

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 nine-month period ended 30 September 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 September 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 interim statement of financial position as at 30 September 2023, the condensed interim statements of profit or loss and other comprehensive income for the three and nine-month periods ended 30 September 2023, the condensed interim statements of changes in equity and cash flows for the nine-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 September 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 nine-month period ended 30 September 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 nine-month period ended 30 September 2023 that might have had material effect on the business of the Company or on its financial position.



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

Kuwait: 8 November 2023

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

Condensed interim statement of financial position
as at 30 September 2023

	Notes	30 September	31 December	30 September
		2023	2022	2022
		KD	KD	KD
		(Unaudited)	(Audited)	(Unaudited)
Assets				
Current assets				
Cash and bank balances	5	7,825,092	13,378,171	16,024,140
Trade and other receivables		12,578,771	12,096,993	12,171,441
Due from related parties	7	8,686	2,936	161,325
Finance lease receivable	6	14,541,218	13,940,177	13,969,624
Derivative financial assets	9	3,103,184	6,157,629	1,356,049
		<u>38,056,951</u>	<u>45,575,906</u>	<u>43,682,579</u>
Non-current assets				
Finance lease receivable	6	426,584,048	433,800,414	443,694,936
Property, plant and equipment		655,202	654,127	632,375
		<u>427,239,250</u>	<u>434,454,541</u>	<u>444,327,311</u>
Total assets		<u>465,296,201</u>	<u>480,030,447</u>	<u>488,009,890</u>
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables		4,599,093	5,255,346	5,355,156
Due to related parties	7	2,441,351	4,021,733	3,585,143
Dividends payable	10	5,223,085	5,549,381	5,268,669
Term loans	8	17,812,112	17,109,406	17,538,741
		<u>30,075,641</u>	<u>31,935,866</u>	<u>31,747,709</u>
Non-current liabilities				
Provision for staff indemnities		48,582	37,376	42,827
Term loans	8	300,438,258	311,331,050	320,104,263
Derivative financial liabilities	9	2,939,963	19,764,545	17,336,468
		<u>303,426,803</u>	<u>331,132,971</u>	<u>337,483,558</u>
Total liabilities		<u>333,502,444</u>	<u>363,068,837</u>	<u>369,231,267</u>
Equity				
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		7,275,370	7,369,115	11,080,410
Foreign currency translation reserve		5,420,859	4,265,104	6,261,070
Hedge reserve	9	163,221	(13,606,916)	(15,980,419)
Total equity		<u>131,793,757</u>	<u>116,961,610</u>	<u>118,778,623</u>
Total liabilities and equity		<u>465,296,201</u>	<u>480,030,447</u>	<u>488,009,890</u>


 Eng. Ahmad Othman AlMujalham
 Chairman


 Paul Leslie Floyd
 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 interim statement of profit or loss
for the three and nine-month periods ended 30 September 2023

	Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
		2023	2022	2023	2022
		KD	KD	KD	KD
Revenue	11	13,633,373	12,725,272	39,789,747	38,404,959
Operating costs	7	(4,629,105)	(4,544,819)	(13,094,651)	(12,309,903)
Gross profit		9,004,268	8,180,453	26,695,096	26,095,056
Finance and other income		89,038	41,695	300,139	64,808
Finance costs		(4,916,787)	(4,567,342)	(14,720,789)	(13,546,943)
Staff costs and related expenses		(155,469)	(148,212)	(499,047)	(454,011)
General and administrative expenses		(495,421)	(571,218)	(1,517,413)	(1,644,647)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”), National Labour Support Tax (“NLST”) and Zakat		3,525,629	2,935,376	10,257,986	10,514,263
KFAS		(31,731)	(26,432)	(92,322)	(98,682)
NLST		(88,208)	(73,488)	(256,721)	(260,552)
Zakat		(35,283)	(29,371)	(102,688)	(97,132)
Profit for the period		3,370,407	2,806,085	9,806,255	10,057,897
Earnings per share (basic and diluted) (fils)	12	3	3	9	9

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 interim statement of comprehensive income
for the three and nine-month periods ended 30 September 2023

	<i>Notes</i>	Three-month period ended 30 September		Nine-month period ended 30 September	
		2023	2022	2023	2022
		KD	KD	KD	KD
Profit for the period		3,370,407	2,806,085	9,806,255	10,057,897
Other comprehensive income:					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Foreign currency translation differences		830,135	1,614,574	1,155,755	2,744,440
Change in fair value of cash flow hedge	9	11,461,118	16,628,126	13,770,137	60,772,649
<i>Total other comprehensive income</i>		<i>12,291,253</i>	<i>18,242,700</i>	<i>14,925,892</i>	<i>63,517,089</i>
Total comprehensive income for the period		15,661,660	21,048,785	24,732,147	73,574,986

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 interim statement of changes in equity
for the nine-month period ended 30 September 2023

	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Hedge reserve	Total
	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2022	110,000,000	7,417,562	14,222,513	3,516,630	(76,753,068)	58,403,637
Profit for the period	-	-	10,057,897	-	-	10,057,897
Change in fair value of cash flow hedge (Note 9)	-	-	-	-	60,772,649	60,772,649
Change in foreign currency translation differences	-	-	-	2,744,440	-	2,744,440
Total comprehensive income for the period	-	-	10,057,897	2,744,440	60,772,649	73,574,986
Dividends (Note 10)	-	-	(13,200,000)	-	-	(13,200,000)
Balance as at 30 September 2022	110,000,000	7,417,562	11,080,410	6,261,070	(15,980,419)	118,778,623
Balance as at 1 January 2023	110,000,000	8,934,307	7,369,115	4,265,104	(13,606,916)	116,961,610
Profit for the period	-	-	9,806,255	-	-	9,806,255
Change in fair value of cash flow hedge (Note 9)	-	-	-	-	13,770,137	13,770,137
Change in foreign currency translation differences	-	-	-	1,155,755	-	1,155,755
Total comprehensive income for the period	-	-	9,806,255	1,155,755	13,770,137	24,732,147
Dividends (Note 10)	-	-	(9,900,000)	-	-	(9,900,000)
Balance as at 30 September 2023	110,000,000	8,934,307	7,275,370	5,420,859	163,221	131,793,757

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 interim statement of cash flows
for the nine-month period ended 30 September 2023

	Note	Nine-month period ended	
		30 September	
		2023	2022
		KD	KD
Cash flows from operating activities			
Profit before contribution to KFAS, NLST and Zakat		10,257,986	10,514,263
<i>Adjustments for:</i>			
Depreciation		30,449	18,325
Finance costs		14,720,789	13,546,943
Net gain from disposal of property, plant and equipment		(9,694)	(8,627)
Provision for staff indemnities		10,790	9,234
		<u>25,010,320</u>	<u>24,080,138</u>
<i>Changes in:</i>			
Trade and other receivables		(372,164)	4,900,939
Due from related parties		(5,679)	(3,076)
Finance lease receivable		10,478,197	9,534,954
Trade and other payables		(877,522)	(575,021)
Due to related parties		<u>(1,602,998)</u>	<u>131,205</u>
Net cash generated from operating activities		<u>32,630,154</u>	<u>38,069,139</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(25,795)	(133,773)
Proceeds from disposal of property, plant and equipment		9,694	8,627
Net cash used in investing activities		<u>(16,101)</u>	<u>(125,146)</u>
Cash flows from financing activities			
Term loans		(12,981,298)	(13,244,772)
Payment of finance costs		(14,619,763)	(13,539,444)
Payment of dividends		<u>(10,224,556)</u>	<u>(13,019,247)</u>
Net cash used in financing activities		<u>(37,825,617)</u>	<u>(39,803,463)</u>
Net foreign exchange differences		<u>(15,219)</u>	<u>73,561</u>
Net decrease in cash and cash equivalents		<u>(5,226,783)</u>	<u>(1,785,909)</u>
Cash and cash equivalents as at 1 January		<u>7,828,790</u>	<u>12,541,380</u>
Cash and cash equivalents as at 30 September	5	<u>2,602,007</u>	<u>10,755,471</u>

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

Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023

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 nine-month period ended 30 September 2023

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 8 November 2023.

2. Basis of preparation

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 is presented in Kuwaiti Dinar ("KD"). The Company's functional currency is not the currency of the country in which it is domiciled as majority of the Company's transactions 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 nine-month period ended 30 September 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.

Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023

4. Significant accounting policies

The accounting policies and computational methods 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

	<u>30 September</u> <u>2023</u>	<u>31 December</u> <u>2022</u>	<u>30 September</u> <u>2022</u>
	<u>KD</u>	<u>KD</u>	<u>KD</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Unaudited)</u>
Cash in hand	2,275	1,297	1,698
Balances with banks	5,891,567	6,056,304	5,610,642
Short-term deposits with original maturity of less than three months	<u>1,931,250</u>	<u>7,320,570</u>	<u>10,411,800</u>
Total cash and bank balances	7,825,092	13,378,171	16,024,140
<i>Less:</i> Restricted balance for dividends payable (Note 10)	<u>(5,223,085)</u>	<u>(5,549,381)</u>	<u>(5,268,669)</u>
Total cash and cash equivalents	<u>2,602,007</u>	<u>7,828,790</u>	<u>10,755,471</u>

Short term deposits are denominated in USD and are placed with a foreign bank and carry an effective interest rate of 5.45% per annum (31 December 2022: from 4.32% to 4.57% per annum and 30 September 2022: from 2.7% to 3.32% 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:

	<u>30 September 2023</u>	
	<u>Minimum lease receipts (Undiscounted)</u>	<u>Present value of minimum lease receipts</u>
	<u>KD</u>	<u>KD</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Amounts receivable under finance lease		
Within one year	38,451,306	14,541,218
Year 2 to 5 inclusive	153,812,240	66,831,606
After year 5	<u>506,640,606</u>	<u>359,752,442</u>
Future minimum lease receipts	698,904,152	441,125,266
Unearned finance income	<u>(257,778,886)</u>	-
Net investment in finance lease at 30 September 2023	<u>441,125,266</u>	<u>441,125,266</u>

Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023

6. Finance lease receivable (continued)

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

Amounts receivable under finance lease		
Within one year	38,802,928	13,969,624
Year 2 to 5 inclusive	154,561,710	63,488,699
After year 5	548,413,743	380,206,237
Future minimum lease receipts	741,778,381	457,664,560
Unearned finance income	(284,113,821)	-
Net investment in finance lease at 30 September 2022	<u>457,664,560</u>	<u>457,664,560</u>

Included in the statement of financial position:

	30 September 2023	31 December 2022	30 September 2022
	KD	KD	KD
	(Unaudited)	(Audited)	(Unaudited)
Current portion	14,541,218	13,940,177	13,969,624
Non-current portion	426,584,048	433,800,414	443,694,936
	<u>441,125,266</u>	<u>447,740,591</u>	<u>457,664,560</u>

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

Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023

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:

	30 September 2023	31 December 2022	30 September 2022	
	KD	KD	KD	
	(Unaudited)	(Audited)	(Unaudited)	
Statement of financial position				
<i>Due from related parties</i>				
Entities under common control	8,686	2,936	161,325	
<i>Due to related parties</i>				
Parent Company	373,327	384,038	391,736	
Entities under common control	2,068,024	3,637,695	3,193,407	
	2,441,351	4,021,733	3,585,143	
	Three-month period ended		Nine-month period ended	
	30 September		30 September	
	2023	2022	2023	2022
	KD	KD	KD	KD
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Statement of profit or loss and other comprehensive income				
Operating costs	4,629,105	4,544,819	13,094,651	12,309,903
Finance costs	13,450	(3,437)	39,692	19,603
General and administrative expenses	7,689	9,419	22,773	23,532

Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023

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:

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	<u>30 September</u>		<u>30 September</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>
Secondment fees of key management included in “staff costs and related expenses”	<u>58,154</u>	<u>57,993</u>	<u>186,404</u>	<u>167,891</u>

8. Term loans

	<u>30 September</u>	<u>31 December</u>	<u>30 September</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>
	<u>KD</u>	<u>KD</u>	<u>KD</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Unaudited)</u>
Current portion	17,812,112	17,109,406	17,538,741
Non-current portion	300,438,258	311,331,050	320,104,263
	<u>318,250,370</u>	<u>328,440,456</u>	<u>337,643,004</u>
	<u>30 September</u>	<u>31 December</u>	<u>30 September</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>
	<u>KD</u>	<u>KD</u>	<u>KD</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Unaudited)</u>
USD 645 million facility from Japan Bank for International Cooperation that bears a floating interest rate of SOFR plus 1.25% per annum.	143,212,666	147,798,205	151,939,351
USD 283 million facility from various lenders under Nippon Export and Investment Insurance covered facilities agreement that bears a floating interest rate of SOFR plus 1.10% - 1.30% per annum.	62,854,445	64,866,987	66,684,491
USD 505 million facility from various lenders under the commercial facilities agreement that bears a floating interest rate of SOFR plus 1.70% - 2.55% per annum.	<u>112,183,259</u>	<u>115,775,264</u>	<u>119,019,162</u>
	<u>318,250,370</u>	<u>328,440,456</u>	<u>337,643,004</u>

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

Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023

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 19.2 million (31 December 2022: KD 18.9 million and 30 September 2022: KD 19.3 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 September 2023 (31 December 2022 and 30 September 2022: nil).

As at 30 September 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 September 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 increase in the fair value of the outstanding interest rate swaps as of 30 September 2023 amounted to KD 13,770,137 (31 December 2022: decrease of KD 63,146,152 and 30 September 2022: decrease of KD 60,772,649) 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.

Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023

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

Derivatives held for hedging:

	<u>30 September</u> <u>2023</u>	<u>31 December</u> <u>2022</u>	<u>30 September</u> <u>2022</u>
	<u>KD</u>	<u>KD</u>	<u>KD</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Unaudited)</u>
<i>Cash flow hedges – Interest rate swaps</i>			
Notional amount:	302,338,156	312,018,697	320,761,109
Positive / (negative) fair value:			
Short term	3,103,184	6,157,629	1,356,049
Long term	(2,939,963)	(19,764,545)	(17,336,468)
	<u>163,221</u>	<u>(13,606,916)</u>	<u>(15,980,419)</u>

10. Share capital

The Company's authorised and issued share capital comprises 1,100,000,000 shares of 100 Kuwaiti fils (31 December 2022 and 30 September 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 authorised 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.

On 8 August 2023, the Board of Directors approved interim cash dividends of 5 fils per share amounting to KD 5,500,000 (30 September 2022: KD 14,300,000). The cash dividend was paid to the shareholders on 26 September 2023.

As at 30 September 2023, the Company has dividends payable to its shareholders amounting to KD 5,223,085 relating to the dividend declared in prior years (31 December 2022: KD 5,549,381 and 30 September 2022: KD 5,268,669).

11. Revenue

	<u>Three-month period ended</u> <u>30 September</u>		<u>Nine-month period ended</u> <u>30 September</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>
<i>Revenue from contract with customer</i>				
Fixed operation and maintenance income	3,715,285	3,499,246	10,491,463	10,075,904
Electrical and water output income	1,086,226	885,538	4,043,513	3,411,656
Supplemental receipts and service income	2,768,544	2,094,352	6,952,363	6,169,392
	<u>7,570,055</u>	<u>6,479,136</u>	<u>21,487,339</u>	<u>19,656,952</u>
<i>Finance lease income</i>				
Interest income	6,063,318	6,246,136	18,302,408	18,748,007
	<u>13,633,373</u>	<u>12,725,272</u>	<u>39,789,747</u>	<u>38,404,959</u>

Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023

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 earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the 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		Nine-month period ended	
	30 September		30 September	
	2023	2022	2023	2022
	KD	KD	KD	KD
Profit for the period	3,370,407	2,806,085	9,806,255	10,057,897
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)	3	3	9	9

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.

Notes to the condensed interim financial information
for the nine-month period ended 30 September 2023

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:

	<u>30 September</u> <u>2023</u> <u>KD</u> <u>(Unaudited)</u>	<u>31 December</u> <u>2022</u> <u>KD</u> <u>(Audited)</u>	<u>30 September</u> <u>2022</u> <u>KD</u> <u>(Unaudited)</u>
Within one year	17,095,387	16,670,641	16,694,037
Year 2 to 5 inclusive	89,648,749	88,546,128	89,486,547
After year 5	251,167,138	266,545,636	275,096,328
	<u>357,911,274</u>	<u>371,762,405</u>	<u>381,276,912</u>

17. Comparatives

Comparative figures for the balance sheet have been extracted from the audited financial statements for the year ended 31 December 2022 and reviewed interim financial information for the nine months ended 30 September 2022. The comparative figures for the statements of profit or loss, comprehensive income, equity and cash flows have been extracted from the reviewed interim financial information for the nine months period ended 30 September 2022.

Certain comparative figures have been reclassified to conform to current period presentation.