

**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 six-month period ended 30 June 2023  
(Unaudited)**

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

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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 30 June 2023 condensed interim financial information of Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public) (the "Company"), which comprises the condensed statement of financial position as at 30 June 2023, the condensed statements of profit or loss and other comprehensive income for the three and six-month periods ended 30 June 2023, the condensed statement of changes in equity and cash flows for the six-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 30 June 2023 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 six-month period ended 30 June 2023 that might have had 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 the Law No. 7 of 2010, as amended, concerning the Capital Markets Authority, and its related regulations, during the six-month period ended 30 June 2023 that might have had material effect on the business of the Company or on its financial position.

A handwritten signature in blue ink, appearing to read 'Rasheed M. Al-Qenae', with a stylized flourish at the end.

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

Kuwait: 2 August 2023



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

**Condensed statement of financial position**  
*as at 30 June 2023*

	Notes	30 June 2023	31 December 2022	30 June 2022
		KD	KD	KD
		(Unaudited)	(Audited)	(Unaudited)
<b>Assets</b>				
<b>Current assets</b>				
Cash and bank balances	5	12,295,495	13,378,171	12,588,628
Trade and other receivables		12,169,760	12,096,993	13,255,861
Due from related parties	7	10,264	2,936	165,147
Finance lease receivable	6	14,252,580	13,940,177	13,601,169
Derivative financial assets	9	2,982,936	6,157,629	-
		<u>41,711,035</u>	<u>45,575,906</u>	<u>39,610,805</u>
<b>Non-current assets</b>				
Finance lease receivable	6	427,902,430	433,800,414	441,651,006
Property, plant and equipment		658,975	654,127	628,413
		<u>428,561,405</u>	<u>434,454,541</u>	<u>442,279,419</u>
<b>Total assets</b>		<b><u>470,272,440</u></b>	<b><u>480,030,447</u></b>	<b><u>481,890,224</u></b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		4,651,658	5,255,346	5,574,241
Due to related parties	7	4,206,438	4,021,733	3,288,795
Dividends payable	10	5,278,633	5,549,381	5,541,209
Term loans	8	17,498,763	17,109,406	17,453,728
Derivative financial liabilities	9	-	-	4,007,690
		<u>31,635,492</u>	<u>31,935,866</u>	<u>35,865,663</u>
<b>Non-current liabilities</b>				
Provision for staff indemnities		45,657	37,376	37,781
Term loans	8	302,678,361	311,331,050	319,812,162
Derivative financial liabilities	9	14,280,833	19,764,545	28,444,780
		<u>317,004,851</u>	<u>331,132,971</u>	<u>348,294,723</u>
<b>Total liabilities</b>		<b><u>348,640,343</u></b>	<b><u>363,068,837</u></b>	<b><u>384,160,386</u></b>
<b>Equity</b>				
Share capital	10	110,000,000	110,000,000	110,000,000
Statutory reserve		8,934,307	8,934,307	7,417,562
Retained earnings		9,404,963	7,369,115	8,274,325
Foreign currency translation reserve		6,837,083	6,538,721	4,646,496
Hedge reserve	9	(13,544,256)	(15,880,533)	(32,608,545)
<b>Total equity</b>		<b><u>121,632,097</u></b>	<b><u>116,961,610</u></b>	<b><u>97,729,838</u></b>
<b>Total liabilities and equity</b>		<b><u>470,272,440</u></b>	<b><u>480,030,447</u></b>	<b><u>481,890,224</u></b>

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**  
*for the three and six-month periods ended 30 June 2023*

	Notes	Three-month period ended 30 June		Six-month period ended 30 June	
		2023	2022	2023	2022
		KD	KD	KD	KD
Revenue	11	13,881,692	12,938,115	26,156,374	25,679,687
Operating costs		(4,306,084)	(3,890,404)	(8,465,546)	(7,765,084)
Gross profit		<b>9,575,608</b>	9,047,711	<b>17,690,828</b>	17,914,603
Finance and other income		114,780	11,557	211,101	23,113
Finance costs		(4,908,001)	(4,515,920)	(9,804,002)	(8,979,601)
Staff costs and related expenses		(167,946)	(141,310)	(343,578)	(305,799)
General and administrative expenses		(494,464)	(511,692)	(1,021,992)	(1,073,429)
<b>Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”), National Labour Support Tax (“NLST”) and Zakat</b>		<b>4,119,977</b>	3,890,346	<b>6,732,357</b>	7,578,887
KFAS		(37,079)	(39,053)	(60,591)	(72,250)
NLST		(103,170)	(94,790)	(168,513)	(187,064)
Zakat		(41,268)	(30,851)	(67,405)	(67,761)
<b>Profit for the period</b>		<b>3,938,460</b>	3,725,652	<b>6,435,848</b>	7,251,812
<b>Earnings per share (basic and diluted) (fils)</b>	12	4	3	6	7

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 other comprehensive income**  
*for the three and six-month periods ended 30 June 2023*

<i>Notes</i>	<b>Three-month period ended 30 June</b>		<b>Six-month period ended 30 June</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>Profit for the period</b>	<b>3,938,460</b>	<b>3,725,652</b>	<b>6,435,848</b>	<b>7,251,812</b>
<b>Other comprehensive income:</b>				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences	208,951	725,208	298,362	1,129,866
Change in fair value of cash flow hedge	<u>7,983,038</u>	<u>19,000,344</u>	<u>2,336,277</u>	<u>44,144,523</u>
<i>Total other comprehensive income</i>	<u>8,191,989</u>	<u>19,725,552</u>	<u>2,634,639</u>	<u>45,274,389</u>
<b>Total comprehensive income for the period</b>	<b><u>12,130,449</u></b>	<b><u>23,451,204</u></b>	<b><u>9,070,487</u></b>	<b><u>52,526,201</u></b>

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  
for the six-month period ended 30 June 2023

	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Hedge reserve	Total
	KD	KD	KD	KD	KD	KD
<b>Balance as at 1 January 2022</b>	110,000,000	7,417,562	14,222,513	3,516,630	(76,753,068)	58,403,637
Profit for the period	-	-	7,251,812	-	-	7,251,812
Change in fair value of cash flow hedge (Note 9)	-	-	-	-	44,144,523	44,144,523
Change in foreign currency translation differences	-	-	-	1,129,866	-	1,129,866
<b>Total comprehensive income for the period</b>	-	-	7,251,812	1,129,866	44,144,523	52,526,201
Dividends (Note 10)	-	-	(13,200,000)	-	-	(13,200,000)
<b>Balance as at 30 June 2022</b>	<b>110,000,000</b>	<b>7,417,562</b>	<b>8,274,325</b>	<b>4,646,496</b>	<b>(32,608,545)</b>	<b>97,729,838</b>
<b>Balance as at 1 January 2023</b>	110,000,000	8,934,307	7,369,115	6,538,721	(15,880,533)	116,961,610
Profit for the period	-	-	6,435,848	-	-	6,435,848
Change in fair value of cash flow hedge (Note 9)	-	-	-	-	2,336,277	2,336,277
Change in foreign currency translation differences	-	-	-	298,362	-	298,362
<b>Total comprehensive income for the period</b>	-	-	6,435,848	298,362	2,336,277	9,070,487
Dividends (Note 10)	-	-	(4,400,000)	-	-	(4,400,000)
<b>Balance as at 30 June 2023</b>	<b>110,000,000</b>	<b>8,934,307</b>	<b>9,404,963</b>	<b>6,837,083</b>	<b>(13,544,256)</b>	<b>121,632,097</b>

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 six-month period ended 30 June 2023*

	Note	<b>Six-month period ended</b>	
		<b>30 June</b>	
		<b>2023</b>	<b>2022</b>
		<b>KD</b>	<b>KD</b>
<b>Cash flows from operating activities</b>			
Profit before contribution to KFAS, NLST and Zakat		6,732,357	7,578,887
<i>Adjustments for:</i>			
Depreciation		19,615	11,529
Finance costs		9,804,002	8,979,601
Net gain from disposal of property, plant and equipment		(9,640)	(8,569)
Provision for staff indemnities		8,168	4,765
		<u>16,554,502</u>	<u>16,566,213</u>
<i>Changes in:</i>			
Trade and other receivables		(43,035)	3,651,395
Due from related parties		(7,302)	(8,959)
Finance lease receivable		6,664,620	5,912,416
Trade and other payables		(556,028)	(496,307)
Due to related parties		174,404	(115,931)
<b>Net cash generated from operating activities</b>		<b><u>22,787,161</u></b>	<b><u>25,508,827</u></b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(22,853)	(130,932)
Proceeds from disposal of property, plant and equipment		9,640	8,569
<b>Net cash used in investing activities</b>		<b><u>(13,213)</u></b>	<b><u>(122,363)</u></b>
<b>Cash flows from financing activities</b>			
Term loans		(9,044,085)	(9,162,175)
Payment of finance costs		(9,875,844)	(8,972,976)
Payment of dividends		(4,682,965)	(12,746,707)
<b>Net cash used in financing activities</b>		<b><u>(23,602,894)</u></b>	<b><u>(30,881,858)</u></b>
Net foreign exchange differences		17,018	1,433
<b>Net decrease in cash and cash equivalents</b>		<b>(811,928)</b>	<b>(5,493,961)</b>
<b>Cash and cash equivalents as at 1 January</b>		<u>7,828,790</u>	<u>12,541,380</u>
<b>Cash and cash equivalents as at 30 June</b>	5	<b><u>7,016,862</u></b>	<b><u>7,047,419</u></b>

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**

**Notes to the condensed interim financial information**  
*for the six-month period ended 30 June 2023*

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**1. Reporting entity**

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

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

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

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

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

The objectives of the Company are the following:

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



**Notes to the condensed interim financial information**  
*for the six-month period ended 30 June 2023*

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**1. Reporting entity (continued)**

- i) To register patents relating directly to the Company's experience.
- j) To carry out technical research relating to the Company's business with the aim to improve and develop the Company's services in cooperation with specialised parties in and outside the State of Kuwait.
- k) To directly participate in infrastructure zones and projects relevant to the objectives of the Company in BOT systems or in other similar systems including those referred to in Law No. 39 of 2010 (and its amendments), and to manage the facilities established thereby.
- l) To invest the Company's funds within the 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 30 March 2023, the Annual General Assembly meeting of the shareholders approved the audited financial statements of the Company as at and for the year ended 31 December 2022.

This condensed interim financial information was authorised for issue by the Company's Board of Directors on 2 August 2023.

**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 latest audited annual financial statements as at and for the year ended 31 December 2022 ("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 as issued by the International Accounting Standards Board ("IFRS Standards"). 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 latest annual financial statements.

This condensed interim financial information are 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 United States dollar ("USD"). This condensed interim financial information is presented in KD for the purpose of submission to the regulatory authorities in the State of Kuwait.

Operating results for the six-month period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the year ending 31 December 2023.

**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 latest annual financial statements.



**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 six-month period ended 30 June 2023*

**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 latest annual financial statements, except for the effect of new standards and interpretations which are effective as of 1 January 2023. Several amendments apply for the first time in 2023, but did not have a material impact on the condensed interim financial information of the Company.

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

**5. Cash and bank balances**

	<b>30 June 2023</b>	<b>31 December 2022</b>	<b>30 June 2022</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>
Cash in hand	3,043	1,297	1,069
Balances with banks	6,550,617	6,056,304	6,186,730
Short-term deposits with original maturity of less than three months	5,741,835	7,320,570	6,400,829
<b>Total cash and bank balances</b>	<b>12,295,495</b>	13,378,171	12,588,628
<i>Less: Restricted balance for dividends payable (Note 10)</i>	<i>(5,278,633)</i>	<i>(5,549,381)</i>	<i>(5,541,209)</i>
Total cash and cash equivalents	<b>7,016,862</b>	7,828,790	7,047,419

Short term deposits are denominated in USD and are placed with a foreign bank and carry effective interest rates ranging from 5.32 % to 5.48 % per annum (31 December 2022: from 4.32% to 4.57% per annum and 30 June 2022: from 1.42% to 1.97% 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:

	<b>30 June 2023</b>	
	<b>Minimum lease receipts</b>	<b>Present value of minimum lease receipts</b>
	<b>KD</b>	<b>KD</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Amounts receivable under finance lease</b>		
Within one year	38,208,652	14,252,580
Year 2 to 5 inclusive	152,841,581	65,505,025
After year 5	513,318,613	362,397,405
Undiscounted future minimum lease payments	704,368,846	442,155,010
Unearned finance income	(262,213,836)	-
Net investment in finance lease at 30 June 2023	<b>442,155,010</b>	<b>442,155,010</b>

**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 six-month period ended 30 June 2023*

**6. Finance lease receivable (continued)**

	<b>31 December 2022</b>	
	<b>Minimum lease receipts</b>	<b>Present value of minimum lease receipts</b>
	<b>KD</b>	<b>KD</b>
	<b>(Audited)</b>	<b>(Audited)</b>
<b>Amounts receivable under finance lease</b>		
Within one year	38,223,507	13,940,177
Year 2 to 5 included	152,317,359	63,426,992
After year 5	<u>531,013,940</u>	<u>370,373,422</u>
Undiscounted future minimum lease payments	721,554,806	447,740,591
Unearned finance income	<u>(273,814,215)</u>	-
Net investment in finance lease at 31 December 2022	<u>447,740,591</u>	<u>447,740,591</u>

	<b>30 June 2022</b>	
	<b>Minimum lease receipts</b>	<b>Present value of minimum lease receipts</b>
	<b>KD</b>	<b>KD</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Amounts receivable under finance lease</b>		
Within one year	38,294,743	13,601,169
Year 2 to 5 inclusive	152,522,766	61,797,554
After year 5	<u>551,043,183</u>	<u>379,853,452</u>
Undiscounted future minimum lease payments	741,860,692	455,252,175
Unearned finance income	<u>(286,608,517)</u>	-
Net investment in finance lease at 30 June 2022	<u>455,252,175</u>	<u>455,252,175</u>

Included in the statement of financial position:

	<b>30 June 2023</b>	<b>31 December 2022</b>	<b>30 June 2022</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>
Current portion	14,252,580	13,940,177	13,601,169
Non-current portion	427,902,430	433,800,414	441,651,006
	<u>442,155,010</u>	<u>447,740,591</u>	<u>455,252,175</u>

The interest rate implicit in the finance lease is 5.5% (31 December 2022 and 30 June 2022: 5.5%) per annum.

**Shamal Az-Zour Al-Oula Power and Water Company K.S.C. (Public)**  
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**Notes to the condensed interim financial information**  
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**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 has control or joint control, exercises significant influence, major shareholders, directors and key management personnel of the Company. The Company has a related party relationship with entities over which certain shareholders and directors are able to exercise significant influence. These transactions are on agreed terms basis.

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

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

	<u>30 June 2023</u>	<u>31 December 2022</u>	<u>30 June 2022</u>	
	<u>KD</u>	<u>KD</u>	<u>KD</u>	
	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Unaudited)</u>	
<b>Statement of financial position</b>				
<i>Due from related parties</i>				
Entities under common control	<u>10,264</u>	<u>2,936</u>	<u>165,147</u>	
<i>Due to related parties</i>				
Parent Company	377,235	384,038	373,226	
Entities under common control	<u>3,829,203</u>	<u>3,637,695</u>	<u>2,915,569</u>	
	<u><b>4,206,438</b></u>	<u><b>4,021,733</b></u>	<u><b>3,288,795</b></u>	
	<u>Three-month period ended 30 June</u>		<u>Six-month period ended 30 June</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<u>KD</u>	<u>KD</u>	<u>KD</u>	<u>KD</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<b>Statement of profit or loss and other comprehensive income</b>				
Operating costs	<u>4,306,084</u>	<u>3,890,383</u>	<u>8,465,546</u>	<u>7,760,358</u>
Finance costs	<u>13,134</u>	<u>11,800</u>	<u>26,242</u>	<u>23,040</u>
General and administrative expenses	<u>7,548</u>	<u>7,126</u>	<u>15,084</u>	<u>14,113</u>

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**7. Related party transactions (continued)**

**Key management compensation**

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

	<b>Three-month period ended</b>		<b>Six-month period ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Secondment fees of key management included in "staff costs and related expenses"	65,999	55,187	128,250	109,898

**8. Term loans**

	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>
	<b>2023</b>	<b>2022</b>	<b>2022</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>
Current portion	17,498,763	17,109,406	17,453,728
Non-current portion	302,678,361	311,331,050	319,812,162
	<b>320,177,124</b>	<b>328,440,456</b>	<b>337,265,890</b>
	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>
	<b>2023</b>	<b>2022</b>	<b>2022</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>
USD 645 million facility from Japan Bank for International Cooperation that bears a floating interest rate of Libor plus 1.25% per annum.	144,079,706	147,798,205	151,769,650
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.	63,234,979	64,866,987	66,610,011
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.	112,862,439	115,775,264	118,886,228
	<b>320,177,124</b>	<b>328,440,456</b>	<b>337,265,889</b>

The loans are repayable in quarterly instalments with the final maturity in November 2036. These loans are currently still on Libor. The transition to Secured Overnight Financing Rate is expected to be finalised and in place in the third quarter of the year.

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**8. Term loans (continued)**

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

The Company is required to set up a debt service reserve account to maintain a certain level of cash to service its debt for a period of six months after taking into consideration any letter of credit issued. Certain related parties of the Company issued letters of credit in favor of the lenders of KD 19.0 million (31 December 2022: KD 18.9 million and 30 June 2022: KD 17.1 million) to contribute to the amount required resulting in no cash deposit required to be maintained in the debt service reserve account as at 30 June 2023 (31 December 2022 and 30 June 2022: nil).

As at 30 June 2023, the Company has undrawn working capital facilities with a commercial bank in Kuwait amounting to KD 13.9 million (31 December 2022 and 30 June 2022: 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 rate interest due on its borrowings to fixed rate interest through interest rate swaps. Accordingly, the Company entered into a number of forward starting interest rate swaps from January 2014 to August 2036 to hedge variable rate interest payments on its outstanding debt and future debt issuances. On 26 November 2020, the Company entered into two additional voluntary interest rate swaps to replace expiring swap coverage. These swaps have been classified as cash flow hedges. The decrease in the fair value of the outstanding interest rate swaps as of 30 June 2023 amounting to KD 2,336,277 (31 December 2022: decrease of KD 63,219,020 and 30 June 2022: decrease of KD 44,144,523) has been taken to other comprehensive income and classified as hedge reserve in equity.

*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.

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**9. Hedge reserve account and derivative financial liabilities (continued)**

**Derivatives held for hedging:**

	<b>30 June 2023</b>	<b>31 December 2022</b>	<b>30 June 2022</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>
<i>Cash flow hedges – Interest rate swaps</i>			
Notional amount:	304,168,559	312,018,697	320,402,834
Fair value:			
Short term	2,982,936	6,157,629	(4,007,690)
Long term	<u>(14,280,833)</u>	<u>(19,764,545)</u>	<u>(28,444,780)</u>
	(11,297,897)	(13,606,916)	(32,452,470)
Foreign exchange translation differences	<u>(2,246,359)</u>	<u>(2,273,617)</u>	<u>(156,075)</u>
	<b><u>(13,544,256)</u></b>	<b><u>(15,880,533)</u></b>	<b><u>(32,608,545)</u></b>

**10. Share capital**

The Company's authorised and issued share capital comprises 1,100,000,000 shares of 100 Kuwaiti fils (31 December 2022: 1,100,000,000 shares and 30 June 2022: 1,100,000,000 shares of 100 Kuwaiti fils) each, fully paid up in cash.

*Dividends*

On 1 March 2023, the Board of Directors proposed cash dividends of 4 fils per share amounting to KD 4,400,000 for the year ended 31 December 2022 (31 December 2021: 5 fils per share amounting to KD 5,500,000), which was approved by the shareholders at the Annual General Assembly meeting held on 30 March 2023. At this meeting, the shareholders authorized the Board of Directors to distribute dividends to the Company's shareholders on a quarterly or semi-annual basis as it deems appropriate during the year ending 31 December 2023.

In the period ended 30 June 2022, the Board of Directors approved interim cash dividends of KD 7,700,000.

As at 30 June 2023, the Company has dividends payable to its shareholders amounting to KD 5,278,633 relating to the dividend declared in prior years (31 December 2022: KD 5,549,381 and 30 June 2022: KD 5,541,209).

**11. Revenue**

	<b>Three-month period ended</b>		<b>Six-month period ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
<i>Revenue from contract with customer</i>				
Fixed operation and maintenance income	3,596,684	3,438,313	6,776,178	6,576,658
Electrical and water output income	1,433,293	1,204,859	2,957,287	2,526,118
Supplemental receipts and service income	2,748,473	2,035,573	4,183,819	4,075,040
	<u>7,778,450</u>	<u>6,678,745</u>	<u>13,917,284</u>	<u>13,177,816</u>
<i>Finance lease income</i>				
Interest income	6,103,242	6,259,370	12,239,090	12,501,871
	<b><u>13,881,692</u></b>	<b><u>12,938,115</u></b>	<b><u>26,156,374</u></b>	<b><u>25,679,687</u></b>

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**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		Six-month period ended	
	30 June		30 June	
	2023	2022	2023	2022
	KD	KD	KD	KD
Profit for the period	3,938,460	3,725,652	6,435,848	7,251,812
Weighted average number of ordinary shares outstanding during the year	1,100,000,000	1,100,000,000	1,100,000,000	1,100,000,000
Earnings per share (fils)	4	3	6	7

**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, 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.

**15. Financial risk management**

All aspects of the Company's financial risk management objectives and policies are consistent with those disclosed in the latest annual financial statements of the Company for the year ended 31 December 2022.



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**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:

	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>
	<b>2023</b>	<b>2022</b>	<b>2022</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>
Within one year	17,070,128	16,670,641	15,503,292
Year 2 to 5 inclusive	89,539,412	88,546,128	81,432,645
After year 5	257,861,171	266,545,636	257,668,157
	<b>364,470,711</b>	<b>371,762,405</b>	<b>354,604,094</b>