Term loans are evaluated by the Company based on parameters such as interest rates. As at 31 December 2023, the carrying amounts are not materially different from their fair values (2022: carrying amounts are not materially different from their fair values);

c) The Company enters into derivative financial instruments with certain counterparties, principally financial institutions with investment grade credit ratings. Fair values of interest rate swap contracts remeasured to fair value as disclosed in the accounting policy described on fair value measurement. These are Level 2 as per the fair value hierarchy for the year ended 31 December 2023 and year ended 31 December 2022

28 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements recognised in the statement of financial position (continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses assets and liabilities, measured at fair value as at the end of the year, by level in the fair value hierarchy into which the fair value measurement is categorized.

	2023	*2022*
	Level 2	*Level 2*
	BD	*BD*
Financial assets measured at fair value		
Interest rate swap	**9,630,632**	10,338,802

	2023	*2022*
	Level 2	*Level 2*
	BD	*BD*
Financial liabilities measured at fair value		
Interest rate swap	**3,367,145**	4,443,231

The Company does not have financial instruments qualifying for Level 1 or Level 3 classification.

During the year ended 31 December 2023 and 31 December 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Valuation techniques and key inputs

Fair value of financial liabilities / assets categorised under Level 2 have been determined using discounted cash flows. Future cash flows are estimated based on forecasted interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.