

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

**Condensed Interim Financial Information and Independent Auditor's
Review Report for the three-month ended 31 March 2022
(Unaudited)**

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Independent auditor's report on review of condensed interim financial information

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

Introduction

We have reviewed the accompanying 31 March 2022 condensed interim financial information of Shamal Az-Zour Al-Oula Power and Water Company KSC (Public) (the "Company"), which comprises the condensed statement of financial position as at 31 March 2022, the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes to the condensed interim financial information. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2022 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.



Report on review of other legal and regulatory requirements

Furthermore, based on our review, the condensed interim financial information is in agreement with the books of account of the Company. We further report that, nothing has come to our attention that causes us to believe that there were any violations of the provisions of the Companies Law No. 1 of 2016, and its Executive Regulations, or of the Company's Memorandum and Articles of Association, as amended, during the three-month period ended 31 March 2022 that might have had a material effect on the business of the Company or on its financial position.

We further report that, based on our review, nothing has come to our attention that causes us to believe that there were any violations of the provisions of Law No 7 of 2010, as amended, concerning the Capital Markets Authority, and its related regulations, during the three-month period ended 31 March 2022 that might have had a material effect on the business of the Company or on its financial position.


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

Kuwait: 11 May 2022

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

Condensed statement of financial position
as at 31 March 2022

		31 March 2022	31 December 2021	31 March 2021
	<i>Notes</i>	KD	KD	KD
		(Reviewed)	(Audited)	(Reviewed)
Assets				
Current assets				
Cash and bank balances	5	18,708,246	17,629,296	38,539,526
Trade and other receivables		16,106,269	16,710,070	9,832,652
Due from related parties	7	166,422	153,964	172,435
Finance lease receivable	6	13,298,586	12,719,089	12,144,303
		<u>48,279,523</u>	<u>47,212,419</u>	<u>60,688,916</u>
Non-current assets				
Finance lease receivable	6	441,234,593	442,185,862	452,289,680
Property, plant and equipment		500,092	500,916	433,614
		<u>441,734,685</u>	<u>442,686,778</u>	<u>452,723,294</u>
Total assets		<u>490,014,208</u>	<u>489,899,197</u>	<u>513,412,210</u>
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables		3,946,350	5,282,404	4,398,170
Due to related parties	7	3,031,864	3,359,193	3,805,075
Dividends payable	10	4,784,308	5,087,916	3,957,576
Term loans	8	17,364,822	17,404,430	16,607,078
Derivative financial liabilities	9	6,750,460	11,803,677	13,311,515
		<u>35,877,804</u>	<u>42,937,620</u>	<u>42,079,414</u>
Non-current liabilities				
Provision for staff indemnities		35,098	32,520	26,775
Term loans	8	322,320,261	324,365,783	338,008,456
Derivative financial liabilities	9	44,302,410	64,159,637	63,304,578
		<u>366,657,769</u>	<u>388,557,940</u>	<u>401,339,809</u>
Total liabilities		<u>402,535,573</u>	<u>431,495,560</u>	<u>443,419,223</u>
Equity				
Share capital	10	110,000,000	110,000,000	110,000,000
Statutory reserve		7,417,562	7,417,562	5,996,023
Retained earnings		17,748,673	14,222,513	27,996,731
Foreign currency translation reserve		3,921,288	3,516,630	3,306,870
Hedge reserve	9	(51,608,888)	(76,753,068)	(77,306,637)
Total equity		<u>87,478,635</u>	<u>58,403,637</u>	<u>69,992,987</u>
Total liabilities and equity		<u>490,014,208</u>	<u>489,899,197</u>	<u>513,412,210</u>


 Eng. Ahmad Othman AlMujalham
 Chairman


 Andrew Paul Frain
 Chief Executive Officer

The accompanying notes form an integral part of the condensed interim financial information.

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

Condensed statement of profit or loss and other comprehensive income (unaudited)
for the three-month period ended 31 March 2022

		Three-month period ended	
		31 March	
	<i>Notes</i>	2022	2021
		KD	KD
Revenue	11	12,741,572	11,703,356
Operating costs	7	(3,874,680)	(3,554,727)
Gross profit		8,866,892	8,148,629
Finance and other income		11,556	12,626
Finance costs		(4,463,681)	(4,690,571)
Staff costs and related expenses		(164,489)	(189,515)
General and administrative expenses		(561,737)	(363,466)
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”), National Labour Support Tax (“NLST”) and Zakat		3,688,541	2,917,703
KFAS		(33,197)	(26,259)
NLST		(92,274)	(73,024)
Zakat		(36,910)	(29,210)
Profit for the period		3,526,160	2,789,210
Other comprehensive income:			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences		404,658	(186,945)
Change in fair value of cash flow hedge	9	25,144,180	26,866,396
<i>Total other comprehensive income</i>		<i>25,548,838</i>	<i>26,679,451</i>
Total comprehensive income for the period		29,074,998	29,468,661
Earnings per share (basic and diluted) (fils)	12	3	3

The accompanying notes form an integral part of the condensed interim financial information.

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

Condensed statement of changes in equity (unaudited)
for the three-month period ended 31 March 2022

	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Hedge reserve	Total
	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2021	110,000,000	5,996,023	25,207,521	3,493,815	(104,173,033)	40,524,326
Total comprehensive income for the period						
Profit for the period	-	-	2,789,210	-	-	2,789,210
Change in fair value of cash flow hedge (note 9)	-	-	-	-	26,866,396	26,866,396
Change in foreign currency translation differences	-	-	-	(186,945)	-	(186,945)
Total comprehensive income for the period	-	-	2,789,210	(186,945)	26,866,396	29,468,661
Balance as at 31 March 2021	<u>110,000,000</u>	<u>5,996,023</u>	<u>27,996,731</u>	<u>3,306,870</u>	<u>(77,306,637)</u>	<u>69,992,987</u>
Balance as at 1 January 2022	110,000,000	7,417,562	14,222,513	3,516,630	(76,753,068)	58,403,637
Total comprehensive income for the period						
Profit for the period	-	-	3,526,160	-	-	3,526,160
Change in fair value of cash flow hedge (note 9)	-	-	-	-	25,144,180	25,144,180
Change in foreign currency translation differences	-	-	-	404,658	-	404,658
Total comprehensive income for the period	-	-	3,526,160	404,658	25,144,180	29,074,998
Balance as at 31 March 2022	<u>110,000,000</u>	<u>7,417,562</u>	<u>17,748,673</u>	<u>3,921,288</u>	<u>(51,608,888)</u>	<u>87,478,635</u>

The accompanying notes form an integral part of the condensed interim financial information.

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

Condensed statement of cash flows
for the three-month period ended 31 March 2022

	<i>Note</i>	Three-month period ended 31 March	
		2022	2021
		KD	KD
Cash flows from operating activities			
Profit before contribution to KFAS, NLST and Zakat		3,688,541	2,917,703
<i>Adjustments for:</i>			
Depreciation		5,737	8,067
Finance costs		4,463,681	4,690,571
Net loss from disposal of property, plant and equipment		(8,532)	269
Trade and other receivables		677,962	1,303,029
Due from related parties		(11,690)	(2,703)
Finance lease receivable		2,465,560	2,377,810
Trade and other payables		(1,392,889)	1,072,859
Due to related parties		(341,277)	(113,807)
Provision for staff indemnities		2,417	765
Payment of staff indemnities		-	(2,485)
<i>Net cash from operating activities</i>		<u>9,549,510</u>	<u>12,252,078</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(2,609)	(301)
Proceeds from disposal of property, plant and equipment		8,532	15
<i>Net cash generated from / (used in) investing activities</i>		<u>5,923</u>	<u>(286)</u>
Cash flows from financing activities			
Term loans		(3,649,771)	(3,475,965)
Payment of finance costs		(4,261,695)	(4,844,500)
Payment of dividends		(303,608)	(1,032,123)
<i>Net cash used in financing activities</i>		<u>(8,215,074)</u>	<u>(9,352,588)</u>
Net foreign exchange differences		<u>42,199</u>	<u>(101,707)</u>
Net increase in cash and cash equivalents		1,382,558	2,797,497
Cash and cash equivalent at 1 January		<u>12,541,380</u>	<u>31,784,453</u>
Cash and cash equivalent at 31 March	5	<u><u>13,923,938</u></u>	<u><u>34,581,950</u></u>

The accompanying notes form an integral part of the condensed interim financial information.

Notes to the condensed interim financial information
for the three-month period ended 31 March 2022

1. Reporting entity

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

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

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

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

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

The objectives of the Company are the following:

1. To develop, finance, design, engineer and provide services and build, implement, operate and manage an electricity power generation plant and a water desalination plant and related facilities including performing all work directly or indirectly related to or associated with its activities.
2. To carry out all work relating to the building works necessary for the Company to carry on its activity, including construction, purchase and lease of buildings, land, equipment and warehouses necessary for the realisation of the objectives of the Company and all the facilities relating thereto.
3. To carry out all work of generation, production, transmission, making, development and sale of electricity and water or any product relating to any such work in and outside the State of Kuwait.
4. To carry out chemical cleaning, hot oil cleaning works and disinfection for all heat exchangers and to carry out electrical and civil works necessary for electricity and water sector works (power plants, pipeline and electricity projects for desalination units and petrochemicals), to carry out all maintenance works including those relating to power generation, water, pipeline installations and installation of relay stations and installation of all insulation items.
5. To import and install equipment at electricity and water locations for monitoring and measurement of air pollutants and to use skilled labor specialised in fighting pollution of the environment surrounding water and electricity plants.
6. To purchase materials and equipment and all movable properties and instruments necessary for the Company to realise its objectives and to maintain the same by all modern means possible, and to import primary materials, equipment and instruments necessary for the Company’s objectives.
7. To supply and install security and safety equipment relating to the objectives of the Company.
8. To import all necessary equipment to implement its objects, including but not limited to, install, supply and maintain all types of power cables, electrical cables, water pumps, instruments and equipment relating to the activities of the Company.
9. To register patents relating directly to the Company’s experience.

Notes to the condensed interim financial information
for the three-month period ended 31 March 2022

10. To carry out technical research relating to the Company's business with the aim to improve and develop the Company's services in cooperation with specialised parties in and outside the State of Kuwait.
11. To directly participate in infrastructure zones and projects relevant to the objectives of the Company in BOT systems or in other similar systems including those referred to in Law No. 39 of 2010 (and its amendments), and to manage the facilities established thereby.
12. To invest the Company's funds within the objects and percentages set out by the Board of Directors.

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

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

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

This condensed interim financial information was authorised for issue by the Company's Board of Directors on 11 May 2022.

2. Basis of accounting

This condensed interim financial information has been prepared in accordance with IAS 34, *Interim Financial Reporting* and should be read in conjunction with the Company's last annual financial statements as at and for the year ended 31 December 2021 ("latest annual financial statements"). It does not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

This condensed interim financial information is presented in Kuwait Dinar ("KD"). The Company's functional currency is not the currency of the country in which it is domiciled as majority of the transactions of the Company are denominated in USD. This condensed interim financial information is presented in KD for the purpose of submission to the Capital Markets Authority in the State of Kuwait.

Operating results for the three-month period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the year ending 31 December 2022.

3. Judgements and estimates

In preparing this condensed interim financial information, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

4. Significant accounting policies

The accounting policies used in the preparation of this condensed interim financial information are consistent with those used in the preparation of the last annual financial statements, except for the new standards and interpretations which are effective as of 1 January 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Notes to the condensed interim financial information
for the three-month period ended 31 March 2022

Several amendments apply for the first time in 2022, but do not have a material impact on the condensed interim financial information of the Company.

5. Cash and bank balances

	31 March 2022	31 December 2021	31 March 2021
	KD	KD	KD
	(Reviewed)	(Audited)	(Reviewed)
Cash in hand	590	506	2,236
Cash with banks	11,350,237	8,594,325	9,840,242
Short-term deposits with original maturity of less than three months	7,357,419	9,034,465	28,697,048
Total cash and bank balances	18,708,246	17,629,296	38,539,526
Less: Restricted balance for dividends payable (note 10)	(4,784,308)	(5,087,916)	(3,957,576)
Total cash and cash equivalents	13,923,938	12,541,380	34,581,950

Short-term deposits are denominated in USD and are placed with foreign financial institutions. The effective interest rate on short-term deposits ranges from 0.24% to 0.68% per annum (31 December 2021: from 0.09% to 0.14% per annum and 31 March 2021: from 0.08% to 0.25% per annum).

6. Finance lease receivable

Finance lease for which the Company acts as lessor

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

	31 March 2022	
	Minimum lease receipts	Present value of minimum lease receipts
	KD	KD
Amounts receivable under finance lease		
Within one year	37,950,393	13,298,586
Year 2 to 5 inclusive	151,130,320	60,399,078
After year 5	555,678,538	380,835,515
Undiscounted future minimum lease payments	744,759,251	454,533,179
Unearned finance income	(290,226,072)	-
Net investment in finance lease at 31 March 2022	454,533,179	454,533,179

Notes to the condensed interim financial information
for the three-month period ended 31 March 2022

	31 December 2021	
	Minimum lease receipts	Present value of minimum lease receipts
	KD	KD
	(Audited)	(Audited)
Amounts receivable under finance lease		
Within one year	37,433,777	12,719,089
Year 2 to 5 inclusive	150,601,766	59,467,838
After year 5	562,001,337	382,718,024
Undiscounted future minimum lease payments	750,036,880	454,904,951
Unearned finance income	(295,131,929)	-
Net investment in finance lease at 31 December 2021	454,904,951	454,904,951

	31 March 2021	
	Minimum lease receipts	Present value of minimum lease receipts
	KD	KD
Amounts receivable under finance lease		
Within one year	37,360,863	12,144,303
Year 2 to 5 included	150,592,317	57,090,034
After year 5	590,490,926	395,199,646
Undiscounted future minimum lease payments	778,444,106	464,433,983
Unearned finance income	(314,010,123)	-
Net investment in finance lease at 31 March 2021	464,433,983	464,433,983

Included in the statement of financial position:

	31 March 2022	31 December 2021	31 March 2021
	KD	KD	KD
	(Reviewed)	(Audited)	(Reviewed)
Current portion	13,298,586	12,719,089	12,144,303
Non-current portion	441,234,593	442,185,862	452,289,680
	454,533,179	454,904,951	464,433,983

The interest rate implicit in the finance lease is 5.5% (31 December 2021: 5.5% and 31 March 2021: 5.5%) per annum.

7. Related party transactions

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

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

Notes to the condensed interim financial information
for the three-month period ended 31 March 2022

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

The related party transactions and balances included in this condensed interim financial information are as follows:

	31 March 2022 KD (Reviewed)	31 December 2021 KD (Audited)	31 March 2021 KD (Reviewed)
Statement of financial position			
Due from related parties	166,422	153,964	172,435
Due to related parties	3,031,864	3,359,193	3,805,075
		Three-month period ended 31 March	
		2022	2021
		KD	KD
Statement of profit or loss and other comprehensive income			
Operating costs		3,869,975	3,554,727
Finance costs		11,240	13,872
General and administrative expenses		6,987	29,605

Key management compensation

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

	Three-month period ended 31 March	
	2022	2021
	KD	KD
Secondment fees of key management included in "staff costs and related expenses"	54,711	68,602

8. Term loans

	31 March 2022 KD (Reviewed)	31 December 2021 KD (Audited)	31 March 2021 KD (Reviewed)
Current portion	17,364,822	17,404,430	16,607,078
Non-current portion	322,320,261	324,365,783	338,008,456
	<u>339,685,083</u>	<u>341,770,213</u>	<u>354,615,534</u>

Notes to the condensed interim financial information
for the three-month period ended 31 March 2022

	31 March 2022 KD (Reviewed)	31 December 2021 KD (Audited)	31 March 2021 KD (Reviewed)
USD 645 million facility from Japan Bank for International Cooperation that bears a floating interest rate of LIBOR plus 1.25% per annum.	152,858,287	153,796,596	159,576,990
USD 283 million facility from various lenders under Nippon Export and Investment Insurance covered facilities agreement that bears a floating interest rate of LIBOR plus 1.10% - 1.30% per annum.	67,087,802	67,499,615	70,036,567
USD 505 million facility from various lenders under the Commercial facilities agreement that bears a floating interest rate of LIBOR plus 1.70% - 2.55% per annum.	119,738,994	120,474,002	125,001,977
	<u>339,685,083</u>	<u>341,770,213</u>	<u>354,615,534</u>

The loans are repayable in quarterly instalments with the final maturity in November 2036. During the period, the Company settled an amount of USD 12,066,055 (KD 3,649,771).

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

The Company is required to set up a debt service reserve account to maintain a certain level of cash to service its debt for a period of six months. Certain related parties of the Company issued letters of credit in favor of the lenders of KD 16.99 million (31 December 2021: KD 16.91 million and 31 March 2021: KD 17.14 million) to contribute to the amount required.

As at 31 March 2022, the Company has undrawn working capital facilities amounting to KD 13.9 million (31 December 2021: KD 13.9 million and 31 March 2021: KD 13.9 million).

9. Hedge reserve account and derivative financial liabilities

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

In accordance with the Common Terms Agreement signed with the lenders, the Company is required to swap the floating interest rate due on its borrowings to fixed interest rate through interest rate swaps. Accordingly, the Company entered into a number of forward starting interest rate swaps from January 2014 to August 2036 to hedge variable rate interest payments on its outstanding debt and future debt issuances. These swaps have been classified as cash flow hedges. The decrease in the fair value of the outstanding interest rate swaps as of 31 March 2022 amounting to KD 25,144,180 (31 December 2021: increase of KD 27,419,965 and 31 March 2021: decrease of KD 26,866,396) has been taken to other comprehensive income and classified as hedge reserve in equity.

Notes to the condensed interim financial information
for the three-month period ended 31 March 2022

Fair value of derivatives

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

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

Derivatives held for hedging:

	31 March 2022	31 December 2021	31 March 2021
	KD	KD	KD
	(Reviewed)	(Audited)	(Reviewed)
Cash flow hedges – Interest rate swaps			
Notional amount:	323,211,101	324,681,911	336,884,928
Negative fair value:			
Short term	(6,750,460)	(11,803,677)	(13,311,515)
Long term	(44,302,410)	(64,159,637)	(63,304,578)
	(51,052,870)	(75,963,314)	(76,616,093)
Foreign exchange translation differences	(556,018)	(789,754)	(690,544)
	(51,608,888)	(76,753,068)	(77,306,637)

10. Share capital

The Company's authorised and issued share capital comprises 1,100,000,000 shares of 100 Kuwaiti fils (31 December 2021: 1,100,000,000 shares and 31 March 2021: 1,100,000,000 shares of 100 Kuwaiti fils) each, fully paid-up in cash.

Dividends

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

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

As at 31 March 2022, the Company has recorded dividends payable to its shareholders amounting to KD 4,784,308 relating to the year ended 31 December 2021 (31 December 2021: KD 5,087,916 and 31 March 2021: KD 3,957,576).

Notes to the condensed interim financial information
for the three-month period ended 31 March 2022

11. Revenue

	Three-month period ended	
	31 March	
	2022	2021
	KD	KD
<i>Revenue from contract with customer</i>		
Fixed operation and maintenance income	3,138,345	2,971,964
Electrical and water output income	1,321,259	815,637
Supplemental receipts and service income	2,039,467	1,492,360
	<u>6,499,071</u>	<u>5,279,961</u>
<i>Finance lease income</i>		
Interest income	6,242,502	6,423,395
	<u>12,741,572</u>	<u>11,703,356</u>

12. Basic and diluted earnings per share

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

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

	Three-month period ended	
	31 March	
	2022	2021
	KD	KD
Profit for the period	3,526,160	2,789,210
Weighted average number of ordinary shares outstanding during the year	1,100,000,000	1,100,000,000
Earnings per share (fils)	3	3

13. Operating segment

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

14. Fair value of financial instruments

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. Underlying the definition of fair value is the presumption that the Company 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 Company uses the level 2 hierarchy inputs to measure the fair value of derivative financial instruments. The carrying amounts of financial assets and financial liabilities that are liquid or have a short-term maturity are approximately equal to their fair value.

Notes to the condensed interim financial information
for the three-month period ended 31 March 2022

15. Financial risk management

All aspects of the Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements of the Company for the year ended 31 December 2021.

16. Commitments and contingent liabilities

Operation and maintenance commitments

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

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

	31 March 2022	31 December 2021	31 March 2021
	KD	KD	KD
	(Reviewed)	(Audited)	(Reviewed)
Within one year	15,303,966	15,206,375	14,991,445
Year 2 to 5 inclusive	80,331,967	79,566,823	78,708,534
After year 5	259,564,809	262,569,554	278,260,331
	<u>355,200,742</u>	<u>357,342,752</u>	<u>371,960,310</u>

17. Subsequent event

The Board of Directors in their meeting held on 11 May 2022, proposed interim cash dividends of 7 fils per share amounting to KD 7,700,000 which is subject to approval of the shareholders.