

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 2024
(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 30 September 2024 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 September 2024, the condensed statements of profit or loss and comprehensive income for the three and nine-month periods ended 30 September 2024, the condensed 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 2024 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 2024 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 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 2024 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: 5 November 2024

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

Condensed statement of financial position
as at 30 September 2024

	Notes	30 September 2024 KD (Unaudited)	31 December 2023 KD (Audited)	30 September 2023 KD (Unaudited)
Assets				
Non-current assets				
Finance lease receivable	5	405,646,096	419,849,741	426,584,048
Property, plant and equipment		676,862	659,452	655,202
		<u>406,322,958</u>	<u>420,509,193</u>	<u>427,239,250</u>
Current assets				
Finance lease receivable	5	15,070,699	14,587,990	14,541,218
Derivative financial assets	6	-	6,113,866	3,103,184
Trade and other receivables		12,514,490	17,012,146	12,578,771
Due from related parties	7	4,571	4,173	8,686
Cash and bank balances	8	13,618,832	5,762,772	7,825,092
		<u>41,208,592</u>	<u>43,480,947</u>	<u>38,056,951</u>
Total assets		<u>447,531,550</u>	<u>463,990,140</u>	<u>465,296,201</u>
Equity and liabilities				
Equity				
Share capital	9	110,000,000	110,000,000	110,000,000
Statutory reserve		10,256,583	10,256,583	8,934,307
Retained earnings		15,642,657	8,745,171	7,275,370
Foreign currency translation reserve		3,523,769	4,442,959	5,420,859
Hedge reserve	6	(15,896,403)	(13,131,456)	163,221
Total equity		<u>123,526,606</u>	<u>120,313,257</u>	<u>131,793,757</u>
Non-current liabilities				
Term loans	10	277,774,945	293,850,913	300,438,258
Derivative financial liabilities	6	15,261,288	19,245,322	2,939,963
Provision for staff indemnities		65,661	41,052	48,582
		<u>293,101,894</u>	<u>313,137,287</u>	<u>303,426,803</u>
Current liabilities				
Term loans	10	18,531,072	17,937,528	17,812,112
Derivative financial liabilities	6	635,115	-	-
Dividends payable	9	3,888,399	4,956,980	5,223,085
Trade and other payables		5,147,444	4,696,675	4,599,093
Due to related parties	7	2,701,020	2,948,413	2,441,351
		<u>30,903,050</u>	<u>30,539,596</u>	<u>30,075,641</u>
Total liabilities		<u>324,004,944</u>	<u>343,676,883</u>	<u>333,502,444</u>
Total equity and liabilities		<u>447,531,550</u>	<u>463,990,140</u>	<u>465,296,201</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 statement of profit or loss (Unaudited)
for the period ended 30 September 2024

		Three-month period ended 30 September		Nine-month period ended 30 September	
	<i>Notes</i>	2024	2023	2024	2023
		KD	KD	KD	KD
Revenue	11	12,333,535	13,633,373	36,931,542	39,789,747
Operating costs	7	(4,599,728)	(4,629,105)	(13,284,014)	(13,094,651)
Gross profit		7,733,807	9,004,268	23,647,528	26,695,096
Finance and other income		1,007,342	89,038	2,845,759	300,139
Finance costs		(5,471,491)	(4,916,787)	(16,582,360)	(14,720,789)
Staff costs and related expenses		(187,984)	(155,469)	(532,602)	(499,047)
General and administrative expenses		(600,230)	(495,421)	(2,145,609)	(1,517,413)
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”), National Labour Support Tax (“NLST”) and Zakat		2,481,444	3,525,629	7,232,716	10,257,986
KFAS		(22,332)	(31,731)	(65,094)	(92,322)
NLST		(62,456)	(88,208)	(192,954)	(256,721)
Zakat		(24,983)	(35,283)	(77,182)	(102,688)
Profit for the period		2,371,673	3,370,407	6,897,486	9,806,255
Basic and diluted earnings per share (fils)	12	2	3	6	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 statement of comprehensive income (Unaudited)
for the period ended 30 September 2024

	<i>Note</i>	Three-month period ended 30 September		Nine-month period ended 30 September	
		2024	2023	2024	2023
		KD	KD	KD	KD
Profit for the period		2,371,673	3,370,407	6,897,486	9,806,255
Other comprehensive (loss) / income:					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Foreign currency translation differences		(863,477)	830,135	(919,190)	1,155,755
Change in fair value of cash flow hedge	6	(10,307,487)	11,461,118	(2,764,947)	13,770,137
<i>Total other comprehensive (loss) / income</i>		<i>(11,170,964)</i>	<i>12,291,253</i>	<i>(3,684,137)</i>	<i>14,925,892</i>
Total comprehensive (loss) / income for the period		(8,799,291)	15,661,660	3,213,349	24,732,147

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 period ended 30 September 2024

	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Hedge reserve	Total
	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2023 (Audited)	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 6)	-	-	-	-	13,770,137	13,770,137
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 9)	-	-	(9,900,000)	-	-	(9,900,000)
Balance as at 30 September 2023	<u>110,000,000</u>	<u>8,934,307</u>	<u>7,275,370</u>	<u>5,420,859</u>	<u>163,221</u>	<u>131,793,757</u>
Balance as at 1 January 2024 (Audited)	110,000,000	10,256,583	8,745,171	4,442,959	(13,131,456)	120,313,257
Profit for the period	-	-	6,897,486	-	-	6,897,486
Change in fair value of cash flow hedge (note 6)	-	-	-	-	(2,764,947)	(2,764,947)
Foreign currency translation differences	-	-	-	(919,190)	-	(919,190)
Total comprehensive income / (loss) for the period	-	-	6,897,486	(919,190)	(2,764,947)	3,213,349
Balance as at 30 September 2024	<u>110,000,000</u>	<u>10,256,583</u>	<u>15,642,657</u>	<u>3,523,769</u>	<u>(15,896,403)</u>	<u>123,526,606</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 (Unaudited)
for the period ended 30 September 2024

	<i>Notes</i>	Nine-month period ended 30 September	
		2024	2023
		KD	KD
Cash flows from operating activities			
Profit before contribution to KFAS, NLST and Zakat		7,232,716	10,257,986
<i>Adjustments for:</i>			
Depreciation		35,923	30,449
Finance costs		16,582,360	14,720,789
Net gain from disposal of property, plant and equipment		-	(9,694)
Provision for staff indemnities		25,056	10,790
		<u>23,876,055</u>	<u>25,010,320</u>
<i>Changes in:</i>			
Trade and other receivables		4,497,656	(372,164)
Due from related parties		(398)	(5,679)
Finance lease receivable		13,720,936	10,478,197
Trade and other payables		1,099,065	(877,522)
Due to related parties		(247,393)	(1,602,998)
Net cash generated from operating activities		<u>42,945,921</u>	<u>32,630,154</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(57,789)	(25,795)
Proceeds from disposal of property, plant and equipment		-	9,694
Net cash used in investing activities		<u>(57,789)</u>	<u>(16,101)</u>
Cash flows from financing activities			
Repayment of term loans	10	(15,482,424)	(12,981,298)
Payment of finance costs		(16,497,305)	(14,619,763)
Payment of dividends		(1,068,581)	(10,224,556)
Net cash used in financing activities		<u>(33,048,310)</u>	<u>(37,825,617)</u>
Net increase / (decrease) in cash and cash equivalents		9,839,822	(5,211,564)
Cash and cash equivalents as at 1 January		805,792	7,828,790
Foreign exchange adjustment related to cash and cash equivalents		(915,181)	(15,219)
Cash and cash equivalents as at 30 September	8	<u>9,730,433</u>	<u>2,602,007</u>

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

Notes to the condensed interim financial information (Unaudited)
for the period ended 30 September 2024

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” and “Ultimate 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 in 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 (Unaudited)
for the period ended 30 September 2024

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 2 May 2024, 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 2023.

This condensed interim financial information was authorised for issue by the Company's Board of Directors on 5 November 2024.

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 2023 ("latest annual financial statements"). It does not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting 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 2024 are not necessarily indicative of the results that may be expected for the year ending 31 December 2024.

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 (Unaudited)
for the period ended 30 September 2024

4. Material 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 became effective as of 1 January 2024. Several amendments apply for the first time in 2024, but do 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. 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:

	30 September 2024	
	Undiscounted minimum lease receipts	Present value of minimum lease receipts
	KD	KD
	(Unaudited)	(Unaudited)
Amounts receivable under finance lease		
Within one year	37,846,230	15,070,699
Year 2 to 5 inclusive	151,628,866	69,560,772
After year 5	461,893,857	336,085,324
Future minimum lease receipts	651,368,953	420,716,795
Unearned finance income	(230,652,158)	-
Net investment in finance lease at 30 September 2024	420,716,795	420,716,795
	31 December 2023	
	Undiscounted minimum lease receipts	Present value of minimum lease receipts
	KD	KD
	(Audited)	(Audited)
Amounts receivable under finance lease		
Within one year	38,124,911	14,587,990
Year 2 to 5 included	152,712,959	67,282,340
After year 5	493,497,344	352,567,401
Future minimum lease receipts	684,335,214	434,437,731
Unearned finance income	(249,897,483)	-
Net investment in finance lease at 31 December 2023	434,437,731	434,437,731

Notes to the condensed interim financial information (Unaudited)
for the period ended 30 September 2024

5. Finance lease receivable (continued)

	30 September 2023	
	Undiscounted minimum lease receipts	Present value of minimum lease receipts
	KD	KD
	(Unaudited)	(Unaudited)
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	506,640,606	359,752,442
Future minimum lease receipts	698,904,152	441,125,266
Unearned finance income	(257,778,886)	-
Net investment in finance lease at 30 September 2023	441,125,266	441,125,266

Included in the statement of financial position:

	30 September 2024	31 December 2023	30 September 2023
	KD	KD	KD
	(Unaudited)	(Audited)	(Unaudited)
Current portion	15,070,699	14,587,990	14,541,218
Non-current portion	405,646,096	419,849,741	426,584,048
	420,716,795	434,437,731	441,125,266

The interest rate implicit in the finance lease is 5.5% (31 December 2023 and 30 September 2023: 5.5%) per annum.

6. Hedge reserve account and derivative financial assets and 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 September 2024 amounted to KD 2,764,947 (31 December 2023: decrease of KD 475,460 and 30 September 2023: increase of KD 13,770,137 has been taken to other comprehensive income and classified as hedge reserve in equity.

Notes to the condensed interim financial information (Unaudited)
for the period ended 30 September 2024

6. Hedge reserve account and derivative financial assets and liabilities (continued)

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:

	30 September 2024	31 December 2023	30 September 2023
	KD	KD	KD
	(Unaudited)	(Audited)	(Unaudited)
<i>Cash flow hedges – Interest rate swaps</i>			
Notional amount:	281,491,068	296,199,332	302,338,156
(Negative) / positive fair value:			
Short term	(635,115)	6,113,866	3,103,184
Long term	(15,261,288)	(19,245,322)	(2,939,963)
	<u>(15,896,403)</u>	<u>(13,131,456)</u>	<u>163,221</u>

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.

Notes to the condensed interim financial information (Unaudited)
for the period ended 30 September 2024

7. Related party transactions (continued)

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

	30 September 2024	31 December 2023	30 September 2023
	KD	KD	KD
	(Unaudited)	(Audited)	(Unaudited)
Condensed statement of financial position			
<i>Due from related parties</i>			
Entities under common control	4,571	4,173	8,686
<i>Due to related parties</i>			
Parent Company	389,446	382,086	373,327
Entities under common control	2,311,574	2,566,327	2,068,024
	2,701,020	2,948,413	2,441,351

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2024	2023	2024	2023
	KD	KD	KD	KD
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Condensed statement of profit or loss				
Operating costs	4,599,728	4,629,105	13,284,014	13,094,651
Finance costs	12,728	13,450	38,041	39,692
General and administrative expenses	7,655	7,689	22,823	22,773

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:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2024	2023	2024	2023
	KD	KD	KD	KD
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Secondment fees of key management included in “staff costs and related expenses”	24,203	58,154	150,393	186,404

Notes to the condensed interim financial information (Unaudited)
for the period ended 30 September 2024

8. Cash and bank balances

	30 September 2024	31 December 2023	30 September 2023
	KD	KD	KD
	(Unaudited)	(Audited)	(Unaudited)
Cash in hand	1,955	630	2,275
Balances with banks	4,027,477	5,762,142	5,891,567
Short-term deposits with original maturities of less than three months	9,589,400	-	1,931,250
Total cash and bank balances	13,618,832	5,762,772	7,825,092
<i>Less: restricted balance for dividends payable (note 9)</i>	<i>(3,888,399)</i>	<i>(4,956,980)</i>	<i>(5,223,085)</i>
Total cash and cash equivalents	9,730,433	805,792	2,602,007

Short term deposits are denominated in KD and USD and are placed with local and foreign financial institutions. They carry effective interest rates ranging from 3.5% to 5.25% per annum (31 December 2023: from 4.32% to 5.48% per annum and 30 September 2023: 5.45% per annum).

9. Share capital

The Company's authorised and issued share capital comprises 1,100,000,000 shares of 100 Kuwaiti fils each (31 December 2023 and 30 September 2023: 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 relating to the year ended 31 December 2022, which was approved by the shareholders at the Annual General Assembly meeting on 30 March 2023.

On 8 August 2023, the Board of Directors approved interim cash dividends of 5 fils per share amounting to KD 5,500,000 relating to the year ended 31 December 2023 which was paid to the shareholders on 26 September 2023.

As at 30 September 2024, the Company has recorded dividends payable to its shareholders amounting to KD 3,888,399 (31 December 2023: KD 4,956,980 and 30 September 2023: KD 5,223,085) relating to dividend declared in prior periods.

10. Term loans

	30 September 2024	31 December 2023	30 September 2023
	KD	KD	KD
	(Unaudited)	(Audited)	(Unaudited)
Current portion	18,531,072	17,937,528	17,812,112
Non-current portion	277,774,945	293,850,913	300,438,258
	296,306,017	311,788,441	318,250,370

Notes to the condensed interim financial information (Unaudited)
for the period ended 30 September 2024

10. Term loans (continued)

	<u>30 September</u> <u>2024</u> <u>KD</u> <u>(Unaudited)</u>	<u>31 December</u> <u>2023</u> <u>KD</u> <u>(Audited)</u>	<u>30 September</u> <u>2023</u> <u>KD</u> <u>(Unaudited)</u>
USD 645 million facility from Japan Bank for International Cooperation that bears a floating interest rate of SOFR plus a credit adjustment spread of 0.26% and a margin of 1.25% per annum (31 December 2023 and 30 September 2023: SOFR plus a credit adjustment spread of 0.26% and a margin of 1.25% per annum).	133,337,707	140,304,798	143,212,666
USD 283 million facility from various lenders under Nippon Export and Investment Insurance covered facilities agreement that bears a floating interest rate of SOFR plus a credit adjustment spread of 0.26% and a margin of 1.10% - 1.30% per annum (31 December 2023 and 30 September 2023: SOFR plus a credit adjustment spread of 0.26% and a margin of 1.10% - 1.30% per annum).	58,520,436	61,578,214	62,854,445
USD 505 million facility from various lenders under the Commercial facilities agreement that bears a floating interest rate of SOFR plus a credit adjustment spread of 0.26% and a margin of 1.70% - 2.55% per annum (31 December 2023 and 30 September 2023: SOFR plus a credit adjustment spread of 0.26% and a margin of 1.70% - 2.55% per annum).	104,447,874 <u>296,306,017</u>	109,905,429 <u>311,788,441</u>	112,183,259 <u>318,250,370</u>

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

The loan agreements provide for the borrowings to be secured by assignment of receivables and residual rights under the ECWPA as well as a pledge over the shares in the Company held by the Parent Company. Loan financial covenants include a debt service coverage ratio of 1.05:1. 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 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 million (USD 62 million) (31 December 2023: KD 19 million (USD 62 million) and 30 September 2023: KD 19 million (USD 62 million)) to contribute to the amount required resulting in no further cash deposit required to be maintained in the debt service reserve account as at 30 September 2024 (31 December 2023 and 30 September 2023: nil).

As at 30 September 2024, the Company has undrawn working capital facilities with a commercial bank in Kuwait amounting to KD 13.9 million (31 December 2023 and 30 September 2023: KD 13.9 million).

Notes to the condensed interim financial information (Unaudited)
for the period ended 30 September 2024

11. Revenue

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2024	2023	2024	2023
	KD	KD	KD	KD
<i>Revenue from contract with customer</i>				
Fixed operation and maintenance income	3,372,055	3,715,285	10,157,465	10,491,463
Electrical and water output income	1,219,537	1,086,226	4,018,130	4,043,513
Supplemental receipts and service income	1,900,299	2,768,544	5,013,554	6,952,363
	6,491,891	7,570,055	19,189,149	21,487,339
<i>Finance lease income</i>				
Interest income	5,841,644	6,063,318	17,742,393	18,302,408
	12,333,535	13,633,373	36,931,542	39,789,747

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 30 September		Nine-month period ended 30 September	
	2024	2023	2024	2023
	KD	KD	KD	KD
Profit for the period	2,371,673	3,370,407	6,897,486	9,806,255
Weighted average number of ordinary shares outstanding during the period	1,100,000,000	1,100,000,000	1,100,000,000	1,100,000,000
Earnings per share (fils)	<u>2</u>	<u>3</u>	<u>6</u>	<u>9</u>

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.

Notes to the condensed interim financial information (Unaudited)
for the period ended 30 September 2024

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 2023.

16. Commitments

Operation and maintenance commitments

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

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

	30 September 2024	31 December 2023	30 September 2023
	KD	KD	KD
	(Unaudited)	(Audited)	(Unaudited)
Within one year	17,372,115	17,059,111	17,095,387
Year 2 to 5 inclusive	72,699,200	71,617,105	89,648,749
After year 5	250,936,613	266,937,231	251,167,138
	341,007,928	355,613,447	357,911,274

17. Contingencies

Contingent assets are not recognised as an asset until realisation becomes virtually certain. Contingent liabilities are not recognised as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation and the amount can be reliably estimated. The Company had no contingencies as at 30 September 2024 (31 December 2023 and 30 September 2023: nil).