2.1.6.1.1.1 AEPC Audit and Financial Statements 2021- signed.pdf

2.1.6.1.1.2 AEPC Audit and Financial Statements 2022- signed.pdf

2.1.6.1.1.3 AEPC Audit and Financial Statements 2023 - signed.pdf

2.5.4.1.1.1 Signed FS - AEOM - 2021.pdf

2.5.4.1.1.2 Signed FS - AEOM - 2022.pdf

AEPC

AL EZZEL POWER COMPANY

Audited
Financial Statements

Al Ezzel Power Company B.S.C. (c)

31st December 2021

Deloitte.

Al Ezzel Power Company B.S.C. (c)

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2021

AEPC Al Ezzel Power Company B.S.C. (c)

AL EZZEL POWER COMPANY B.S.C. (c)

Commercial registration number	54201
Chairman	Mr. Meshary M A M Al-Judaimi
Vice Chairman	Mr. Frederic Michel Nicholas Claux
Directors	Mr. Willem Van den Abeele Mr. Mohammed Kazim Surve Mr. Mutlaq Al-Husayyan (up to 3 August 2021) Mr. Sager Al Sager Ms. Anwar Al-Ajeel Mr. Antonio Di Cecca Mr. Hani M. Al Awadhi (from 3 August 2021) Mr. Waleed Mahmood Al Alawi (up to 3 March 2021) Mr. Ady Mohamed Y.M. Al Shaikh (from 3 March 2021)
Registered office	Flat 1201, Building 2795 Road 2835, Block 428 Al Seef, Manama Kingdom of Bahrain.
Principal bankers	National Bank of Kuwait, Bahrain Branch Arab Banking Corporation Mashreqbank PSC
Auditor	Deloitte & Touche Middle East P.O. Box 421, Manama, Kingdom of Bahrain.

CONTENTS

The Board of Directors has pleasure in submitting its annual report and the audited financial statements as of and for the year ended 31 December 2021.

Principal activities
The Company is engaged in private generation of electrical power under a build-own-operate arrangement, using a 950MW gas-fired power plant located in Al Hidd and supplies electricity to the Electricity and Water Authority ("EWA") under a long-term Power Purchase Agreement.

Operating highlights
In 2021 Al Ezzel Power Company supplied a total of 4,814 GWh and achieved power technical availability of 93.39% against the budgeted availability of 92.66%.

The results for the year are set out on page 6 of the financial statements.

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

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

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount	Expenses Allowances
	Remunerations of the chairman and BOD	Total allowances for attending Board and committee meetings	Salaries	Others	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total			
First: Independent Directors													
None	-	-	-	-	-	-	-	-	-	-	-	-	-
Second: Non-Executive Directors													
1. Mr. Meshary M A M Al-Judaimi	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Mr. Frederic Michel Nicholas Claux	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Mr. Willem Van den Abeele	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Mr. Mohammed Kazim Surve	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Mr. Mutlaq Al-Huseyyan (i)	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Mr. Sager Al Sager	-	-	-	-	-	-	-	-	-	-	-	-	-
7. Ms. Anwar Al-Ajeel	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Mr. Antonio Di Cecca	-	-	-	-	-	-	-	-	-	-	-	-	-
9. Mr. Hani M. Al Awadhi (ii)	-	-	-	-	-	-	-	-	-	-	-	-	-
10. Mr. Waleed Mahmood Al Alawi (iii)	-	-	-	-	-	-	-	-	-	-	-	-	-
11. Mr. Ady Mohamed Y.M. Al Shaikh (iv)	-	-	-	-	-	-	-	-	-	-	-	-	-
Third: Executive Directors													
None	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: All amounts are stated in Bahraini Dinars

(i) Resigned w.e.f. 3 August 2021
(ii) Appointed w.e.f. 3 August 2021
(iii) Resigned w.e.f. 3 March 2021
(iv) Appointed w.e.f. 3 March 2021

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

During the year 2021, no remunerations/ sitting fees or other benefits were paid to individual Directors. Based on the attendance of individual directors for Board of Directors meeting held during the year 2021, directors sitting fees were paid to respective shareholders as follows;

Shareholder	*Fee Details*	*Total*
Gulf Investment Corporation GSC	Board sitting fees	7,352
Kahrabel FZE	Board sitting fees	8,483
Social Insurance Organisation	Board sitting fees	2,262
Total		18,097
Note: All amounts are stated in Bahraini Dinars		

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

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

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

Signed on behalf of the Board of Directors

Meshary M A M Al-Judaimi
Chairman of the Board
9 March 2022

Deloitte.

Deloitte & Touche Middle East
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INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

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

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

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

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

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of the Board of Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

Deloitte. **INDEPENDENT AUDITOR'S REPORT (continued)**

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

We report that:

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

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

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

   c) The financial information contained in the Chairman's report is consistent with the consolidated financial statements;

   d) Nothing has come to our attention which causes us to believe that the Company has, during the year, breached any of the applicable provisions of the BCCL or the items of its Articles of Association that would have a material adverse effect on its business or its financial position; and

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

   a) has appointed a Corporate Governance Officer; and

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

Deloitte & Touche.

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

AL EZZEL POWER COMPANY B.S.C. (c)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 BD	2020 BD
ASSETS			
Non-current assets			
Property plant and equipment	5	91,744,204	97,693,821
Current assets			
Inventories	6	2,431,009	2,415,247
Accounts receivable and prepayments	7	4,036,876	26,356,424
Due from related parties	8.1	222,121	78,670
Cash and cash equivalents	9	341,322	415,236
Total current assets		7,031,328	29,265,577
Total assets		98,775,532	126,959,398
EQUITY AND LIABILITIES			
Equity			
Share capital	10	21,110,000	21,110,000
Statutory reserve	11	7,608,572	6,759,937
Retained earnings		6,265,550	2,727,835
Hedging reserve	13	(2,481,692)	(5,104,778)
Total equity		32,502,430	25,492,994
Liabilities			
Non-current liabilities			
Derivative financial liabilities	13	1,389,520	3,798,232
Borrowings	14	47,718,652	57,977,083
Demobilisation provision	15	3,618,802	3,505,987
Employees' end of service indemnity	16	303,829	145,874
Total non-current liabilities		53,030,803	65,427,176
Current liabilities			
Trade and other payables	17	1,094,759	24,273,095
Due to related parties	8.2	667,959	642,660
Derivative financial liabilities	13	1,100,351	1,323,409
Borrowings	14	10,379,230	9,800,064
Total current liabilities		13,242,299	36,039,228
Total liabilities		66,273,102	101,466,404
Total equity and liabilities		98,775,532	126,959,398

Meshary M A M Al-Judaimi
Chairman

Frederic Claux
Vice-Chairman

AL EZZEL POWER COMPANY B.S.C. (c)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	*2021* BD	*2020* BD
Revenue	18	**82,504,471**	77,364,814
Operations and maintenance expenses	19	**(69,844,015)**	(65,196,286)
Gross profit		**12,660,456**	12,168,528
Other income - net	20	**30,519**	51,632
General and administrative costs	21	**(985,955)**	(889,020)
Finance costs	22	**(4,218,670)**	(4,833,992)
Profit for the year		**7,486,350**	6,497,148
Other comprehensive income/ (loss) that may be reclassified to the statement of profit or loss in subsequent years:			
Net movement on cash flow hedges	13	**2,623,086**	(1,951,161)
Total comprehensive income for the year		**10,109,436**	4,545,987

Meshary M A M Al-Judaimi
Chairman

Frederic Claux
Vice-Chairman

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Notes	*Share capital BD*	*Statutory reserve BD*	*Retained earnings BD*	*Proposed dividend BD*	*Hedging reserve BD*	*Total BD*
Balance at 31 December 2019		21,110,000	6,110,222	-	380,402	(3,153,617)	24,447,007
Profit for the year		-	-	6,497,148	-	-	6,497,148
Other comprehensive loss for the year	13	-	-	-	-	(1,951,161)	(1,951,161)
Total comprehensive income/(loss) for the year		-	-	6,497,148	-	(1,951,161)	4,545,987
Transfers to statutory reserve		-	649,715	(649,715)	-	-	-
Final dividend for 2019 approved and paid		-	-	-	(380,402)	-	(380,402)
Interim dividend for 2020 approved and paid	12	-	-	(3,119,598)	-	-	(3,119,598)
Balance at 31 December 2020		21,110,000	6,759,937	2,727,835	-	(5,104,778)	25,492,994
Profit for the year		-	-	7,486,350	-	-	7,486,350
Other comprehensive income for the year	13	-	-	-	-	2,623,086	2,623,086
Total comprehensive income for the year		-	-	7,486,350	-	2,623,086	10,109,436
Transfers to statutory reserve		-	748,635	(748,635)	-	-	-
Dividend paid during the year	12	-	-	(3,100,000)	-	-	(3,100,000)
Balance at 31 December 2021		**21,110,000**	**7,508,572**	**6,365,550**	**-**	**(2,481,692)**	**32,502,430**

AL EZZEL POWER COMPANY B.S.C. (c)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 BD	2020 BD
OPERATING ACTIVITIES			
Net profit for the year		**7,486,350**	6,497,148
Adjustments for:			
Depreciation	5	**5,949,617**	5,949,617
Allowance for disputed and unpaid receivables	21	**20,472**	4,675
Reversal / (allowance) for expected credit losses	21	**223**	(459)
Provision for demobilisation	15	**112,815**	107,993
Provision for employees' end-of-service benefits	16	**157,955**	23,470
Amortisation of loan origination costs	22	**120,800**	121,131
Ineffective portion of cash flow hedges	22	**(8,684)**	5,908
Finance costs	22	**3,993,739**	4,598,960
Operating profit before working capital changes		**17,833,287**	17,308,443
Working capital changes:			
Inventories		**(15,762)**	(140,856)
Accounts receivable and prepayments		**22,299,077**	(15,301,898)
Due from related parties		**(144,500)**	38,023
Trade and other payables		**(23,088,786)**	15,335,676
Due to related parties		**25,299**	246,051
Employee benefits paid	16	**-**	(42,672)
Net cash generated from operating activities		**16,908,615**	17,442,767
FINANCING ACTIVITIES			
Repayment of borrowings	14	**(9,800,065)**	(9,268,476)
Dividend approved and paid	12	**(3,100,000)**	(3,500,000)
Finance cost paid		**(4,083,289)**	(4,691,293)
Net cash used in financing activities		**(16,983,354)**	(17,459,769)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(74,739)**	(17,002)
Cash and cash equivalents at beginning of the year		**419,863**	436,865
CASH AND CASH EQUIVALENTS, AT THE END OF THE YEAR	9	**345,124**	419,863

1 INCORPORATION AND PRINCIPAL ACTIVITIES

Al Ezzel Power Company B.S.C. (c) ("the Company"), a Bahraini Closed Joint Stock Company, incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under Commercial Registration (CR) number 54201 on 29 July 2004. The address of the Company's registered office is Flat 1201, Building 2795, Road 2835, Block 428, Al Seef, Kingdom of Bahrain.

The Company is engaged in the private generation of electrical power under a build-own-operate arrangement, using a 950MW gas-fired power plant located in Al Hidd, Kingdom of Bahrain. The Company commenced commercial operations on 3 June 2007 and supplies electricity to the Electricity and Water Authority ("EWA") under a long-term Power Purchase Agreement ("PPA").

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

2 BASIS OF PREPARATION

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

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

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

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

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

  These amendments enables the Company to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

- *Amendments to IFRS 16 Leases relating to COVID-19-Related Rent Concessions beyond June 30, 2021:*

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

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

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

2 BASIS OF PREPARATION (continued)

New and amended standards and interpretations (continued)

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

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

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

There were no significant rent concessions received during the year.

New and revised standards issued but not yet effective

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

- IFRS 17 *Insurance Contracts* (effective from January 1, 2023).
- *Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not yet decided).*
- Amendments to IAS 1 *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current (effective from January 1, 2023).
- Amendments to IFRS 3 *Business Combinations*: Reference to the Conceptual Framework (effective from January 1, 2022).
- Amendments to IAS 16 *Property, Plant and Equipment* related to proceeds before intended use (effective from January 1, 2022).
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts*—Cost of Fulfilling a Contract (effective from January 1, 2022).
- Annual Improvements to IFRS Standards 2018-2020: The Annual Improvements include amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* (effective from January 1, 2022), IFRS 9 *Financial Instruments* (effective from January 1, 2022), IFRS 16 *Leases* (effective date not yet decided) and IAS 41 *Agriculture* (effective from January 1, 2022).
- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Related to disclosure of accounting policies (effective from January 1, 2023).*
- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates and Errors (effective from January 1, 2023).*
- *Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective from January 1, 2023).*

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

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

An asset is classified as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions "provision for demobilisation" (note 4) and "provisions" (note 15) for further information about the recorded decommissioning provision.

The cost of property, plant and equipment, other than capital work-in-progress, is depreciated on a straight line basis over the estimated useful lives.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Power generation plant	30 years
Buildings and other facilities	30 years
Plant spares	10 years
Computers and IT equipment	5 years
Furniture, fixtures and office equipment	5 years
Other assets	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at lower of cost or net realisable value. Costs are those expenses incurred in bringing the spare parts to their present location and condition.

The cost of spare parts is determined on a weighted average basis. Where necessary, an impairment provision is made for obsolete, slow moving and defective items.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

Financial assets

Initial recognition

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy for revenue recognition.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

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

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

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

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

The Company's financial assets include accounts receivable, due from related parties and bank balances.

Accounts receivables

Accounts receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost, less impairment. The losses arising from impairment are recognised in the statement of comprehensive income. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at banks as defined above.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Further disclosures relating to impairment of trade receivables and due from related parties are provided in note 7 and 8.

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

Derecognition of financial assets

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

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

Financial liabilities

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts and other payables, loans and borrowings and derivative financial instruments.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. These are carried at amortised cost which is the fair value of the consideration to be settled in future.

Term loans

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Interest is charged as an expense as it accrues with unpaid amounts included in accruals.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Term loans (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Fair value measurement

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

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

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

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

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

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

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances and cash and other receivables (excluding prepayments and advances). Financial liabilities consist of accounts and other payables, amount due to a related party, loan from shareholders and term loan.

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

Fair values of the Company's interest-bearing borrowings and loans are determined by using discounted cash flow (DCF) method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2021 was assessed to be insignificant.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

Employees' end-of-service benefits

Non-Bahraini employees

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

Bahraini employees

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

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

Derivative financial instruments and hedge accounting

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

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income (OCI) and later reclassified to profit or loss when the hedged item affects profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

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

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

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income "OCI" in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of comprehensive income as finance costs.

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

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

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

Revenue

Revenue from contracts with customers

Revenue from contracts with customers comprises energy charges and variable O&M charges and are calculated based on the PPA with the Electricity and Water Authority (EWA) of the Kingdom of Bahrain and recognised when performance obligation is satisfied (i.e. power is delivered).

Capacity charge revenue

Capacity charge revenue (lease income) is based on the PPA with EWA and is recognised over time, based on the contractual plant availability and presented net of scheduled unavailability and forced outage.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Foreign currencies

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

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Going concern

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

Operating lease commitments – Company as a lessee

The Company has entered into commercial property leases on its offices and lease of the land on which the power plant exists. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it does not retain all the significant risks and rewards of ownership of these properties and accounted for these contracts as operating leases.

Operating lease commitments – Company as a lessor

As described in note 1, the Company has entered into a long term PPA. Under the PPA, the Company is entitled to receive net power capacity charges (net investment & net fixed operations and maintenance charges) based on the plant availability during the term of the PPA and determined that net power capacity charges revenue are lease revenues as per IFRIC 4 "Determining whether an Arrangement contains a Lease". Based on the contractual arrangements in place, that the Company retains the principal risks and rewards of ownership and accordingly accounts for the net capacity charge revenue as an operating lease.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates

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

Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation charges would be adjusted when management believes the useful lives differ from previous estimates.

The review carried out by management in the current year did not indicate any necessity to change the useful lives of property, plant and equipment.

Impairment of property, plant and equipment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Based on the Company's assessment, no impairment has been recognised in the financial statements.

Provision for demobilisation costs

Based on the contractual obligation as per the Operations and Maintenance Agreement with Al Ezzel Operation and Maintenance Company W.L.L, the Company has recognised a provision for decommissioning obligations associated with its power plant. In determining the fair value of the provision, assumptions and estimates are made in relation to the expected cost to dismantle and remove the plant from the site and the expected timing of those costs. Most suitable industry index for power sector under the United States Producer Price Index has been used in determining the present value of the demobilisation provision as the management expects to incur significant portion of these costs in US Dollars. The carrying amount of the provision as at 31 December 2021 was BD 3,618,802 (2020: BD 3,505,987).

If the estimated United States Producer Price Index used in the calculation had been 1% higher than management's estimate, the carrying amount of the provision would have been BD 36,188 higher (2020: BD 35,060).

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence.

At the statement of financial position date, gross inventories were BD 2,431,009 (2020: BD 2,415,247), with no provision for slow moving inventories (2020: nil). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates (continued)

Provision for expected credit losses of accounts receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the automotive sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 7.

At the statement of financial position date, gross receivables were BD 3,794,423 (2020: BD 26,136,397) and the Board of Directors' assessment did not indicate any doubtful receivables. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

5 PROPERTY, PLANT AND EQUIPMENT

	Power generation plant *BD*	*Buildings and other facilities* *BD*	*Plant spares* *BD*	*Computers and IT equipment* *BD*	*Furniture, fixtures and office equipment* *BD*	*Other assets* *BD*	*Total* *BD*
Cost:							
At 1 January 2020	116,466,482	61,701,480	3,744,449	502,661	487,561	399,678	183,302,311
As at 31 December 2020	116,466,482	61,701,480	3,744,449	502,661	487,561	399,678	183,302,311
As at 31 December 2021	116,466,482	61,701,480	3,744,449	502,661	487,561	399,678	183,302,311
Accumulated depreciation:							
As at 31 December 2019	48,742,798	25,820,505	3,744,449	502,661	487,561	360,899	79,658,873
Charge for the year	3,882,372	2,056,780	-	-	-	10,465	5,949,617
As at 31 December 2020	52,625,170	27,877,285	3,744,449	502,661	487,561	371,364	85,608,490
Charge for the year	3,882,372	2,056,780	-	-	-	10,465	5,949,617
As at 31 December 2021	56,507,542	29,934,065	3,744,449	502,661	487,561	381,829	91,558,107
Net carrying amount:							
As at 31 December 2021	**59,958,940**	**31,767,415**	**-**	**-**	**-**	**17,849**	**91,744,204**
As at 31 December 2020	63,841,312	33,824,195	-	-	-	28,314	97,693,821

5 PROPERTY, PLANT AND EQUIPMENT (continued)

The land on which the power station, buildings and facilities are constructed has been leased from the Government of the Kingdom of Bahrain at a nominal rent of BD 1,000 per annum for a period of 30 years commencing from the scheduled commercial operation date (1 May 2007).

Depreciation for the year amounting to BD 5,949,617 has been included in the operations and maintenance expenses (2020: BD 5,949,617) (note 19).

6 INVENTORIES

	2021	*2020*
	BD	*BD*
Plant spare parts and consumables	**2,431,009**	2,415,247

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2021	*2020*
	BD	*BD*
Receivable from the EWA	**3,794,423**	26,136,397
Allowance for disputed and unpaid receivables	**(28,343)**	(7,872)
	3,766,080	26,128,525
Prepaid expenses	**187,168**	170,309
Staff loans	**-**	307
Input VAT recoverable	**80,378**	54,033
Other receivables	**3,250**	3,250
	4,036,876	26,356,424

Receivable from EWA relate to the sale of electricity and are due within 45 days from the date of invoice. At the reporting date, no amounts receivable from EWA are considered impaired.

Receivable from EWA as at 31 December 2021 includes BD nil (2020: BD 23,117,777) natural gas revenue receivable amount. During the Year 2021, EWA proposed a natural gas charge mechanism where EWA will directly settle natural gas invoices to Tatweer on behalf of the Company up to 31 December 2021 and proposed the Company to issue credit notes equivalent to Tatweer natural gas invoice amounts from August 2020 to 31 December 2021. After receiving the consent from Tatweer and lenders, the Company confirmed its consent to EWA and issued credit notes as proposed in the EWA natural gas charge mechanism.

	Total	*Neither past due nor impaired*	*Past due but not impaired*	
			Less than 90 days	*90-120 days*
	BD	*BD*	*BD*	*BD*
31 December 2021	**3,766,080**	**3,766,080**	**-**	**-**
31 December 2020	26,128,525	10,125,258	16,003,267	-

8 RELATED PARTY TRANSACTIONS

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

8 RELATED PARTY TRANSACTIONS (continued)

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

	2021 BD	2020 BD
8.1 Due from related parties		
Companies under common control		
Al Dur Power and Water Company B.S.C.(c)	**130,124**	64,755
Al Ezzel Operations and Maintenance W.L.L.	**68,963**	3,823
Other related parties		
International Power S.A. Dubai Branch	**24,682**	10,691
	223,769	79,269
Allowance for expected credit losses	**(1,648)**	(599)
	222,121	78,670

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

	Neither past due nor impaired 2021 BD	2020 BD
Companies under common control	**199,087**	68,578
Other related parties	**23,034**	10,092
	222,121	78,670

	2021 BD	2020 BD
8.2 Due to related parties		
Shareholders	**-**	10,179
Other related parties		
Al Dur Power and Water Company B.S.C.(c)	**21,838**	13,989
Al Ezzel Operations and Maintenance W.L.L.	**646,121**	618,492
	667,959	642,660

Transactions with related parties included in the statement of profit or loss is as follows:

	Operating expenses		*Settlement of liabilities on behalf of other related parties*	
	2021 BD	2020 BD	**2021 BD**	2020 BD
Shareholders	**18,097**	18,096	**-**	-
Other related parties	**6,752,448**	6,304,950	**418,826**	477,269
	6,770,545	6,323,046	**418,826**	477,269

Compensation of key management personnel

During the year no compensation was paid to the Directors. The remunerations of other members of key management was as follows:

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

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

9 CASH & CASH EQUIVALENTS

	2021 BD	2020 BD
Cash in hand	1,000	1,000
Bank balances	344,124	418,863
	345,124	419,863
Allowance for expected credit losses	(3,802)	(4,627)
	341,322	415,236

The bank balances are placed with commercial banks in the Kingdom of Bahrain in Bahraini Dinar, US Dollar and are non-interest bearing except for call deposits accounts which have an average interest rate of 1.5% (2020: 1.5%).

10 SHARE CAPITAL

The authorised, issued and fully paid up share capital of the Company consists of 211,100 ordinary shares with a nominal value of BD 100 each. The shareholding structure of the Company is as follows:

		2021 and 2020	
	Percentage ownership	No. of shares	Amount BD
Gulf Investment Corporation G.S.C.	45%	94,995	9,499,500
Kahrabel FZE	45%	94,995	9,499,500
The Social Insurance Organisation - Bahrain	10%	21,110	2,111,000
		211,100	21,110,000

11 STATUTORY RESERVE

In accordance with the Bahrain Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is transferred to the statutory reserve. The Company will resolve to discontinue such annual transfers when the statutory reserve reaches 50% of the issued share capital. The statutory reserve is not available for distribution, except in circumstances stipulated in the Bahrain Commercial Companies Law.

12 DIVIDEND

During 2021, the Board of Directors approved and paid interim dividend of BD 3,100,000 at the rate of BD 14.68 per share (2020: BD 3,119,598 at the rate of BD 14.78 per share) .

13 DERIVATIVE FINANCIAL LIABILITIES

Derivative financial liabilities

	2021 BD	2020 BD
Current	1,100,351	1,323,409
Non Current	1,389,520	3,798,232
	2,489,871	5,121,641
Effective portion	2,481,692	5,104,778
Ineffective portion	8,179	16,863
	2,489,871	5,121,641

13 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Company enters into Interest Rate Swap ("IRS") transactions to hedge the interest rate exposure of its term loans as follows:

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

As part of the new financing, the Company entered into new IRSs agreements with new counterparties up to 31 October 2026 with hedging coverage of 70% of the new term loan profile (note 14). With effect from 1 May 2019, the hedge coverage has been increased to 90% of the loan profile.

The movement in the hedging reserve during the year was as follows:

	2021 BD	2020 BD
Balance at the beginning of the year	**5,104,778**	3,153,617
Net fair value movement on IRSs during the year	**(2,623,086)**	1,951,161
Balance at the end of the year	**2,481,692**	5,104,778
Other comprehensive income	**2,623,086**	(1,951,161)

The movement in the derivative financial liabilities during the year was as follows:

	2021 BD	2020 BD
Balance at the beginning of the year	**5,121,641**	3,164,572
Net fair value movement on IRSs during the year	**(2,631,770)**	1,957,069
Balance at the end of the year	**2,489,871**	5,121,641

As at 31 December 2021, the notional hedged amount is BD 52.81 million (USD 140.09 million) (2020: BD 61.63 million (USD 163.49 million)) and the average 6 month USD-LIBOR was approximately 0.225% per annum (2020: 1.009% per annum).

Based on the interest rates gap, over the life of the IRSs, the present value of indicative losses were assessed at approximately BD 2.49 million by the counterparties to the IRS (2020: BD 5.12 million). In the event that the Company terminated the IRSs at 31 December 2021, it may incur losses to the extent of approximately BD 2.49 million. However, under the terms of the Amended and Restated Facility Agreement, the Company is not permitted to terminate the IRSs. All of the above interest rate swaps are designated as effective cash flow hedges and the fair value thereof has been deferred in other comprehensive income. The net amount of BD 1,622,434 (2020: BD 1,242,060) has been adjusted, as hedge loss, to the floating rate interest paid during the year.

14 BORROWINGS

	2021 BD	2020 BD
Current	**10,379,230**	9,800,064
Non current	**47,718,652**	57,977,083
	58,097,882	67,777,147

Interest
The RFL carry interest at floating rate of USD-LIBOR plus margins.

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

Securities
The facilities are secured by a comprehensive legal and commercial mortgage over all of the Company's assets.

14 BORROWINGS (continued)

Covenants
The facility agreements contain certain covenants pertaining to, amongst other things, project finance ratios, liquidation and merger, entering into material new agreements, negative pledge, change of business, loans and guarantees. The Company has fully complied with the applicable loan covenants during the year.

The movement of the borrowings are as follows:

	2021	2020
	BD	*BD*
Loan balance:		
Balance at 1 January	**68,482,422**	77,750,898
Repayments	**(9,800,065)**	(9,268,476)
Balance at 31 December	**58,682,357**	68,482,422
Un-amortised loan origination cost:		
Balance at 1 January	**705,275**	826,406
Amortisation during the year (note 22)	**(120,800)**	(121,131)
Balance at 31 December	**584,475**	705,275
Net term loan balance:		
Balance at 31 December	**58,097,882**	67,777,147

During July 2018 the Company entered into a BD 3.7 million (USD 10 million) working capital facility agreement with Mashreq Bank S.P.C. and the facility is expected to be available throughout the tenure of term loan which is up to October 2026. As at 31 December 2021, there is no outstanding balance on this facility (2020: Nil).

15 DEMOBILISATION PROVISION

	2021	2020
	BD	*BD*
Balance at the beginning of the year	**3,505,987**	3,397,994
Unwinding of discount and effect of the change in discount rate (note 22)	**112,815**	107,993
Balance at the end of the year	**3,618,802**	3,505,987

The provision for demobilisation costs represents the present value of the management's best estimate of the future outflow of economic benefits that will be required to demobilise the plant at the end of the Power Purchase Agreement ("PPA") period. The estimate has been made as per the Operations and Maintenance Agreement, which requires paying BD 2.35 million at the end of the PPA, subject to indexation using the United States Producer Price Index. The unexpired term of the agreement is 5.25 years as at the reporting date (2020: 6.25 years).

16 EMPLOYEES' END OF SERVICE BENEFITS

	2021	2020
	BD	*BD*
Balance at the beginning of the year	**145,874**	165,076
Charge during the year	**147,673**	14,356
Charged to a related party	**10,282**	9,114
Payments during the year	**-**	(42,672)
Balance at the end of the year	**303,829**	145,874

17 TRADE & OTHER PAYABLES

	2021 BD	2020 BD
Accounts payable	6,697	23,259,108
Accrued interest-net	589,393	678,943
Accruals	498,669	335,044
	1,094,759	24,273,095

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

18 REVENUE

	2021 BD	2020 BD
Capacity charge revenue		
Investment charge	18,888,375	19,052,596
Fixed operations and maintenance charge	5,961,192	5,864,261
Deduction for scheduled unavailability	(1,425,052)	(2,026,993)
Deduction for forced outage	(241,448)	(328,301)
Total capacity charge revenue	23,183,067	22,561,563
Revenue from contracts with customers - energy charge revenue		
Natural gas charge	56,948,105	52,593,890
Variable operations and maintenance charge	2,336,770	2,185,623
Start-up fees	36,529	23,738
Total revenue from contracts with customers - energy charge revenue	59,321,404	54,803,251
	82,504,471	77,364,814

19 OPERATIONS AND MAINTENANCE EXPENSES

	2021 BD	2020 BD
Natural gas costs	57,067,479	52,895,586
Fixed operations and maintenance costs	4,028,650	3,955,786
Variable operations and maintenance costs	2,336,758	2,185,623
Depreciation (note 5)	5,949,617	5,949,617
Operations and maintenance liquidated damages - net	43,953	(48,765)
Start- up costs	23,201	15,239
Other repair and maintenance costs	351,033	119,112
Other operations costs	43,324	124,088
	69,844,015	65,196,286

20 OTHER INCOME - NET

	2021 BD	2020 BD
Interest income	31,103	49,701
Net foreign exchange loss	(5,798)	(3,303)
Other miscellaneous income	5,214	5,234
	30,519	51,632

21 GENERAL AND ADMINISTRATIVE COSTS

	2021 BD	2020 BD
Staff cost	403,915	306,040
Insurance cost	460,863	394,495
Professional fees	14,608	15,667
Other general and administrative costs	85,874	168,602
Allowance/ (reversal) for expected credit losses	223	(459)
Allowance for disputed and unpaid receivables	20,472	4,675
	985,955	889,020

22 FINANCE COSTS

	2021 BD	2020 BD
Interest on term loans	2,345,372	3,358,130
Net loss on interest rate swaps (note 13)	1,622,434	1,242,060
Amortisation of loan origination costs (note 14)	120,800	121,131
Other finance charges (reversal's)	25,933	(1,230)
Effect of discounting provision for demobilisation cost (note 15)	112,815	107,993
Ineffective portion of cash flow hedge loss recognised (note 13)	(8,684)	5,908
	4,218,670	4,833,992

23 COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Commitments under Operation and Maintenance Agreement:

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

Operating lease commitments:

The Company entered into operating lease arrangements with the lease charges fixed for the period of the lease. These arrangements principally relate to the lease of the office space and the lease of the land on which the power plant exists.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	2021 BD	2020 BD
Within one year	17,800	17,800
After one year but not more than five years	4,000	4,000
After five years	9,333	10,333
	31,133	32,133

Capital commitments

Capital expenditure contracted for at the reporting date but not provided for, relating to the Company, amounted to BD nil (2020: nil).

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

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

The Company's financial assets include accounts receivable, due from related parties and cash and cash equivalents. Financial liabilities include trade and other payables, due to related parties, derivative financial liabilities and borrowings.

The summary of financial assets and financial liabilities are follows:

		Amortised cost		*Fair value through OCI*	
		2021	*2020*	***2021***	*2020*
	Notes	*BD*	*BD*	*BD*	*BD*
Financial assets:					
Accounts receivables	7	**3,769,330**	26,132,082	**-**	-
Due from related parties	8	**222,121**	78,670	**-**	-
Cash and cash equivalents	9	**341,322**	415,236	**-**	-
		4,332,773	26,625,988	**-**	-
Financial liabilities:					
Derivative financial liabilities	13	**-**	-	**2,489,871**	5,121,641
Accounts payable and accruals	17	**1,094,759**	24,273,095	**-**	-
Due to related parties	8	**667,959**	642,660	**-**	-
Borrowings	14	**58,682,357**	68,482,422	**-**	-
		60,445,075	93,398,177	**2,489,871**	5,121,641

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers or other counterparties fail to discharge their contractual obligations. The Company trades only with recognised, creditworthy parties. The Company has established customer verification procedures for all new customers. A regular annual review and evaluation of these accounts are carried to assess the credit standing of the customers.

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as shown in the statement of financial position. The Company is exposed to credit risk primarily on cash and cash equivalents, accounts receivables and due from related parties balances.

The Company limits the credit risk on bank balances by ensuring that these are maintained with banks having high credit ratings.

Exposure to credit risk

The table below shows the gross maximum exposure to credit risk for the components of the statement of financial position headings which are considered to be performing:

	2021	*2020*
	BD	*BD*
Accounts receivable	**3,769,330**	26,132,082
Due from related parties	**222,121**	78,670
Cash and cash equivalents	**341,322**	415,236
	4,332,773	26,625,988

Trade receivables are due from EWA, which is part of the government of the Kingdom of Bahrain. The receivables from EWA represent revenue billed based on the PPA terms. Credit risk on cash and cash equivalents is limited since these are maintained with bank having appropriate credit ratings.

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Market risk

Market risk is the risk that changes in market factors, such as currency rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) Interest rate risk

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

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

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

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

	Carrying amount	
	2021	*2020*
	BD	*BD*
Variable rate instruments		
Borrowings	**58,682,357**	68,482,422
Interest rate swaps	**2,489,871**	5,121,641

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date and in average interest rates prevailing during the year would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as used for 2020.

	Profit or loss	
	100 bp increase	*100 bp decrease*
	BD	*BD*
December 31, 2021		
Borrowings	**(656,480)**	**656,480**
Interest rate swaps	**589,580**	**(589,580)**
Cash flow sensitivity (net)	**(66,900)**	**66,900**
December 31, 2020		
Borrowings	(754,720)	754,720
Interest rate swaps	664,110	(664,110)
Cash flow sensitivity (net)	(90,610)	90,610

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

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Market risk (continued)

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

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

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

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

(ii) Currency risk

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

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

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

	Liabilities		*Assets*	
	2021	*2020*	***2021***	*2020*
	BD	*BD*	***BD***	*BD*
United States Dollars	**61,177,146**	73,668,804	**37,802**	34,425

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due.

The Company's objective is to maintain the balances between continuity of funding and flexibility through the use of bank balances.

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summaries the maturity profile of the Company's financial liabilities at the year end based on contractual undiscounted cash flows:

	Weighted average effective interest rate	*Carrying amount BD*	*Contractual cash flows BD*	*Less than 3 months BD*	*3 months to 1 year BD*	*1-5 years BD*	*5+ years BD*
2021							
Accounts payable and accruals		1,094,759	1,094,759	1,094,759	-	-	-
Due to related parties		667,959	667,959	667,959	-	-	-
Borrowings	3.57%	58,682,357	64,842,585	-	12,421,380	52,421,205	-
		60,445,075	**66,605,303**	**1,762,718**	**12,421,380**	**52,421,205**	**-**
2020							
Accounts payable and accruals		24,273,095	24,273,095	24,273,095	-	-	-
Due to related parties		642,660	642,660	642,660	-	-	-
Borrowings	4.36%	68,482,422	78,897,633	-	12,704,699	52,523,183	13,669,751
		93,398,177	103,813,388	24,915,755	12,704,699	52,523,183	13,669,751

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk (continued)

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

	3 months to 1 year BD	*1-5 years BD*	*Total BD*
2021			
Net settled			
Interest rate swaps	**1,100,351**	**1,389,520**	**2,489,871**
2020			
Net settled			
Interest rate swaps	1,323,409	3,798,232	5,121,641

Capital management

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

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

Gearing ratio

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

The gearing ratio at the year end was as follows:

	***2021* BD**	*2020 BD*
Debt (i)	**58,682,357**	68,482,422
Cash and cash equivalents	**(341,322)**	(415,236)
Net debt	**58,341,035**	68,067,186
Equity (ii)	**32,502,430**	25,492,994
Net debt to equity ratio	1 : 0.56	1 : 0.37

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

(ii) Equity includes all capital, retained earnings and reserves of the Company.

25 FAIR VALUES

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 a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The carrying amount of financial assets and liabilities, presented in the statement of financial position, are set out in the table below.

25 FAIR VALUES (continued)

Having regard to the nature of these financial assets and liabilities, their carrying value approximates the fair value.

	At fair value	*Amortised cost*	*Total carrying amount*
	BD	*BD*	*BD*
2021			
Accounts receivable	-	3,769,330	3,769,330
Due from related parties	-	222,121	222,121
Cash and cash equivalents	-	341,322	341,322
	-	4,332,773	4,332,773
Borrowings	-	58,682,357	58,682,357
Other financial liabilities	2,489,871	1,762,718	4,252,589
	2,489,871	60,445,075	62,934,946

	At fair value	*Amortised cost*	*Total carrying amount*
	BD	*BD*	*BD*
2020			
Accounts receivable	-	26,132,082	26,132,082
Due from related parties	-	78,670	78,670
Cash and cash equivalents	-	415,236	415,236
	-	26,625,988	26,625,988
Borrowings	-	68,482,422	68,482,422
Other financial liabilities	5,121,641	24,915,755	30,037,396
	5,121,641	93,398,177	98,519,818

Fair value hierarchy

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. as derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

25 FAIR VALUES (continued)

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

	Level 1 BD	*Level 2 BD*	*Level 3 BD*	*Total BD*
2021				
Derivative financial liabilities	-	2,489,871	-	2,489,871
2020				
Derivative financial liabilities	-	5,121,641	-	5,121,641

Valuation technique of forward exchange contracts and interest rate swaps
Market comparison technique: The fair value is based on the broker quotes. Similar contracts are traded in an active market and quotes reflect the actual transaction in similar instrument.

26 IMPACT OF COVID 19

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

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

Audited
Financial Statements

Al Ezzel Power Company B.S.C. (c)

31 December 2022

Al Ezzel Power Company B.S.C. (c)

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

Commercial registration number	54201
Chairman	Mr. Meshary M A M Al-Judaimi
Vice Chairman	Mr. Frederic Michel Nicholas Claux (up to 1 September 2022) Mr. Tomaz Henrique Guadagnin (from 1 September 2022)
Directors	Mr. Willem Van den Abeele Mr. Mohammed Kazim Surve Mr. Saqer Al Saqer Ms. Anwar Al-Ajeel Mr. Antonio Di Cecca (up to 28 January 2022) Mr. Hani M. Al Awadhi (up to 12 October 2022) Mr. Ady Mohamed Y.M. Al Shaikh Mr. Laurent Raymond Louis Fuседi (from 28 January 2022) Mr. Mohammad Alomar (from 12 October 2022)
Registered office	Flat 1201, Building 2795 Road 2835, Block 428 Al Seef, Manama Kingdom of Bahrain
Principal bankers	National Bank of Kuwait, Bahrain Branch Arab Banking Corporation Mashreqbank PSC
Auditor	Deloitte & Touche Middle East P.O. Box 421, Manama, Kingdom of Bahrain.

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AL EZZEL POWER COMPANY B.S.C. (C)
DIRECTORS' REPORT

The Board of Directors has pleasure in submitting its annual report and the audited financial statements as of and for the year ended 31 December 2022.

Principal activities

The Company is engaged in private generation of electrical power under a build-own-operate arrangement, using a 950MW gas-fired power plant located in Al Hidd and supplies electricity to the Electricity and Water Authority ("EWA") under a long-term Power Purchase Agreement.

Operating highlights

In 2022 Al Ezzel Power Company supplied a total of 3,554 GWh and achieved power technical availability of 89.40% against the budgeted availability of 89.85%.

The results for the year are set out on page 6 of the financial statements.

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

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

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

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount	Expenses Allowances
	Remunerations of the chairman and BOD	Total allowances for attending Board and committee meetings	Salaries	Others	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total			
First: Independent Directors													
None	-	-	-	-	-	-	-	-	-	-	-	-	-
Second: Non-Executive Directors													
1. Mr. Meshary M A M Al-Judaimi	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Mr. Frederic M. N. Claux (iii)	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Mr. Tomaz Henrique Guadagnin (iv)	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Mr. Willem Van den Abeele	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Mr. Mohammed Kazim Surve	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Mr. Sager Al Sager	-	-	-	-	-	-	-	-	-	-	-	-	-
7. Ms. Anwar Al-Ajeel	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Mr. Antonio Di Cecca (i)	-	-	-	-	-	-	-	-	-	-	-	-	-
9. Mr. Hani M. Al Awadhi (v)	-	-	-	-	-	-	-	-	-	-	-	-	-
10. Mr. Ady Mohamed Y.M. Al Shaikh	-	-	-	-	-	-	-	-	-	-	-	-	-
11. Mr. Laurent R. L. Furedi (ii)	-	-	-	-	-	-	-	-	-	-	-	-	-
12. Mr. Mohammad Alomar (vi)	-	-	-	-	-	-	-	-	-	-	-	-	-
Third: Executive Directors													
None	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: All amounts are stated in Bahraini Dinars

(i) Resigned w.e.f. 28 January 2022
(ii) Appointed w.e.f. 28 January 2022
(iii) Resigned w.e.f. 1 September 2022
(iv) Appointed w.e.f. 1 September 2022
(v) Resigned w.e.f. 12 October 2022
(vi) Appointed w.e.f. 12 October 2022

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

During the year 2022, no remunerations/ sitting fees or other benefits were paid to individual Directors. Based on the attendance of individual directors for Board of Directors meeting held during the year 2022, directors sitting fees were paid to respective shareholders as follows;

Shareholder	*Fee Details*	*Total*
Gulf Investment Corporation GSC	Board sitting fees	**7,917**
Kahrabel FZE	Board sitting fees	**8,483**
Social Insurance Organisation	Board sitting fees	**2,262**
Total		18,662
Note: All amounts are stated in Bahraini Dinars		

b. **Remuneration and benefits paid to Executive Management:**

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

Executive management	*Total paid salaries and allowance*	*Total paid remuneration (Bonus)*	*Any other cash/ in kind remuneration for 2022*	*Aggregate Amount*
Remuneration of top executives (Chief Executive Officer and Chief Financial Officer) *	139,003	15,438	3,000	**157,441**
Note: All amounts are stated in Bahraini Dinars				
* Executive management consist of Chief Executive Officer & Chief Financial Officer only.				

Signed on behalf of the Board of Directors

Meshary M A M Al-Judaimi
Chairman

Tomaz Henrique Guadagnin
Vice-Chairman

6 February 2023

Deloitte.

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CR 18670

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of the Board of Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

Deloitte. INDEPENDENT AUDITOR'S REPORT (continued)

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

We report that:

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

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

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

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

d) Nothing has come to our attention which causes us to believe that the Company has, during the year, breached any of the applicable provisions of the BCCL, or the items of its Memorandum and Articles of Association that would have a material adverse effect on its business or its financial position; and

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

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

a) has appointed a Corporate Governance Officer; and

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

Deloitte & Touche.

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

AL EZZEL POWER COMPANY B.S.C. (c)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 BD	2021 BD
ASSETS			
Non-current assets			
Property plant and equipment	5	85,817,537	91,744,204
Derivative financial assets	13	796,374	-
Total Non-current assets		86,613,911	91,744,204
Current assets			
Inventories	6	2,302,850	2,431,009
Accounts receivable and prepayments	7	3,873,718	4,036,876
Due from related parties	8.1	91,236	131,320
Derivative financial assets	13	432,723	-
Cash and cash equivalents	9	715,745	341,322
Total current assets		7,416,272	6,940,527
Total assets		94,030,183	98,684,731
EQUITY AND LIABILITIES			
Equity			
Share capital	10	21,110,000	21,110,000
Statutory reserve	11	8,192,303	7,506,572
Retained earnings		9,219,127	6,367,550
Hedging reserve	13	1,425,128	(2,481,692)
Total equity		39,946,558	32,502,430
Liabilities			
Non-current liabilities			
Derivative financial liabilities	13	-	1,389,520
Borrowings	14	36,872,823	47,718,652
Demobilisation provision	15	3,770,754	3,618,802
Employees' end of service indemnity	16	295,856	303,829
Total non-current liabilities		40,939,433	53,030,803
Current liabilities			
Trade and other payables	17	973,975	1,094,759
Due to related parties	8.2	1,203,587	577,158
Derivative financial liabilities	13	-	1,100,351
Borrowings	14	10,966,630	10,379,230
Total current liabilities		13,144,192	13,151,498
Total liabilities		54,083,625	66,182,301
Total equity and liabilities		94,030,183	98,684,731

Meshary M A M Al-Judaimi
Chairman

Tomaz Henrique Guadagnin
Vice-Chairman

The attached notes 1 to 25 form part of these financial statements.

AL EZZEL POWER COMPANY B.S.C. (c)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	*2022 BD*	*2021 BD*
Revenue	18	67,882,707	82,504,471
Operations and maintenance expenses	19	(56,323,110)	(69,844,015)
Gross profit		11,559,597	12,660,456
Other income - net	20	60,872	30,519
General and administrative costs	21	(1,079,049)	(985,955)
Finance costs	22	(3,704,112)	(4,218,670)
Profit for the year		6,837,308	7,486,350
Other comprehensive income that may be reclassified to the statement of profit or loss in subsequent years:			
Net movement on cash flow hedges	13	3,906,820	2,623,086
Total comprehensive income for the year		10,744,128	10,109,436

Meshary M A M Al-Judaimi
Chairman

Tomaz Henrique Guadagnin
Vice-Chairman

The attached notes 1 to 29 form part of these financial statements.

AL EZZEL POWER COMPANY B.S.C. (C)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Notes	Share capital BD	Statutory reserve BD	Retained earnings BD	Hedging reserve BD	Total BD
Balance at 31 December 2020		21,110,000	6,759,937	2,727,835	(5,104,778)	25,492,994
Profit for the year		-	-	7,486,350	-	7,486,350
Other comprehensive income for the year	13	-	-	-	2,623,086	2,623,086
Total comprehensive income for the year		-	-	7,486,350	2,623,086	10,109,436
Transfers to statutory reserve		-	748,635	(748,635)	-	-
Dividend paid during the year 2021	12	-	-	(3,100,000)	-	(3,100,000)
Balance at 31 December 2021		21,110,000	7,508,572	6,365,550	(2,481,692)	32,502,430
Profit for the year		-	-	6,837,308	-	6,837,308
Other comprehensive income for the year	13	-	-	-	3,906,820	3,906,820
Total comprehensive income for the year		-	-	6,837,308	3,906,820	10,744,128
Transfers to statutory reserve		-	683,731	(683,731)	-	-
Dividend paid during the year 2022	12	-	-	(3,300,000)	-	(3,300,000)
Balance at 31 December 2022		21,110,000	8,192,303	9,219,127	1,425,128	39,946,558

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

AL EZZEL POWER COMPANY B.S.C. (c)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 BD	2021 BD
OPERATING ACTIVITIES			
Net profit for the year		6,837,308	7,486,350
Adjustments for:			
Depreciation	6	5,952,167	5,949,617
Allowance for disputed and unpaid receivables	21	11,594	20,472
Allowance for expected credit losses on related parties	21	(971)	1,049
Provision for demobilisation	15	161,952	112,815
Provision for employees' end-of-service benefits	16	17,667	147,673
Amortisation of loan origination costs	22	120,800	120,800
Ineffective portion of cash flow hedges	22	(12,148)	(8,684)
Finance costs	22	3,443,508	3,993,739
Operating profit before working capital changes		16,521,877	17,823,830
Working capital changes:			
Inventories		120,159	(15,762)
Accounts receivable and prepayments		351,564	22,299,077
Due from related parties		51,337	(134,218)
Trade and other payables		(136,191)	(23,098,786)
Due to related parties		626,429	26,299
Employee benefits paid	16	(35,922)	-
Net cash generated from operating activities		17,507,253	16,909,440
INVESTING ACTIVITIES			
Purchase of property plant and equipment		(25,500)	-
Net cash used in investing activities		(25,500)	-
FINANCING ACTIVITIES			
Repayment of borrowings	14	(10,379,229)	(9,800,065)
Dividend approved and paid	12	(3,300,000)	(3,100,000)
Finance cost paid		(3,428,101)	(4,083,289)
Net cash used in financing activities		(17,107,330)	(16,983,354)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		374,423	(73,914)
Cash and cash equivalents at beginning of the year		341,322	415,236
CASH AND CASH EQUIVALENTS, AT THE END OF THE YEAR	9	715,745	341,322

The attached notes 1 to 25 form part of these financial statements.

1 INCORPORATION AND PRINCIPAL ACTIVITIES

Al Ezzel Power Company B.S.C. (c) ("the Company"), a Bahraini Closed Joint Stock Company, incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under Commercial Registration (CR) number 54201 on 29 July 2004. The address of the Company's registered office is Flat 1201 Building 2795, Road 2835, Block 428, Al Seef, Kingdom of Bahrain.

The Company is engaged in the private generation of electrical power under a build-own-operate arrangement, using a 950MW gas-fired power plant located in Al Hidd, Kingdom of Bahrain. The Company commenced commercial operations on 3 June 2007 and supplies electricity to the Electricity and Water Authority ("EWA") under a long-term Power Purchase Agreement ("PPA").

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

2 BASIS OF PREPARATION

Statement of compliance

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

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

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

New and amended standards and interpretations

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

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

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

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

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

2 BASIS OF PREPARATION (continued)

New and amended standards and interpretations (continued)

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

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

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

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

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

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

New and revised standards issued but not yet effective

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

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

An asset is classified as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions "provision for demobilisation" (note 4) and "provisions" (note 15) for further information about the recorded decommissioning provision.

The cost of property, plant and equipment, other than capital work-in-progress, is depreciated on a straight line basis over the estimated useful lives.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Power generation plant	30 years
Buildings and other facilities	30 years
Plant spares	10 years
Computers and IT equipment	5 years
Furniture, fixtures and office equipment	5 years
Other assets	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at lower of cost or net realisable value. Costs are those expenses incurred in bringing the spare parts to their present location and condition.

The cost of spare parts is determined on a weighted average basis. Where necessary, an impairment provision is made for obsolete, slow moving and defective items.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

Financial assets

Initial recognition

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy for revenue recognition.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

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

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

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

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

The Company's financial assets include accounts receivable, due from related parties and bank balances.

Accounts receivables

Accounts receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost, less impairment. The losses arising from impairment are recognised in the statement of comprehensive income. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at banks as defined above.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Further disclosures relating to impairment of trade receivables and due from related parties are provided in note 7 and 8.

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

Derecognition of financial assets

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

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

Financial liabilities

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts and other payables, loans and borrowings, and derivative financial instruments.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. These are carried at amortised cost which is the fair value of the consideration to be settled in future.

Term loans

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Interest is charged as an expense as it accrues with unpaid amounts included in accruals.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Term loans (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Fair value measurement

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

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

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

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

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

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

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances and cash and other receivables (excluding prepayments and advances). Financial liabilities consist of accounts and other payables, amount due to a related party, loan from shareholders and term loan.

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

Fair values of the Company's interest-bearing borrowings and loans are determined by using discounted cash flow (DCF) method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2022 was assessed to be insignificant.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

Employees' end-of-service benefits

Non-Bahraini employees

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

Bahraini employees

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

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any

Derivative financial instruments and hedge accounting

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

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income (OCI) and later reclassified to profit or loss when the hedged item affects profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

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

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

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

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income "OCI" in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of comprehensive income as finance costs.

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

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

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

Revenue

Revenue from contracts with customers

Revenue from contracts with customers comprises energy charges and variable O&M charges and are calculated based on the PPA with the Electricity and Water Authority (EWA) of the Kingdom of Bahrain and recognised when performance obligation is satisfied (i.e. power is delivered).

Capacity charge revenue

Capacity charge revenue (lease income) is based on the PPA with EWA and is recognised over time, based on the contractual plant availability and presented net of scheduled unavailability and forced outage

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Foreign currencies

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

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Going concern

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

Operating lease commitments – Company as a lessee

The Company has entered into commercial property leases on its offices and lease of the land on which the power plant exists. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it does not retain all the significant risks and rewards of ownership of these properties and accounted for these contracts as operating leases.

Operating lease commitments – Company as a lessor

As described in note 1, the Company has entered into a long term PPA. Under the PPA, the Company is entitled to receive net power capacity charges (net investment & net fixed operations and maintenance charges) based on the plant availability during the term of the PPA and determined that net power capacity charges revenue are lease revenues as per IFRIC 4 "Determining whether an Arrangement contains a Lease". Based on the contractual arrangements in place, that the Company retains the principal risks and rewards of ownership and accordingly accounts for the net capacity charge revenue as an operating lease

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates

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

Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation charges would be adjusted when management believes the useful lives differ from previous estimates.

The review carried out by management in the current year did not indicate any necessity to change the useful lives of property, plant and equipment.

Impairment of property, plant and equipment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Based on the Company's assessment, no impairment has been recognised in the financial statements.

Provision for demobilisation costs

Based on the contractual obligation as per the Operations and Maintenance Agreement with Al Ezzel Operation and Maintenance Company W.L.L., the Company has recognised a provision for decommissioning obligations associated with its power plant. In determining the fair value of the provision, assumptions and estimates are made in relation to the expected cost to dismantle and remove the plant from the site and the expected timing of those costs. Most suitable industry index for power sector under the United States Producer Price Index has been used in determining the present value of the demobilisation provision as the management expects to incur significant portion of these costs in US Dollars. The carrying amount of the provision as at 31 December 2022 was BD 3,770,754 (2021: BD 3,618,802).

If the estimated United States Producer Price Index used in the calculation had been 1% higher than management's estimate, the carrying amount of the provision would have been BD 37,708 higher (2021: BD 36,186).

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence.

At the statement of financial position date, gross inventories were BD 2,302,850 (2021: BD 2,431,009), with no provision for slow moving inventories (2021: nil). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates (continued)

Provision for expected credit losses of accounts receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the automotive sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 7.

At the statement of financial position date, gross receivables were BD 3,198,129 (2021: BD 3,794,423) and the Board of Directors' assessment did not indicate any doubtful receivables. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

5 PROPERTY, PLANT AND EQUIPMENT

	Power generation plant BD	Buildings and other facilities BD	Plant spares BD	Computers and IT equipment BD	Furniture, fixtures and office equipment BD	Other assets BD	Total BD
Cost:							
At 1 January 2021	116,466,482	61,701,480	3,744,449	502,661	487,561	399,678	183,302,311
As at 31 December 2021	116,466,482	61,701,480	3,744,449	502,661	487,561	399,678	183,302,311
Additions during the year	-	-	-	-	-	25,500	25,500
As at 31 December 2022	116,466,482	61,701,480	3,744,449	502,661	487,561	425,178	183,327,811
Accumulated depreciation:							
At 1 January 2021	52,625,170	27,877,285	3,744,449	502,661	487,561	371,364	85,608,490
Charge for the year	3,882,372	2,056,780	-	-	-	10,465	5,949,617
As at 31 December 2021	56,507,542	29,934,065	3,744,449	502,661	487,561	381,829	91,558,107
Charge for the year	3,882,372	2,056,780	-	-	-	13,015	5,952,167
As at 31 December 2022	60,389,914	31,990,845	3,744,449	502,661	487,561	394,844	97,510,274
Net carrying amount:							
As at 31 December 2022	56,076,568	29,710,635	-	-	-	30,334	85,817,537
As at 31 December 2021	59,958,940	31,767,415	-	-	-	17,849	91,744,204

5 PROPERTY, PLANT AND EQUIPMENT (continued)

The land on which the power station, buildings and facilities are constructed has been leased from the Government of the Kingdom of Bahrain at a nominal rent of BD 1,000 per annum for a period of 30 years commencing from the scheduled commercial operation date (1 May 2007). No right of use assets was recognized as per IFRS 16 as amount involved is immaterial.

Depreciation for the year amounting to BD 5,952,187 has been included in the operations and maintenance expenses (2021: BD 5,949,617) (note 19).

6 INVENTORIES

	2022	*2021*
	BD	*BD*
Plant spare parts and consumables	**2,302,850**	2,431,009

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2022	*2021*
	BD	*BD*
Receivable from the EWA	**3,195,129**	3,794,423
Allowance for disputed and unpaid receivables	**(38,937)**	(28,343)
	3,156,192	3,766,080
Prepaid expenses	**185,477**	187,168
Staff loans	**593**	-
Input VAT recoverable	**184,780**	80,378
Other receivables	**146,673**	3,250
	3,673,710	4,036,876

Receivable from EWA relate to the sale of electricity and are due within 45 days from the date of invoice. At the reporting date, no amounts receivable from EWA are considered impaired.

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

	Total	*Neither past due nor impaired*
	BD	*BD*
31 December 2022	**3,156,192**	**3,156,192**
31 December 2021	3,766,080	3,766,080

8 RELATED PARTY TRANSACTIONS

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

8 RELATED PARTY TRANSACTIONS (continued)

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

<u>8.1 Due from related parties</u>	*2022* BD	*2021* BD
Companies under common control		
Al Dur Power and Water Company B.S.C.(c)	91,913	108,286
Other related parties		
International Power S.A. Dubai Branch	-	24,682
	91,913	132,968
Allowance for expected credit losses	(677)	(1,648)
	91,236	131,320

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

	Neither past due nor impaired 2022 BD	2021 BD
Companies under common control	91,236	106,638
Other related parties	-	24,682
	91,236	131,320

<u>8.2 Due to related parties</u>	*2022* BD	*2021* BD
Companies under common control		
Al Ezzel Operations and Maintenance W.L.L.	1,138,606	577,168
Other related parties		
International Power S.A. Dubai Branch	64,981	-
	1,203,587	577,158

Transactions with related parties included in the statement of profit or loss is as follows:

	Operating expenses		*Settlement of liabilities on behalf of other related parties*	
	2022 BD	*2021* BD	*2022* BD	*2021* BD
Shareholders	18,662	18,097	-	-
Other related parties	6,692,477	6,752,448	385,730	418,826
	6,711,139	6,770,545	385,730	418,826

Compensation of key management personnel

During the year no compensation was paid to the Directors. The remunerations of other members of key management was as follows.

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

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

9 CASH & CASH EQUIVALENTS

	2022	*2021*
	BD	*BD*
Cash in hand	1,000	1,000
Bank balances	722,729	344,124
	723,729	345,124
Allowance for expected credit losses	(7,980)	(3,802)
	715,749	341,322

The bank balances are placed with commercial banks in the Kingdom of Bahrain in Bahraini Dinar, US Dollar and are non-interest bearing except for call deposits accounts which have an average interest rate of 2.0% (2021: 1.5%).

10 SHARE CAPITAL

The authorised, issued and fully paid up share capital of the Company consists of 211,100 ordinary shares with a nominal value of BD 100 each. The shareholding structure of the Company is as follows:

		2022 and 2021	
	Percentage ownership	*No. of shares*	*Amount BD*
Gulf Investment Corporation G.S.C.	45%	94,995	9,499,500
Kahrabal FZE	45%	94,995	9,499,500
The Social Insurance Organisation - Bahrain	10%	21,110	2,111,000
		211,100	21,110,000

11 STATUTORY RESERVE

In accordance with the Bahrain Commercial Companies Law of 2001 (and subsequent amendments) and the Company's Articles of Association, 10% of the profit for the year is transferred to the statutory reserve. The Company will resolve to discontinue such annual transfers when the statutory reserve reaches 50% of the issued share capital. The statutory reserve is not available for distribution, except in circumstances stipulated in the Bahrain Commercial Companies Law of 2001 (and subsequent amendments).

12 DIVIDEND

During 2022, the Board of Directors approved and paid interim dividend of BD 3,300,000 at the rate of BD 15.63 per share (2021: BD 3,100,000 at the rate of BD 14.68 per share).

13 DERIVATIVE FINANCIAL INSTRUMENTS

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

	2022	*2021*
	BD	*BD*
Interest rate swaps:	1,429,097	-
Current	632,723	-
Non-current	796,374	-
	1,429,097	-

13 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

	2022 BD	2021 BD
Interest rate swaps:	-	2,489,871
Current	-	1,100,351
Non Current	-	1,389,520
	-	2,489,871

	2022 BD	2021 BD
Effective portion	(1,426,128)	2,481,692
Ineffective portion	(2,969)	8,179
	(1,429,097)	2,489,871

The Company enters into Interest Rate Swap ("IRS") transactions to hedge the interest rate exposure of its term loans as follows:

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

As part of the new financing, the Company entered into new IRSs agreements with new counterparties up to 31 October 2026 with hedging coverage of 70% of the new term loan profile (note 14). With effect from 1 May 2019, the hedge coverage has been increased to 90% of the loan profile.

The movement in the hedging reserve during the year was as follows:

	2022 BD	2021 BD
Balance at the beginning of the year	2,481,692	5,104,778
Net fair value movement on IRSs during the year	(3,907,820)	(2,623,086)
Balance at the end of the year	(1,426,128)	2,481,692
Other comprehensive income	3,907,820	2,623,086

The movement in the derivative financial assets and financial liabilities during the year was as follows:

	2022 BD	2021 BD
Balance at the beginning of the year	2,489,871	5,121,641
Net fair value movement on IRSs during the year	(3,918,968)	(2,631,770)
Balance at the end of the year	(1,429,097)	2,489,871

As at 31 December 2022, the notional hedged amount is BD 43.47 million (USD 115.31 million) (2021: BD 52.81 million (USD 140.09 million)) and the average 6 month USD-LIBOR was approximately 2.225% per annum (2021: 0.225% per annum).

13 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Based on the interest rates gap, over the life of the IRSs, the present value of indicative gains were assessed at approximately BD 1.43 million by the counterparties to the IRS (2021: BD 2.49 million (losses)). In the event that the Company terminated the IRSs at 31 December 2022, it may have a gain of approximately BD 1.43 million. However, under the terms of the Amended and Restated Facility Agreement, the Company is not permitted to terminate the IRSs. All of the above interest rate swaps are designated as effective cash flow hedges and the fair value thereof has been deferred in other comprehensive income. The net amount of BD 627,104 (2021: BD 1,622,434) (note 22) has been adjusted, as hedge loss, to the floating rate interest paid during the year.

14 BORROWINGS

	2022 BD	2021 BD
Current	10,966,630	10,379,230
Non current	36,872,823	47,718,652
	47,839,453	58,097,882

Interest
The term loan carries interest at floating rate of USD-LIBOR plus margins.

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

Securities
The facilities are secured by a comprehensive legal and commercial mortgage over all of the Company's assets.

Covenants
The facility agreements contain certain covenants pertaining to, amongst other things, project finance ratios, liquidation and merger, entering into material new agreements, negative pledge, change of business, loans and guarantees. The Company has fully complied with the applicable loan covenants during the year.

The movement of the borrowings are as follows:

	2022 BD	2021 BD
Loan balance:		
Balance at 1 January	58,682,357	68,482,422
Repayments	(10,379,229)	(9,800,065)
Balance at 31 December	48,303,128	58,682,357
Un-amortised loan origination cost:		
Balance at 1 January	584,475	705,275
Amortisation during the year (note 22)	(120,800)	(120,800)
Balance at 31 December	463,675	584,475
Net term loan balance:		
Balance at 31 December	47,839,453	58,097,882

During July 2018 the Company entered into a BD 3.7 million (USD 10 million) working capital facility agreement with Mashreq Bank S.P.C. and the facility is expected to be available throughout the tenure of term loan which is up to October 2026. As at 31 December 2022, there is no outstanding balance on this facility (2021: Nil).

15 DEMOBILISATION PROVISION

	2022 BD	2021 BD
Balance at the beginning of the year	3,618,802	3,505,987
Unwinding of discount and effect of the change in discount rate (note 22)	151,962	112,815
Balance at the end of the year	3,770,764	3,618,802

The provision for demobilisation costs represents the present value of the management's best estimate of the future outflow of economic benefits that will be required to demobilise the plant at the end of the Power Purchase Agreement ("PPA") period. The estimate has been made as per the Operations and Maintenance Agreement, which requires paying BD 2.36 million at the end of the PPA, subject to indexation using the United States Producer Price Index. The unexpired term of the agreement is 4.25 years as at the reporting date (2021: 5.25 years).

16 EMPLOYEES' END OF SERVICE BENEFITS

	2022 BD	2021 BD
Balance at the beginning of the year	303,829	145,874
Payments during the year	(35,822)	-
Charge during the year	17,667	147,673
Charged to a related party	10,282	10,282
Balance at the end of the year	295,956	303,829

17 TRADE & OTHER PAYABLES

	2022 BD	2021 BD
Accounts payable	32,065	6,697
Accrued interest-net	604,880	589,393
Accruals	337,030	498,669
	973,975	1,094,759

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

18 REVENUE

	2022 BD	2021 BD
Capacity charge revenue		
Investment charge	18,779,748	18,869,375
Fixed operations and maintenance charge	5,991,904	5,981,192
Deduction for scheduled unavailability	(2,575,530)	(1,426,052)
Deduction for forced outage	(61,501)	(241,448)
Total capacity charge revenue	22,134,621	23,183,067
Revenue from contracts with customers - energy charge revenue		
Natural gas charge	43,925,835	56,948,105
Variable operations and maintenance charge	1,766,662	2,336,770
Start-up fees	53,687	36,529
Total revenue from contracts with customers - energy charge revenue	45,746,184	59,321,404
	67,880,805	82,504,471

19 OPERATIONS AND MAINTENANCE EXPENSES

	2022 BD	2021 BD
Natural gas costs	43,424,753	57,067,479
Fixed operations and maintenance costs	4,211,430	4,028,650
Variable operations and maintenance costs	1,759,368	2,338,758
Depreciation (note 5)	5,852,107	5,949,617
Operations and maintenance liquidated damages - net	169,378	43,963
Start- up costs	35,883	23,201
Other repair and maintenance costs	274,826	351,033
Other operations costs	96,636	43,324
	56,323,110	69,844,015

20 OTHER INCOME - NET

	2022 BD	2021 BD
Interest income	52,476	31,103
Net foreign exchange loss	335	(5,798)
Other miscellaneous income	8,062	5,214
	60,872	30,519

21 GENERAL AND ADMINISTRATIVE COSTS

	2022 BD	2021 BD
Staff cost	341,575	403,915
Insurance cost	488,643	480,863
Professional fees	14,968	14,608
Other general and administrative costs	219,158	65,874
(Reversal) / allowance for expected credit losses related parties	(971)	1,048
Allowance / (reversal) for expected credit losses cash and cash equivalents	4,102	(825)
Allowance for disputed and unpaid receivables	11,594	20,472
	1,079,069	985,955

22 FINANCE COSTS

	2022 BD	2021 BD
Interest on term loans	2,805,057	2,345,972
Net loss on interest rate swaps (note 13)	627,104	1,622,494
Amortisation of loan origination costs (note 14)	120,800	120,800
Other finance charges	10,547	26,833
Effect of discounting provision for demobilisation cost (note 15)	151,962	112,815
Ineffective portion of cash flow hedge loss recognised (note 13)	(12,148)	(8,684)
	3,704,112	4,218,670

23 COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

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

23 COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (continued)

Operating lease commitments:
The Company entered into operating lease arrangements with the lease charges fixed for the period of the lease. These arrangements principally relate to the lease of the office space and the lease of the land on which the power plant exists.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	2022 BD	2021 BD
Within one year	17,800	17,800
After one year but not more than five years	4,000	4,000
After five years	10,333	11,333
	32,133	33,133

Capital commitments
Capital expenditure contracted for at the reporting date but not provided for, relating to the Company, amounted to BD nil (2021: nil).

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

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

The Company's financial assets include accounts receivable, due from related parties and cash and cash equivalents. Financial liabilities include trade and other payables, due to related parties, derivative financial liabilities and borrowings. No right of use assets and lease liabilities were recognized as per IFRS 16 as the amount involved is immaterial.

The summary of financial assets and financial liabilities are follows:

		Amortised cost		*Fair value through OCI*	
	Notes	2022 *BD*	*2021* *BD*	2022 BD	*2021* *BD*
Financial assets:					
Derivative financial assets	13	-	-	1,420,097	-
Accounts receivables	7	3,302,448	3,769,330	-	-
Due from related parties	8	91,236	131,320	-	-
Cash and cash equivalents	9	715,745	341,322	-	-
		4,109,429	4,241,972	1,420,097	-
Financial liabilities:					
Derivative financial liabilities	13	-	-	-	2,489,871
Accounts payable and accruals	17	973,875	1,004,759	-	-
Due to related parties	8	1,203,687	577,158	-	-
Borrowings	14	48,303,128	58,782,357	-	-
		50,480,690	60,364,274	-	2,489,871

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers or other counterparties fail to discharge their contractual obligations. The Company trades only with recognised, creditworthy parties. The Company has established customer verification procedures for all new customers. A regular annual review and evaluation of these accounts are carried to assess the credit standing of the customers.

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as shown in the statement of financial position. The Company is exposed to credit risk primarily on cash and cash equivalents, accounts receivables and due from related parties balances.

The Company limits the credit risk on bank balances by ensuring that these are maintained with banks having high credit ratings.

Exposure to credit risk

The table below shows the gross maximum exposure to credit risk for the components of the statement of financial position headings which are considered to be performing:

	2022	2021
	BD	BD
Accounts receivable	3,302,448	3,769,330
Due from related parties	91,236	131,320
Cash and cash equivalents	715,745	341,322
	4,109,429	4,241,972

Trade receivables are due from EWA, which is part of the government of the Kingdom of Bahrain. The receivables from EWA represent revenue billed based on the PPA terms. Credit risk on cash and cash equivalents is limited since these are maintained with bank having appropriate credit ratings.

Market risk

Market risk is the risk that changes in market factors, such as currency rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) Interest rate risk

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

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

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

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

	Carrying amount	
	2022	2021
	BD	BD
Variable rate instruments		
Borrowings	48,303,128	58,882,357
Interest rate swaps	(1,429,067)	2,480,871

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Market risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date and in average interest rates prevailing during the year would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as used for 2021.

	Profit or loss	
	100 bp increase	*100 bp decrease*
	BD	*BD*
December 31, 2022		
Borrowings	**(564,672)**	**564,672**
Interest rate swaps	**498,167**	**(498,167)**
Cash flow sensitivity (net)	**(66,505)**	**66,505**
December 31, 2021		
Borrowings	(656,480)	656,480
Interest rate swaps	589,580	(589,580)
Cash flow sensitivity (net)	(66,900)	66,900

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

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

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

(iii) Currency risk

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

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

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

	Liabilities		*Assets*	
	2022	*2021*	***2022***	*2021*
	BD	*BD*	***BD***	*BD*
United States Dollars	**48,320,832**	61,177,148	**20,687**	37,602

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due.

The Company's objective is to maintain the balances between continuity of funding and flexibility through the use of bank balances.

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summaries the maturity profile of the Company's financial liabilities at the year and based on contractual undiscounted cash flows:

	Weighted average effective interest rate	*Carrying amount BD*	*Contractual cash flows BD*	*Less than 3 months BD*	*3 months to 1 year BD*	*1-5 years BD*
2022						
Accounts payable and accruals		973,975	973,975	973,975	-	-
Due to related parties		1,203,587	1,203,587	1,203,587	-	-
Borrowings	6.57%	48,303,128	54,724,810	-	13,656,599	41,168,211
		50,480,690	56,902,372	2,177,562	13,656,599	41,168,211
2021						
Accounts payable and accruals		1,094,759	1,094,759	1,094,759	-	-
Due to related parties		577,158	577,158	577,158	-	-
Borrowings	3.57%	58,682,357	64,842,585	-	12,421,380	52,421,205
		60,354,274	66,514,502	1,671,917	12,421,380	52,421,205

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk (continued)

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

	3 months to 1 year *BD*	*1-5 years* *BD*	*Total* *BD*
2022			
Net settled			
Interest rate swaps	(632,723)	(796,374)	(1,429,097)
2021			
Net settled			
Interest rate swaps	1,100,351	1,389,520	2,489,871

Capital management

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

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

Gearing ratio

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

The gearing ratio at the year end was as follows:

	2022 *BD*	*2021* *BD*
Debt (i)	48,303,128	58,682,357
Cash and cash equivalents	(715,740)	(341,322)
Net debt	47,587,388	58,341,035
Equity (ii)	39,846,884	32,302,430
Net debt to equity ratio	1 : 0.84	1 : 0.55

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

(ii) Equity includes all capital, retained earnings and reserves of the Company.

25 FAIR VALUES

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 a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The carrying amount of financial assets and liabilities, presented in the statement of financial position, are set out in the table below.

25 FAIR VALUES (continued)

Having regard to the nature of these financial assets and liabilities, their carrying value approximates the fair value.

	At fair value	*Amortised cost*	*Total carrying amount*
	BD	*BD*	*BD*
2022			
Accounts receivable	-	3,302,446	3,302,446
Due from related parties	-	91,236	91,236
Other financial assets	1,429,097	-	1,429,097
Cash and cash equivalents	-	715,746	715,746
	1,429,097	4,109,428	5,538,525
Borrowings	-	48,303,128	48,303,128
Other financial liabilities	-	2,177,562	2,177,562
	-	50,480,690	50,480,690

	At fair value	*Amortised cost*	*Total carrying amount*
	BD	*BD*	*BD*
2021			
Accounts receivable	-	3,769,330	3,768,330
Due from related parties	-	131,320	131,320
Cash and cash equivalents	-	341,322	341,322
	-	4,241,972	4,241,972
Borrowings	-	58,482,357	58,482,357
Other financial liabilities	2,489,871	1,871,917	4,361,788
	2,489,871	60,354,274	62,844,145

Fair value hierarchy

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. as derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

25 FAIR VALUES (continued)

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

	Level 1	*Level 2*	*Level 3*	*Total*
	BD	*BD*	*BD*	*BD*
2022				
Derivative financial assets	-	1,429,097	-	1,429,097
2021				
Derivative financial liabilities	-	2,469,871	-	2,469,871

Valuation technique of forward exchange contracts and interest rate swaps
Market comparison technique. The fair value is based on the broker quotes. Similar contracts are traded in an active market and quotes reflect the actual transaction in similar instrument.

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Al Ezzel Power Company B.S.C. (c)

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

AL EZZEL POWER COMPANY B.S.C. (c)

Commercial registration number	54201
Chairman	Mr. Meshary M A M Al-Judaimi
Vice Chairman	Mr. Tomaz Henrique Guadagnin
Directors	Mr. Willem Van den Abeele (up to 9 May 2023) Mr. Mohammed Kazim Surve Mr. Saqer Al Saqer Ms. Anwar Al-Ajeel Mr. Ady Mohamed Y.M. Al Shaikh Mr. Laurent Raymond Louis Furedi Mr. Mohammed Alomer Mr. Axel Henri J. De Ghellinck (from 9 May 2023)
Registered office	Flat 1201, Building 2795 Road 2835, Block 428 Al Seef, Manama Kingdom of Bahrain.
Principal bankers	National Bank of Kuwait, Bahrain Branch Arab Banking Corporation Mashreq Bank PSC
Auditor	Deloitte & Touche Middle East P.O. Box 421, Manama, Kingdom of Bahrain.

CONTENTS

DIRECTORS' REPORT

The Board of Directors has pleasure in submitting its annual report and the audited financial statements as of and for the year ended 31 December 2023.

Principal activities
Al Ezzel Power Company B.S.C (C) ("the Company") is engaged in private generation of electrical power under a build-own-operate arrangement, using a 950MW gas-fired power plant located in Al Hidd and supplies electricity to the Electricity and Water Authority ("EWA") under a long-term Power Purchase Agreement.

Operating highlights
In 2023, the Company supplied a total of 3,221 GWh and achieved power technical availability of 91.86% against the budgeted availability of 91.09%.

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

Disclosure of remuneration to members of Board of Directors and Executive Management
Reference to the provisions of Commercial Companies Law No. (21) of 2001 and its amendments, and pursuant to the provisions of Article No. (188) of the Commercial Companies Law and Article No. (125) of the Executive Regulations of Resolution No. (3) for the year 2023, remuneration and sitting fees and other benefits to the Board of Directors and salaries and benefits paid to members of Executive Management has been disclosed as follows;

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

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total			
First: Independent Directors													
None	-	-	-	-	-	-	-	-	-	-	-	-	-
Second: Non-Executive Directors													
1. Mr. Meshary M A M Al-Judaimi	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Mr. Tomas Henrique Guadagnin	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Mr. Willem Van den Abeele (i)	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Mr. Mohammed Kazim Surve	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Mr. Saqer Al Saqer	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Ms. Anwar Al-Ajeel	-	-	-	-	-	-	-	-	-	-	-	-	-
7. Mr. Ady Mohamed Y M. Al Shaikh	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Mr. Laurent R. L. Furedi	-	-	-	-	-	-	-	-	-	-	-	-	-
9. Mr. Mohammed Alomar	-	-	-	-	-	-	-	-	-	-	-	-	-
10. Mr. Axel Henri J. De Ghellinck (ii)	-	-	-	-	-	-	-	-	-	-	-	-	-
Third: Executive Directors													
None	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: All amounts are stated in Bahraini Dinars

(i) Resigned w.e.f. 9 May 2023

(ii) Appointed w.e.f. 9 May 2023

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

During the year 2023, no remuneration/ sitting fees or other benefits were paid to individual Directors. Based on the attendance of individual directors for Board of Directors meeting held during the year 2023, directors sitting fees were paid to respective shareholders as follows:

Shareholder	*Fee Details*	*Total*
Gulf Investment Corporation GSC	Board sitting fees	6,221
Kahrabel FZE	Board sitting fees	6,221
Social Insurance Organisation	Board sitting fees	2,262
Total		14,704
Note: All amounts are stated in Bahraini Dinars		

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

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

Signed on behalf of the Board of Directors

Meshary M A M Al-Judaimi
Chairman of the Board
13 February 2024

Tomaz Henrique Guadagnin
Vice-Chairman
13 February 2024

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INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Al Ezzel Power Company B.S.C. (c) ('the Company'), which comprise the statement of financial position as at 31 December 2023, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements including material accounting policies information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards)(IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on other legal and regulatory requirements

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

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

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

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

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

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

a) has appointed a Corporate Governance Officer; and

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

Deloitte & Touche

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

AL EZZEL POWER COMPANY B.S.C. (c)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 BD	2022 BD
ASSETS			
Non-current assets			
Property plant and equipment	5	79,922,125	85,817,537
Derivative financial assets	13	297,987	796,374
Total Non-current assets		80,220,112	86,613,911
Current assets			
Inventories	6	2,423,196	2,302,850
Accounts receivable and prepayments	7	4,037,708	3,673,718
Due from related parties	8.1	96,861	91,236
Derivative financial assets	13	540,371	632,723
Cash and cash equivalents	9	474,516	715,745
Total current assets		7,572,651	7,416,272
Total assets		87,792,763	94,030,183
EQUITY AND LIABILITIES			
Equity			
Share capital	10	21,110,000	21,110,000
Statutory reserve	11	9,003,186	8,192,303
Retained earnings		13,657,075	9,219,127
Hedging reserve	13	835,932	1,425,128
Total equity		44,606,193	39,946,558
Liabilities			
Non-current liabilities			
Borrowings	14	25,299,605	36,872,623
Demobilisation provision	15	3,980,839	3,770,754
Employees' end of service benefits	16	328,160	296,056
Total non-current liabilities		29,608,604	40,939,433
Current liabilities			
Trade and other payables	17	1,207,503	973,975
Due to related parties	8.2	676,445	1,203,587
Borrowings	14	11,694,018	10,966,630
Total current liabilities		13,577,966	13,144,192
Total liabilities		43,186,570	54,083,625
Total equity and liabilities		87,792,763	94,030,183

Meshary M A M Al-Judaimi
Chairman

Tomaz Henrique Guadagnin
Vice-Chairman

The attached notes 1 to 25 form part of these financial statements.

AL EZZEL POWER COMPANY B.S.C. (c)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 *BD*	2022 *BD*
Revenue	18	60,821,266	67,882,707
Operations and maintenance expenses	19	(48,055,664)	(56,323,110)
Gross profit		12,765,602	11,559,597
Other income - net	20	121,519	60,872
General and administrative costs	21	(1,435,858)	(1,079,049)
Finance costs	22	(3,341,532)	(3,704,112)
Profit for the year		8,109,731	6,837,308
Other comprehensive income that may be reclassified to the statement of profit or loss in subsequent years:			
Net movement on cash flow hedges	13	(489,796)	3,906,820
Total comprehensive income for the year		7,619,935	10,744,128

Meshary M A M Al-Judaimi
Chairman

Tomaz Henrique Guedagnin
Vice-Chairman

The attached notes 1 to 25 form part of these financial statements

AL EZZEL POWER COMPANY B.S.C. (C)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Notes	*Share capital BD*	*Statutory reserve BD*	*Retained earnings BD*	*Hedging reserve BD*	*Total BD*
Balance at 01 January 2022		21,110,000	7,508,572	6,365,550	(2,481,692)	32,502,430
Profit for the year		-	-	6,837,308	-	6,837,308
Other comprehensive income for the year	13	-	-	-	3,906,820	3,906,820
Total comprehensive income for the year		-	-	6,837,308	3,906,820	10,744,128
Transfers to statutory reserve		-	683,731	(683,731)	-	-
Dividend paid during the year	12	-	-	(3,300,000)	-	(3,300,000)
Balance at 31 December 2022		21,110,000	8,192,303	9,219,127	1,425,128	39,946,558
Profit for the year		-	-	8,108,831	-	8,108,831
Other comprehensive loss for the year	13	-	-	-	(589,196)	(589,196)
Total comprehensive income / (loss) for the year		-	-	8,108,831	(589,196)	7,519,635
Transfers to statutory reserve		-	810,883	(810,883)	-	-
Dividend paid during the year	12	-	-	(2,860,000)	-	(2,860,000)
Balance at 31 December 2023		**21,110,000**	**8,993,186**	**13,657,075**	**835,932**	**44,606,193**

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

AL EZZEL POWER COMPANY B.S.C. (c)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Notes	2023 BD	2022 BD
OPERATING ACTIVITIES			
Net profit for the year		8,106,831	6,837,308
Adjustments for:			
Depreciation	5	5,953,076	5,952,167
Written off of receivables from EWA	21	167,053	-
Allowance for disputed and unpaid receivables	21	15,577	11,594
Allowance / (reversal) of expected credit losses on related parties	21	164	(971)
Provision for demobilisation	15	210,085	151,952
Provision for employees' end-of-service benefits	16	18,606	17,667
Gain on disposal of property, plant and equipment		(16,375)	-
Amortisation of loan origination costs	22	120,800	120,800
Ineffective portion of cash flow hedges	22	1,543	(12,148)
Finance costs	22	3,009,094	3,443,508
Operating profit before working capital changes		17,588,463	16,521,877
Working capital changes:			
Inventories		(120,346)	128,159
Accounts receivable and prepayments		(546,619)	351,584
Due from related parties		7,909	51,337
Trade and other payables		336,720	(136,191)
Due to related parties		(527,142)	626,429
Employee benefits paid	16	-	(35,922)
Net cash generated from operating activities		16,738,975	17,507,253
INVESTING ACTIVITIES			
Purchase of property plant and equipment		(57,663)	(25,500)
Proceeds from disposal of property, plant and equipment		16,375	-
Net cash used in investing activities		(41,288)	(25,500)
FINANCING ACTIVITIES			
Repayment of borrowings	14	(10,946,630)	(10,379,229)
Dividend approved and paid	12	(2,880,000)	(3,300,000)
Finance cost paid		(3,112,287)	(3,428,101)
Net cash used in financing activities		(16,938,917)	(17,107,330)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(241,230)	374,423
Cash and cash equivalents at beginning of the year		715,745	341,322
CASH AND CASH EQUIVALENTS, AT THE END OF THE YEAR	9	474,515	715,745

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

1 INCORPORATION AND PRINCIPAL ACTIVITIES

Al Ezzel Power Company B.S.C. (c) ("the Company"), a Bahraini Closed Joint Stock Company, incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under Commercial Registration (CR) number 54201 on 29 July 2004. The address of the Company's registered office is Flat 1201, Building 2795, Road 2835, Block 428, Al Seef, Kingdom of Bahrain.

The Company is engaged in the private generation of electrical power under a build-own-operate arrangement, using a 950MW gas-fired power plant located in Al Hidd, Kingdom of Bahrain. The Company commenced commercial operations on 3 June 2007 and supplies electricity to the Electricity and Water Authority ("EWA") under a long-term Power Purchase Agreement ("PPA").

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

2 BASIS OF PREPARATION

Statement of compliance

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

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

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

New and amended standards and interpretations

In the current year, the Company has applied the below amendments to International Financial Reporting Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements

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

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

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

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

2 BASIS OF PREPARATION (continued)

New and amended standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION (continued)

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

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

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

3 MATERIAL ACCOUNTING POLICIES INFORMATION

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

An asset is classified as current when it is:
- Expected to be realised or intended to sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

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

Property, plant and equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions "provision for demobilisation" (note 4) and "demobilisation provision" (note 15) for further information about the recorded decommissioning provision.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Property, plant and equipment (continued)

The cost of property, plant and equipment, other than capital work-in-progress, is depreciated on a straight line basis over the estimated useful lives.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Power generation plant	30 years
Buildings and other facilities	30 years
Plant spares	10 years
Computers and IT equipment	5 years
Furniture, fixtures and office equipment	5 years
Other assets	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Inventories

Inventories are stated at lower of cost or net realisable value. Costs are those expenses incurred in bringing the spare parts to their present location and condition.

The cost of spare parts is determined on a weighted average basis. Where necessary, an impairment provision is made for obsolete, slow moving and defective items.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Impairment of non-financial assets (continued)

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

Financial assets

Initial recognition

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy for revenue recognition.

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

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

(a) Financial assets at amortised cost (debt instruments);
(b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
(c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
(d) Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

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

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

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Financial assets (continued)

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

The Company's financial assets include accounts receivable, due from related parties and bank balances.

Accounts receivables

Accounts receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost, less impairment. The losses arising from impairment are recognised in the statement of comprehensive income. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at banks as defined above.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

Derecognition of financial assets

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

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

Financial liabilities

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts and other payables, loans and borrowings and derivative financial instruments.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Financial liabilities (continued)

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. These are carried at amortised cost which is the fair value of the consideration to be settled in future.

Term loans

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Interest is charged as an expense as it accrues with unpaid amounts included in accruals.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Fair value measurement

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

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

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

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

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

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

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances and cash and other receivables (excluding prepayments and advances). Financial liabilities consist of accounts and other payables, amount due to a related party, loan from shareholders and term loan.

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

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Fair value measurement (continued)

Fair values of the Company's interest-bearing borrowings and loans are determined by using discounted cash flow (DCF) method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2023 was assessed to be insignificant.

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

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

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

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

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

Employees' end-of-service benefits

Non-Bahraini employees

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

Bahraini employees

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

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

Derivative financial instruments and hedge accounting

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

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income (OCI) and later reclassified to profit or loss when the hedged item affects profit or loss.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Derivative financial instruments and hedge accounting (continued)

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

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

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income "OCI" in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of comprehensive income as finance costs.

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

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

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

Revenue

Revenue from contracts with customers

Revenue from contracts with customers comprises energy charges and variable O&M charges and are calculated based on the PPA with the Electricity and Water Authority (EWA) of the Kingdom of Bahrain and recognised when performance obligation is satisfied (i.e. power is delivered).

Capacity charge revenue

Capacity charge revenue (lease income) is based on the PPA with EWA and is recognised over time, based on the contractual plant availability and presented net of scheduled unavailability and forced outage.

3 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

Borrowing costs

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

Foreign currencies

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

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Going concern

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

Operating lease commitments – Company as a lessee

The Company has entered into commercial property leases on its offices and lease of the land on which the power plant exists. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it does not retain all the significant risks and rewards of ownership of these properties and accounted for these contracts as operating leases.

Operating lease commitments – Company as a lessor

As described in note 1, the Company has entered into a long term PPA. Under the PPA, the Company is entitled to receive net power capacity charges (net investment & net fixed operations and maintenance charges) based on the plant availability during the term of the PPA and determined that net power capacity charges revenue are lease revenues as per IFRIC 4 "Determining whether an Arrangement contains a Lease". Based on the contractual arrangements in place, that the Company retains the principal risks and rewards of ownership and accordingly accounts for the net capacity charge revenue as an operating lease. The Company has applied practical expedient for transition into IFRS 16 hence there was no impact at the transition.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates

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

Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation charges would be adjusted when management believes the useful lives differ from previous estimates.

The review carried out by management in the current year did not indicate any necessity to change the useful lives of property, plant and equipment.

Impairment of property, plant and equipment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Based on the Company's assessment, no impairment has been recognised in the financial statements.

Provision for demobilisation costs

Based on the contractual obligation as per the Operations and Maintenance Agreement with Al Ezzel Operation and Maintenance Company W.L.L., the Company has recognised a provision for decommissioning obligations associated with its power plant. In determining the fair value of the provision, assumptions and estimates are made in relation to the expected cost to dismantle and remove the plant from the site and the expected timing of those costs. Most suitable industry index for power sector under the United States Producer Price Index has been used in determining the present value of the demobilisation provision as the management expects to incur significant portion of these costs in US Dollars. The carrying amount of the provision as at 31 December 2023 was BD 3,980,839 (2022: BD 3,770,754).

If the estimated United States Producer Price Index used in the calculation had been 1% higher than management's estimate, the carrying amount of the provision would have been BD 39,808 higher (2022: BD 37,708).

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence.

At the statement of financial position date, gross inventories were BD 2,423,196 (2022: BD 2,302,850), with no provision for slow moving inventories. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates (continued)

Provision for expected credit losses of accounts receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the automotive sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 7.

At the statement of financial position date, gross receivables were BD 3,595,391 (2022: BD 3,195,129). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

6 PROPERTY, PLANT AND EQUIPMENT

	Power generation plant BD	Buildings and other facilities BD	Plant spares BD	Computers and IT equipment BD	Furniture, fixtures and office equipment BD	Other assets BD	Total BD
Cost:							
At 1 January 2022	116,466,482	61,701,480	3,744,449	502,661	487,561	399,678	183,302,311
Additions during the year	-	-	-	-	-	25,500	25,500
As at 31 December 2022	116,466,482	61,701,480	3,744,449	502,661	487,561	425,178	183,327,811
Additions during the year	-	-	-	-	-	57,663	57,663
Disposals during the year	-	-	-	-	-	(52,145)	(52,145)
As at 31 December 2023	116,466,482	61,701,480	3,744,449	502,661	487,561	430,696	183,333,329
Accumulated depreciation:							
At 1 January 2022	56,507,542	29,934,065	3,744,449	502,661	487,561	381,829	91,558,107
Charge for the year	3,882,372	2,056,780	-	-	-	13,015	5,952,167
As at 31 December 2022	60,389,914	31,990,845	3,744,449	502,661	487,561	394,844	97,510,274
Disposals during the year	-	-	-	-	-	(52,145)	(52,145)
Charge for the year	3,882,372	2,056,780		-	-	13,923	5,953,075
As at 31 December 2023	64,272,286	34,047,625	3,744,449	502,661	487,561	356,622	103,411,204
Net carrying amount:							
As at 31 December 2023	52,194,196	27,653,855	-	-	-	74,074	79,922,125
As at 31 December 2022	56,076,568	29,710,635	-	-	-	30,334	85,817,537

5 PROPERTY, PLANT AND EQUIPMENT (continued)

The land on which the power station, buildings and facilities are constructed has been leased from the Government of the Kingdom of Bahrain at a nominal rent of BD 1,000 per annum for a period of 30 years commencing from the scheduled commercial operation date (1 May 2007). No right of use assets was recognized as per IFRS 16 as amount involved is immaterial.

Depreciation for the year amounting to BD 5,953,075 has been included in the operations and maintenance expenses (2022: BD 5,952,167) (note 19).

6 INVENTORIES

	2023 BD	2022 BD
Plant spare parts and consumables	2,423,196	2,302,850

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2023 BD	2022 BD
Receivable from the EWA	3,595,391	3,195,129
Allowance for disputed and unpaid receivables	(55,514)	(39,937)
	3,539,877	3,155,192
Prepaid expenses	191,039	186,477
Staff loans	-	583
Input VAT recoverables	144,681	184,793
Other receivables	162,111	146,673
	4,037,708	3,673,718

Receivable from EWA related to the sale of electricity and are due within 45 days from the date of invoice.

The movement in the allowance for disputed and unpaid receivables during the year is as follows:

	2023 BD	2022 BD
Balance at the beginning of the year	39,937	28,343
Charge during the year (note 21)	15,577	11,594
Balance at the end of the year	55,514	39,937

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

	Total BD	Neither past due nor impaired BD
31 December 2023	3,539,877	3,539,877
31 December 2022	3,155,192	3,155,192

8 RELATED PARTY TRANSACTIONS

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

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

8.1 Due from related parties	*2023* *BD*	*2022* *BD*
Companies under common control		
Al Dur Power and Water Company B.S.C.(c)	97,702	91,913
Allowance for expected credit losses	(841)	(677)
	96,861	91,236

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

	Neither past due nor impaired	
	2023 *BD*	*2022* *BD*
Companies under common control	(841)	(677)

8.2 Due to related parties	*2023* *BD*	*2022* *BD*
Shareholders	13,007	-
Companies under common control		
Al Ezzel Operations and Maintenance W.L.L.	576,981	1,138,606
Other related parties		
International Power S.A. Dubai Branch	86,457	64,981
	676,445	1,203,587

Transactions with related parties included in the statement of profit or loss is as follows:

	Operating expenses		*Settlement of liabilities on behalf of other related parties*	
	2023 *BD*	*2022* *BD*	*2023* *BD*	*2022* *BD*
Shareholders	14,703	18,662	-	-
Other related parties	6,274,294	4,917,061	336,179	385,729
	6,288,997	4,935,723	336,179	385,729

Compensation of key management personnel
During the year no compensation was paid to the Directors. The remunerations of other members of key management was as follows:

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

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

9 CASH & CASH EQUIVALENTS

	2023 BD	2022 BD
Cash in hand	1,000	1,000
Bank balances	478,804	722,729
	479,804	723,729
Allowance for expected credit losses	(5,289)	(7,984)
	474,515	715,745

The bank balances are placed with commercial banks in the Kingdom of Bahrain in Bahraini Dinar, US Dollar and are non-interest bearing except for call deposits accounts which have an average interest rate of 5.2% (2022: 2.0%).

10 SHARE CAPITAL

The authorised, issued and fully paid up share capital of the Company consists of 211,100 ordinary shares with a nominal value of BD 100 each. The shareholding structure of the Company is as follows:

	Percentage ownership	2023 and 2022 No. of shares	2023 and 2022 Amount BD
Gulf Investment Corporation G.S.C.	45%	94,995	9,499,500
Kahrabel FZE	45%	94,995	9,499,500
The Social Insurance Organisation – Bahrain	10%	21,110	2,111,000
		211,100	21,110,000

11 STATUTORY RESERVE

In accordance with the Bahrain Commercial Companies Law of 2001 (and subsequent amendments) and the Company's Articles of Association, 10% of the profit for the year is transferred to the statutory reserve. The Company will resolve to discontinue such annual transfers when the statutory reserve reaches 50% of the issued share capital. The statutory reserve is not available for distribution, except in circumstances stipulated in the Bahrain Commercial Companies Law of 2001 (and subsequent amendments).

12 DIVIDEND

During 2023, the Board of Directors approved and paid interim dividend of BD 2,860,000 at the rate of BD 13.55 per share (2022: BD 3,300,000 at the rate of BD 15.63 per share).

13 DERIVATIVE FINANCIAL INSTRUMENTS

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

	2023 BD	2022 BD
Interest rate swaps	838,358	1,429,097
Current	540,371	632,723
Non-current	297,987	796,374
	838,358	1,429,097

13 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	2023	*2022*
	BD	*BD*
Effective portion	835,932	1,426,128
Ineffective portion	2,426	3,969
	838,358	1,429,097

The Company enters into Interest Rate Swap ("IRS") transactions to hedge the interest rate exposure of its term loans as follows:

The bank borrowings (note 14) carried interest rate at 3.35% plus 6-month LIBOR. However, in the final quarter of 2023, the Company transitioned its bank borrowings to SOFR with additional fixed spread added of 42.826bps. No other terms were amended as part of the transition. The Company accounted for the change to SOFR using the practical expedient in IFRS 9, which allows the Company to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

The Company entered into IRSs agreements with counterparties up to 31 October 2026 with hedging coverage of 90% of the term loan facility (note 14).

The movement in the hedging reserve during the year was as follows:

	2023	*2022*
	BD	*BD*
Balance at the beginning of the year	1,425,128	(2,481,692)
Net fair value movement on IRSs during the year	(589,196)	3,906,820
Balance at the end of the year	835,932	1,425,128
Other comprehensive income	(589,196)	3,906,820

The movement in the derivative financial assets during the year was as follows:

	2023	*2022*
	BD	*BD*
Balance at the beginning of the year	1,429,097	(2,489,871)
Net fair value movement on IRSs during the year	(590,739)	3,918,968
Balance at the end of the year	838,358	1,429,097

As at 31 December 2023, the notional hedged amount is BD 33.60 million (USD 89.13 million) (2022: BD 43.47 million (USD 115.31 million)) and the average 6 month interest rate was approximately 5.333% per annum (2022: 2.225% per annum).

Based on the interest rates gap, over the life of the IRSs, the present value of indicative gains were assessed at approximately BD 0.84 million by the counterparties to the IRS (2022: BD 1.43 million). In the event that the Company terminated the IRSs at 31 December 2023, it may have a gain of approximately BD 0.84 million. However, under the terms of the Financing Documents, the Company is not permitted to terminate IRSs. All of the above interest rate swaps are designated as effective cash flow hedges and the fair value thereof has been deferred in other comprehensive income. The net amount of BD 924,206 has been adjusted, as hedge gain (2022: BD 627,104 as hedge loss), to the floating rate interest paid during the year.

14 BORROWINGS

	2023	*2022*
	BD	*BD*
Current	11,694,018	10,966,630
Non current	25,299,605	36,872,823
	36,993,623	47,839,453

Securities
The facilities are secured by a comprehensive business mortgage over all of the Company's assets.

14 BORROWINGS (continued)

Covenants
The facility agreements contain certain covenants and the Company has fully complied with these loan covenants during the year.

The movement of the borrowings are as follows:

	2023 *BD*	*2022* *BD*
Loan balance:		
Balance at 1 January	**48,303,128**	58,682,357
Repayments	**(10,966,630)**	(10,379,229)
Balance at 31 December	**37,336,498**	48,303,128
Un-amortised loan origination cost:		
Balance at 1 January	**463,675**	584,475
Amortisation during the year (note 22)	**(120,800)**	(120,800)
Balance at 31 December	**342,875**	463,675
Net term loan balance:		
Balance at 31 December	**36,993,623**	47,839,453

As disclosed in note 13, The bank borrowings carried interest rate at 3.35% plus 6-month LIBOR and in the final quarter of 2023, the Company transitioned its bank borrowings to SOFR with additional fixed spread added of 42.826bps.

Working Capital Facility:
During July 2018 the Company entered into a BD 3.7 million working capital facility agreement with Mashreq Bank and the Facility has been renewed up to 4 July 2024. As at 31 December 2023, there is no outstanding balance on this facility (2022: Nil).

15 DEMOBILISATION PROVISION

	2023 *BD*	*2022* *BD*
Balance at the beginning of the year	**3,770,754**	3,618,802
Unwinding of discount and effect of the change in discount rate (note 22)	**210,085**	151,952
Balance at the end of the year	**3,980,839**	3,770,754

The provision for demobilisation costs represents the present value of the management's best estimate of the future outflow of economic benefits that will be required to demobilise the plant at the end of the Power Purchase Agreement ("PPA") period. The estimate has been made as per the Operations and Maintenance Agreement, which requires paying BD 2.35 million at the end of the PPA, subject to indexation using the United States Producer Price Index. The unexpired term of the agreement is 3.25 years as at the reporting date (2022: 4.25 years).

16 EMPLOYEES' END OF SERVICE BENEFITS

	2023 *BD*	*2022* *BD*
Balance at the beginning of the year	**295,856**	303,829
Payments during the year	**-**	(35,922)
Charge during the year	**18,606**	17,667
Charged to a related party	**13,698**	10,282
Balance at the end of the year	**328,160**	295,856

17 TRADE & OTHER PAYABLES

	2023 BD	2022 BD
Accounts payable	62,259	32,085
Accrued interest-net	501,607	604,800
Accruals	643,637	337,090
	1,207,503	973,975

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

18 REVENUE

	2023 BD	2022 BD
Capacity charge revenue		
Investment charge	18,666,491	18,776,748
Fixed operations and maintenance charge	6,162,864	5,991,904
Deduction for scheduled unavailability	(1,619,632)	(2,575,530)
Deduction for forced outage	(429,891)	(56,599)
Total capacity charge revenue	22,778,822	22,134,523
Revenue from contracts with customers - energy charge revenue		
Natural gas charge	36,464,092	43,925,835
Variable operations and maintenance charge	1,472,339	1,766,662
Start-up fees	106,003	55,687
Total revenue from contracts with customers - energy charge revenue	38,042,434	45,748,184
	60,821,256	67,882,707

19 OPERATIONS AND MAINTENANCE EXPENSES

	2023 BD	2022 BD
Natural gas costs	36,302,477	43,824,753
Fixed operations and maintenance costs	4,088,177	4,211,430
Variable operations and maintenance costs	1,470,294	1,759,358
Depreciation (note 5)	5,953,075	5,952,167
Operations and maintenance liquidated damages - net	19,955	169,378
Start- up costs	67,452	35,563
Other repair and maintenance costs	11,343	274,825
Other operations costs	142,791	95,636
	48,056,564	56,323,110

20 OTHER INCOME - NET

	2023 BD	2022 BD
Interest income	103,486	52,475
Net foreign exchange (loss) / gain	(7,835)	335
Other miscellaneous income	25,868	8,062
	121,519	60,872

21 GENERAL AND ADMINISTRATIVE COSTS

	2023 BD	2022 BD
Staff cost	341,238	341,575
Insurance cost	496,922	488,543
Professional fees	15,876	14,968
Other general and administrative costs	402,871	219,158
Allowance / (Reversal) for expected credit losses related parties	184	(971)
(Reversal) / allowance for expected credit losses cash and cash equivalents	(2,695)	4,182
Written off of receivables from EWA	167,053	-
Allowance for disputed and unpaid receivables (note 7)	15,577	11,594
	1,436,858	1,079,049

22 FINANCE COSTS

	2023 BD	2022 BD
Interest on term loans	3,857,809	2,805,857
Net (gain) / loss on interest rate swaps (note 13)	(924,206)	627,104
Amortisation of loan origination costs (note 14)	120,800	120,800
Other finance charges	75,491	10,547
Effect of discounting provision for demobilisation cost (note 15)	210,065	151,952
Ineffective portion of cash flow hedge loss recognised (note 13)	1,543	(12,148)
	3,341,522	3,704,112

23 COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

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

Operating lease commitments:
The Company entered into operating lease arrangements with the lease charges fixed for the period of the lease. These arrangements principally relate to the lease of the office space and the lease of the land on which the power plant exists.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	2023 BD	2022 BD
Within one year	17,800	17,800
After one year but not more than five years	4,000	4,000
After five years	9,333	10,333
	31,133	32,133

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

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

The Company's financial assets include accounts receivable, due from related parties and cash and cash equivalents. Financial liabilities include trade and other payables, due to related parties, derivative financial liabilities and borrowings. No right of use assets and lease liabilities were recognized as per IFRS 16 as the amount involved is immaterial.

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

The summary of financial assets and financial liabilities are follows:

		Amortised cost		*Fair value through OCI*	
		2023	*2022*	*2023*	*2022*
	Notes	*BD*	*BD*	*BD*	*BD*
Financial assets:					
Derivative financial assets	13	-	-	838,368	1,429,097
Accounts receivables	7	3,701,988	3,302,448	-	-
Due from related parties	8	96,861	91,236	-	-
Cash and cash equivalents	9	474,515	715,745	-	-
		4,273,364	4,109,429	838,368	1,429,097
Financial liabilities:					
Accounts payable and accruals	17	1,207,603	973,975	-	-
Due to related parties	8	676,445	1,203,587	-	-
Borrowings	14	37,336,400	48,303,128	-	-
		39,220,448	50,480,690	-	-

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers or other counterparties fail to discharge their contractual obligations. The Company trades only with recognised, creditworthy parties. The Company has established customer verification procedures for all new customers. A regular annual review and evaluation of these accounts are carried to assess the credit standing of the customers.

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as shown in the statement of financial position. The Company is exposed to credit risk primarily on cash and cash equivalents, accounts receivables and due from related parties balances.

The Company limits the credit risk on bank balances by ensuring that these are maintained with banks having high credit ratings.

Exposure to credit risk

The table below shows the gross maximum exposure to credit risk for the components of the statement of financial position headings which are considered to be performing:

	2023	*2022*
	BD	*BD*
Accounts receivable	3,701,988	3,302,448
Due from related parties	96,861	91,236
Cash and cash equivalents	474,515	715,745
	4,273,364	4,109,429

Trade receivables are due from EWA, which is part of the Government of the Kingdom of Bahrain. The receivables from EWA represent revenue billed based on the PPA terms. Credit risk on cash and cash equivalents is limited since these are maintained with bank having appropriate credit ratings.

Market risk

Market risk is the risk that changes in market factors, such as currency rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

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

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

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

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

	Carrying amount	
	2023	*2022*
	BD	*BD*
Variable rate instruments		
Borrowings	37,336,498	48,303,128
Interest rate swaps	(836,358)	(1,429,097)

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date and in average interest rates prevailing during the year would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as used for 2022.

	Profit or loss	
	100 bp increase	*100 bp decrease*
	BD	*BD*
December 31, 2023		
Borrowings	(448,305)	448,305
Interest rate swaps	401,281	(401,281)
Cash flow sensitivity (net)	(47,024)	47,024
December 31, 2022		
Borrowings	(554,672)	654,672
Interest rate swaps	498,167	(498,167)
Cash flow sensitivity (net)	(56,505)	56,505

The Company is exposed to the interest rate benchmarks risk within its hedge accounting relationships, in the final quarter of 2023, the Company transitioned its interest rate benchmark from USD LIBOR to SOFR with additional fixed spread added of 42.826bps. As listed in note 14, the hedged items include floating rate debt issued in United States Dollars.

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

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

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Market risk (continued)

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

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

	Liabilities		*Assets*	
	2023	*2022*	***2023***	*2022*
	BD	*BD*	***BD***	*BD*
United States Dollars	**37,642,116**	48,520,832	**182,816**	153,663

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due.

The Company's objective is to maintain the balances between continuity of funding and flexibility through the use of bank balances.

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summaries the maturity profile of the Company's financial liabilities at the year end based on contractual undiscounted cash flows:

	Weighted average effective interest rate	*Carrying amount* BD	*Contractual cash flows* BD	*Less than 3 months* BD	*3 months to 1 year* BD	*1-5 years* BD
2023						
Accounts payable and accruals		1,207,503	1,207,503	1,207,503	-	-
Due to related parties		676,445	676,445	676,445	-	-
Borrowings	3.68%	37,336,498	58,305,367	-	15,000,696	43,304,671
		39,220,446	**60,189,315**	**1,883,948**	**15,000,696**	**43,304,671**
2022						
Accounts payable and accruals		973,975	973,975	973,975	-	-
Due to related parties		1,203,587	1,203,587	1,203,587	-	-
Borrowings	5.57%	48,303,128	54,724,810	-	13,556,599	41,168,211
		50,480,690	56,902,372	2,177,562	13,556,599	41,168,211

24 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk (continued)

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

	3 months to 1 year BD	*1-5 years BD*	*Total BD*
2023			
Net settled			
Interest rate swaps	540,371	297,987	838,358
2022			
Net settled			
Interest rate swaps	632,723	796,374	1,429,097

Capital management

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

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

Gearing ratio

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

The gearing ratio at the year end was as follows:

	2023 BD	*2022 BD*
Debt (i)	37,336,498	48,303,128
Cash and cash equivalents	(474,515)	(715,745)
Net debt	36,861,983	47,587,383
Equity (ii)	44,606,193	39,946,558
Net debt to equity ratio	1 : 1.21	1 : 0.84

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

(ii) Equity includes all capital, retained earnings and reserves of the Company.

25 FAIR VALUES

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 a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The carrying amount of financial assets and liabilities, presented in the statement of financial position, are set out in the table below.

25 FAIR VALUES (continued)

Having regard to the nature of these financial assets and liabilities, their carrying value approximates the fair value.

	At fair value	*Amortised cost*	*Total carrying amount*
	BD	*BD*	*BD*
2023			
Accounts receivable	-	3,701,988	3,701,988
Due from related parties	-	96,861	96,861
Other financial assets	838,358	-	838,358
Cash and cash equivalents	-	474,515	474,515
	838,358	4,273,364	5,111,722
Borrowings	-	37,336,498	37,336,498
Other financial liabilities	-	1,883,948	1,883,948
	-	39,220,446	39,220,446

	At fair value	*Amortised cost*	*Total carrying amount*
	BD	*BD*	*BD*
2022			
Accounts receivable	-	3,302,448	3,302,448
Due from related parties	-	91,236	91,236
Other financial assets	1,429,097	-	1,429,097
Cash and cash equivalents	-	715,745	715,745
	1,429,097	4,109,429	5,538,526
Borrowings	-	48,303,128	48,303,128
Other financial liabilities	-	2,177,562	2,177,562
	-	50,480,690	50,480,690

Fair value hierarchy

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. as derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

25 FAIR VALUES (continued)

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

	Level 1 BD	*Level 2* BD	*Level 3* BD	*Total* BD
2023				
Derivative financial assets	-	838,358	-	838,358
2022				
Derivative financial assets	-	1,429,097	-	1,429,097

Valuation technique and key inputs

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

AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L.

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2021

Commercial Registration Number	55965
Directors	Mr. Luc Christiaan E. Dietvorst Mr. Ernesto Javier Parra Bertolotto Mr. Paul Van Den Hende (with effect from 30 September 2021) Mr. Damien Michel Sage (up to 30 September 2021)
Registered Office	Building 285, Road 1505, Block 155, Hidd, Kingdom of Bahrain.
Bankers	HSBC Bank Middle East Limited Building: 2505, Road: 2832, Block 428 P.O. Box 57 Manama Kingdom of Bahrain.
Auditor	Ernst & Young - Middle East P.O. Box 140 Manama Kingdom of Bahrain.

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AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L.
REPORT OF THE BOARD OF DIRECTORS

The Company's Board of Directors has pleasure in submitting its report and the audited financial statements of Al Ezzel Operation and Maintenance Company W.L.L. ("the Company") for the year ended 31 December 2021.

Principal activities
The principal activities of the Company are to provide maintenance and operation services and consultancy services for customers in the field of power and water generation industry.

Results for the year
During the year ended 31 December 2021, the Company generated revenue of BD 25,201,391 (2020: BD 25,022,765) and reported a profit of BD 5,771,358 (2020: BD 4,777,093).

Movements in retained earnings during the year are as follows:

	BD
Balance as of 1 January 2021	**4,812,341**
Profit for the year	**5,771,358**
Dividend approved and paid	**(4,782,916)**
Balance as of 31 December 2021	**5,800,783**

Auditors
Ernst & Young have expressed their willingness to continue in office and a resolution proposing their appointment as auditors of the Company, for the year ending 31 December 2022, will be submitted to the Annual General Meeting.

Signed on behalf of the Board of Directors on 30 June 2022 by:

Ernesto Jabier Parra Bertolotto
Director

Paul Van Den Hende
Director

Building a better working world

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C.R. No. 29977-1

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L.

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Al Ezzel Operation and Maintenance Company W.L.L. ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Company's report of the Board of Directors

Other information consists of the information included in Company's Report of the Board of Directors, set out on page 3, other than the financial statements and our auditor's report thereon. The Company's Board of Directors is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L. (continued)

Report on the audit of the Financial Statements (continued)

Responsibilities of the Company's Board of Directors for the financial statements

The Company's Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Company's Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company's Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Company's Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Board of Directors.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L. (continued)

Report on the audit of the Financial Statements (continued)

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

- Conclude on the appropriateness of the Company's Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company's Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Bahrain Commercial Companies Law, we report that:

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

b) the financial information contained in the Report of the Company's Board of Directors is consistent with the financial statements;

c) we are not aware of any violations of the Bahrain Commercial Companies Law or the terms of the Company’s memorandum of association during the year ended 31 December 2021 that might have had a material adverse effect on the business of the Company or on its financial position; and

d) satisfactory explanations and information have been provided to us by management in response to all our requests.

Ernst + Young

Auditor Registration No. 186
Manama, Kingdom of Bahrain
5 July 2022

AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L.

STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	*2021* *BD*	*2020* *BD*
ASSETS			
Non-current asset			
Property and equipment	4	**636,134**	640,701
Current assets			
Inventories	5	**3,452,652**	3,360,813
Advances, prepayments and other receivables	6	**160,228**	692,463
Amounts due from related parties	7	**2,259,333**	1,860,798
Bank balances and cash	8	**7,509,722**	8,878,911
		13,381,935	14,792,985
TOTAL ASSETS		**14,018,069**	15,433,686
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**20,000**	20,000
Statutory reserve	10	**10,000**	10,000
Retained earnings		**5,800,783**	4,812,341
Total equity		**5,830,783**	4,842,341
Non-current liabilities			
Employees' end of service benefits	12	**722,721**	670,681
Contract liabilities	13	**2,382,077**	2,977,244
		3,104,798	3,647,925
Current liabilities			
Contract liabilities	13	**1,164,392**	1,257,768
Trade payables and accruals	14	**3,128,275**	4,629,703
Amounts due to related parties	7	**789,821**	1,055,949
		5,082,488	6,943,420
Total liabilities		**8,187,286**	10,591,345
TOTAL EQUITY AND LIABILITIES		**14,018,069**	15,433,686

Ernesto Jabier Parra Bertolotto
Director

Paul Van Den Hende
Director

The attached notes 1 to 23 form part of these financial statements.

AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 BD	2020 BD
Revenue from contracts with customers	7, 15	**25,201,391**	25,022,765
Direct costs	16	**(17,887,994)**	(18,339,397)
GROSS PROFIT		**7,313,397**	6,683,368
General and administration expenses	17	**(1,331,303)**	(1,612,745)
Provision for expected credit losses	7	**(172,027)**	(305,987)
Other income	18	**25,847**	51,311
Foreign exchange losses - net		**(64,556)**	(38,854)
PROFIT FOR THE YEAR	19	**5,771,358**	4,777,093
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,771,358**	4,777,093

Ernesto Jabier Parra Bertolotto
Director

Paul Van Den Hende
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital BD	*Statutory reserve BD*	*Retained earnings BD*	*Total BD*
At 1 January 2020	20,000	10,000	5,413,190	5,443,190
Profit and total comprehensive income for the year	-	-	4,777,093	4,777,093
Dividend approved (note 11)	-	-	(5,377,942)	(5,377,942)
At 31 December 2020	20,000	10,000	4,812,341	4,842,341
Profit and total comprehensive income for the year	-	-	5,771,358	5,771,358
Dividend approved (note 11)	-	-	(4,782,916)	(4,782,916)
At 31 December 2021	**20,000**	**10,000**	**5,800,783**	**5,830,783**

The attached notes 1 to 23 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	*2021* BD	*2020* BD
OPERATING ACTIVITIES			
Profit for the year		**5,771,358**	4,777,093
Adjustments for:			
Depreciation	4	**143,114**	149,699
Provision for employees' end of service benefits	12	**77,255**	109,993
Provision for expected credit losses	7	**172,027**	305,987
Reversal of provision		**(530,691)**	-
Interest income	18	**-**	(29,067)
Operating profit before working capital changes		**5,633,063**	5,313,705
Working capital changes:			
Inventories		**(91,839)**	(906,300)
Advances, prepayments and other receivables		**532,235**	(223,146)
Amounts due from related parties		**(570,562)**	(77,620)
Trade payables and accruals		**(970,737)**	1,378,793
Contract liabilities		**(688,543)**	(1,282,636)
Amounts due to related parties		**(266,128)**	508,474
Cash from operations		**3,577,489**	4,711,270
Employees' end of service benefits paid	12	**(25,215)**	(61,653)
Interest received	18	**-**	29,067
Net cash flows from operating activities		**3,552,274**	4,678,684
INVESTING ACTIVITY			
Additions to property and equipment and cash used in investing activity	4	**(138,547)**	(155,990)
FINANCING ACTIVITY			
Dividend paid and cash used in financing activity	11	**(4,782,916)**	(5,377,942)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(1,369,189)**	(855,248)
Cash and cash equivalents at 1 January		**8,878,911**	9,734,159
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	8	**7,509,722**	8,878,911

Non-cash transaction:

Non-cash transaction not included in the above statement of cash flows comprises the following:

- Reversal of provison amounting to BD 530,691 (2020: nil) has beeen excluded from the movement in trade payables and accruals.

1 ACTIVITIES

AL Ezzel Operation and Maintenance Company W.L.L. (the "Company") is a limited liability company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under commercial registration (CR) number 55965 on 8 March 2005. The address of the Company's registered office is Building 285, Road 1505, Block 115, Hidd, Kingdom of Bahrain.

The principal activities of the Company are to provide maintenance and operation services and consultancy services for customers, especially in power and water generation industry.

The majority shareholder of the Company is Kahrabel F.Z.E. ('the Parent Company'), a company registered in the United Arab Emirates. The Ultimate Parent of the Company is ENGIE S.A., a Company registered in La Défense, France.

The financial statements were authorised for issue by the Board of Directors on 30 June 2022.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in conformity with the applicable requirements of the Bahrain Commercial Companies Law.

The functional currency of the Company is United States Dollars (USD) and the financial statements are presented in Bahraini Dinars (BD). The Company uses a fixed exchange rate of 0.376 to translate transactions and balances in USD to BD.

The financial statements are prepared under the historical cost convention.

New and amended standards effective as of 1 January 2021

The accounting policies adopted in the preparation of these financial statements are consistent with those used in the previous year, except for certain new standards and amendments to standards adopted by the Company as of 1 January 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of the below amendments to standards did not have any material impact on the Company's financial statements.

- *Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - The amendments provide temporary reliefs which address the financial reporting effects when an inter-bank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR);*

- *On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. 'As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply to annual reporting periods beginning on or after 1 June 2020, but as the impact of the COVID-19 pandemic is continuing, the IASB extended the period of application of the practical expedient to 30 June 2021 and on 31 March 2021, the IASB extended the amendment up to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 June 2020. However, the Company has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within the allowed period of application.*

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and amendments issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below:

IAS 1 — *Amendments to IAS 1: Classification of Liabilities as Current or Non-current: In January 2020, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are applicable for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively;*

IFRS 3 — *Amendments to IFRS 3: In May 2020, the IASB issued amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and to be applied prospectively;*

IAS 16 — *Amendments to IAS 16: In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before intended use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively;*

IAS 37 — *Amendments to IAS 37: In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments are effective for annual reporting periods beginning on or after 1 January 2022;*

IFRS 9 — *IFRS 9 Financial Instruments - Fees in the '10 percent' test for derecognition of financial liabilities: As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IFRS 9; the amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted;*

IAS 1 — *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - The amendment is effective for annual reporting periods beginning on or after 1 January 2023; and*

IAS 8 — *Definition of Accounting Estimates - Amendments to IAS 8: The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendment is effective for annual reporting periods beginning on or after 1 January 2023.*

The Company's management does not expect any material impact arising from the adoption of the above standards on the Company's financial statements.

Current versus non-current classification

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)
An asset is classified as current when it is:

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

The Company classifies all other assets as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment in value, if any.

Depreciation on property and equipment is calculated on a straight-line basis over their estimated useful lives as follows:

Sheds and cabins	- 10 - 15 years
Tools	- 5 - 10 years
Motor vehicles	- 5 years
Information technology equipment	- 2 - 5 years
Furniture	- 5 - 7 years

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

The carrying value of property and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate.

Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Costs are those expenses incurred in bringing each product to its present location and condition and is determined on weighted average cost basis.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired assets.

An assessment is made at each reporting date as to whether there is any indication that a previously recognised impairment loss may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation if any, had no impairment loss been recognised for the asset in the prior years. Such reversal is recognised in the statement of comprehensive income.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and bank deposits with original maturities of less than three months.

Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under revenue from contracts with customers policy.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

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

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

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

The Company's financial assets at amortised cost include amounts due from related parties, other receivables, bank balances and cash.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Company has transferred substantially all the risks and rewards of the asset, or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company recognises a provision for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are past due for more than a year. However, in certain cases, the Company may also consider a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities consist of trade payables, amounts due to related parties and other payables which are subsequently measured at amortised cost using effective interest rate (EIR) method.

Derecognition of financial liabilities

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

Amortised cost of financial instruments

Amortised cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Offsetting of financial instruments

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

Employees' end of service benefits

The Company provides end of service benefits to its expatriate employees in accordance with the Bahrain Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

The Company also makes contributions to the Social Insurance Organisation (SIO) for its Bahraini employees calculated as a percentage of the employees’ salaries. The Company’s obligations are limited to these contributions, which are expensed when due.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions
Provisions are recognised when the Company has a legal or constructive obligation arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Contract liability
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liability is recognised as revenue when the Company performs its obligations under the contract.

Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services excluding any amounts collected on behalf of third parties such as value added taxes, if any. The Company acts as a principal in its revenue arrangements because it typically controls the services before transferring them to the customers. The Company provides maintenance and operation services to its related parties. Revenue is recognised over time, using output method. The Company's contracts with customers generally include one performance obligation of rendering of services to the customers. The Company's revenue from contracts with customers is generated in the Kingdom of Bahrain.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the services, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer. There are no significant financing components or non-cash consideration in respect of Company's contracts with customers.

Variable consideration:
If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the services to the customers. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Company's contracts with customers include performance related incentives and penalties/ liquidity damages. To estimate the variable consideration, the Company applies the 'most likely amount' method. The Company then applies the requirements on constraining estimates of variable consideration in determining the revenue to be recognised or deferred.

Foreign currencies
Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the date of statement of financial position. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Revenue from contracts with customers
The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

i) Identifying performance obligations
The Company's contracts with customers include only one performance obligation, rendering of services to the customers. The Company has considered whether there are any promises in the contract other than rendering of services that are separate performance obligations to which a portion of the transaction price needs to be allocated. However, the Company has concluded that there are no performance obligations other than rendering of services to the customers.

ii) Timing of satisfaction of performance obligation
The Company's management has concluded that the revenue from rendering of services is to be recognised over time as the customers simultaneously receives and utilises the services provided by the Company. The Company has concluded that output method faithfully depicts the Company's performance towards complete satisfaction of the performance obligations.

iii) Principle versus agent considerations
The Company assessed its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements since it typically controls the services before transferring them to the customer.

iv) Determining method to estimate variable consideration and assessing the constraint
The Company's contracts with customers includes performance related incentives and liquidity damages that give rise to variable considerations. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

Management determined that use of most likely amount method is appropriate because this method best predicts the amount of variable consideration to which the Company will be entitled. Further, management concluded that the variable considerations are not material for the years ended 31 December 2021 and 31 December 2020.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions

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

Provision for expected credit losses of amounts due from related parties

The Company sets its provision initially based on the Company's historical observed default rates. The Company updates the rates to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

At the reporting date, gross amounts due from related parties amounted to BD 3,353,047 (2020: BD 2,782,485) and the provision for expected credit losses on amounts due from related parties amounted to BD 1,093,714 (2020: BD 921,687). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

4 PROPERTY AND EQUIPMENT

	Sheds and cabins BD	*Tools BD*	*Motor vehicles BD*	*Information technology equipment BD*	*Furniture BD*	*Total BD*
Cost:						
At 1 January 2021	126,947	497,665	42,289	610,001	19,598	1,296,500
Additions	23,895	46,156	-	62,254	6,242	138,547
Reclassification	21,975	-	-	(15,895)	(6,080)	-
At 31 December 2021	172,817	543,821	42,289	656,360	19,760	1,435,047
Depreciation:						
At 1 January 2021	32,098	250,374	37,189	331,370	4,768	655,799
Charge for the year	11,021	55,098	1,700	71,997	3,298	143,114
At 31 December 2021	43,119	305,472	38,889	403,367	8,066	798,913
Net carrying amount:						
At 31 December 2021	**129,698**	**238,349**	**3,400**	**252,993**	**11,694**	**636,134**

	Sheds and cabins BD	*Tools BD*	*Motor vehicles BD*	*Information Technology equipment BD*	*Furniture BD*	*Total BD*
Cost:						
At 1 January 2020	91,872	479,713	42,289	517,632	9,004	1,140,510
Additions	35,075	17,952	-	92,369	10,594	155,990
At 31 December 2020	126,947	497,665	42,289	610,001	19,598	1,296,500
Depreciation:						
At 1 January 2020	23,360	201,961	33,984	243,988	2,807	506,100
Charge for the year	8,738	48,413	3,205	87,382	1,961	149,699
At 31 December 2020	32,098	250,374	37,189	331,370	4,768	655,799
Net carrying amount:						
At 31 December 2020	94,849	247,291	5,100	278,631	14,830	640,701

4 PROPERTY AND EQUIPMENT (continued)

4.1 Depreciation charge for the year is allocated as follows:

	2021 BD	*2020 BD*
Direct costs (note 16)	**55,098**	48,413
General and administration expenses (note 17)	**88,016**	101,286
	143,114	149,699

5 INVENTORIES

	2021 BD	*2020 BD*
Spare parts	**2,778,535**	2,703,427
Consumables	**500,417**	491,929
Chemicals	**160,477**	151,453
Tools	**13,223**	14,004
	3,452,652	3,360,813

6 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2021 BD	*2020 BD*
Advances to suppliers and subcontractors	**156,602**	665,526
Other receivables	**3,626**	26,937
	160,228	692,463

7 RELATED PARTY TRANSACTIONS AND BALANCES

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

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Amounts due from related parties:

	2021	*2020*
	BD	*BD*
Shareholder		
International Power S.A.	**5,100**	-
Entities related to the shareholders		
Al Dur Power and Water Company B.S.C. (c)	**2,733,476**	2,136,127
Al Ezzel Power Company B.S.C. (c)	**609,036**	644,262
Engie Holding Company (KSA)	**4,710**	-
Tihama Power Generation Company Ltd.	**365**	445
ITM O&M Company Limited	**195**	-
Kahrabel Operation & Maintenance L.L.C. (Oman)	**165**	-
HIDD Power Co. B.S.C. (c)	**-**	1,651
	3,353,047	2,782,485
Provision for expected credit losses (ECL)	**(1,093,714)**	(921,687)
	2,259,333	1,860,798

Movement in provision for ECL during the year is as follows:

	2021	*2020*
	BD	*BD*
Balance at 1 January	**921,687**	615,700
Recognised during the year	**172,027**	305,987
Balance at 31 December	**1,093,714**	921,687

As at 31 December, the ageing analysis of amounts due from related parties is as follows:

	Total	*Current*	*Past due less than 120 days*	*Past due more than 120 days*
	BD	*BD*	*BD*	*BD*
2021	**2,259,333**	**2,256,136**	**3,197**	**-**
2020	1,860,798	1,847,154	10,447	3,197

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Amounts due to related parties:

	2021	*2020*
	BD	*BD*
Shareholders		
Kahrabel F.Z.E.	**215,300**	309,471
International Power S.A.	**-**	2,915
	215,300	312,386
Entities related to the shareholders		
Suez Tractebel Operation and Maintenance L.L.C. (Oman)	**563,230**	638,324
Kahrabel Operation & Maintenance L.L.C. (Oman)	**-**	90,071
Engie Information et Technologies	**11,291**	15,168
	789,821	1,055,949

Amounts due from related parties are interest free and generally settled within 30 days of the invoice date. Amounts due to related parties are interest free and generally settled within 30 days of receipts of invoice.

Bank balances held with a related party

The Company earns interest on bank balances held with an entity related to the ultimate parent (Engie Treasury Management S.A.R.L.) as part of cash pooling arrangement between group companies (note 8).

Transactions with related parties included in the statement of comprehensive income are as follows:

	For the year ended 31 December 2021			
	Revenue	***Interest income***	***Operating costs***	***General and administration expenses***
	BD	***BD***	***BD***	***BD***
Shareholders / entities related to the shareholders	**25,201,391**	**-**	**(2,497,108)**	**(93,273)**

	For the year ended 31 December 2020			
	Revenue	*Interest income*	*Operating costs*	*General and administration expenses*
	BD	*BD*	*BD*	*BD*
Shareholders / entities related to the shareholders	25,022,765	29,067	(3,326,083)	(92,618)

As at 31 December 2021, a shareholder (International power S.A.) has issued a corporate guarantee to an entity related to the shareholders (Al Ezzel Power Company B.S.C.(c)) for USD 5,000,000 (BD 1,855,500) (2020: BD 1,855,500). Further, an entity related to the ultimate parent [ENGIE CC S.C.R.L (previously GDF Suez CC S.C.R.L.)] has issued corporate guarantees to an entity related to the shareholders (Al Dur Power and Water Company B.S.C.(c)) and to a supplier (General Electric Company Bahrain W.L.L.) amounting to USD 4,000,000 (BD 1,508,400) and USD 9,250,000 (BD 3,488,175) respectively (2020: BD 1,508,400 and BD 3,488,175). During the year ended 31 December 2021, corporate guarantee fee charged by related parties amounted to BD 71,429 (2020: 71,604) (note 17).

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. During the years ended 31 December 2021 and 31 December 2020, no remuneration was paid to the Board of Directors. Remuneration of other members of management is as follows:

	2021	*2020*
	BD	*BD*
Short term benefits	**106,877**	104,800
Employees' end of service benefits	**7,414**	4,710
	114,291	109,510

8 BANK BALANCES AND CASH

	2021	*2020*
	BD	*BD*
Bank balances:		
- Bahraini Dinars	**4,563,020**	6,232,914
- US Dollars	**2,935,643**	2,641,138
- Euros	**6,578**	2,243
Cash in hand	**4,481**	2,616
Bank balances and cash	**7,509,722**	8,878,911

The above balances include balances held with an entity related to the Ultimate Parent (Engie Treasury Management S.A.R.L.) as part of cash pooling arrangement between ENGIE group companies amounting to BD 7,460,743 (2020: BD 8,778,223). The Company earns interest on these balances under the arrangement (note 7). Other bank balances are held in non-interest bearing current accounts with a commercial bank in the Kingdom of Bahrain.

9 SHARE CAPITAL

The share capital of the Company is BD 20,000 (2020: BD 20,000) comprising of 200 shares of BD 100 each (2020: 200 shares of BD 100 each), distributed among the shareholders as follows:

	2021		*2020*	
	Number of shares	***Shareholding %***	*Number of shares*	*Shareholding %*
Kahrabel F.Z.E.	**198**	**99.00%**	198	99.00%
International Power S.A.	**2**	**1.00%**	2	1.00%
	200	**100.00%**	200	100.00%

10 STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law and the Company's memorandum of association, a statutory reserve equal to 50% of Company's share capital has been created by transfers of prior year profits. This reserve is not available for distribution except in such circumstances as stipulated in Bahrain Commercial Companies Law.

11 DIVIDEND

During the year ended 31 December 2021, a dividend of BD 23,913.315 per share totalling BD 4,782,663 related to 2020 was approved and paid (2020: 26,889.710 per share totalling BD 5,377,942 related to 2019 was approved and paid).

12 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position during the year are as follows:

	2021	*2020*
	BD	*BD*
At 1 January	**670,681**	622,341
Provided during the year (note 19)	**77,255**	109,993
Paid during the year	**(25,215)**	(61,653)
At 31 December	**722,721**	670,681

13 CONTRACT LIABILITIES

Movements in contract liabilities recognised in the statement of financial position during the year are as follows:

	2021	*2020*
	BD	*BD*
At 1 January	**4,235,012**	5,517,648
Received during the year	**373,789**	249,485
Released to statement of comprehensive income	**(1,062,332)**	(1,532,121)
At 31 December	**3,546,469**	4,235,012

As of 31 December, contract liabilities are classified in the statement of financial position as follows:

	2021	*2020*
	BD	*BD*
Current	**1,164,392**	1,257,768
Non-current	**2,382,077**	2,977,244
	3,546,469	4,235,012

Contract liabilities represent consideration received from the customers for major maintenance works to be carried out in future.

14 TRADE PAYABLES AND ACCRUALS

	2021 *BD*	*2020* *BD*
Trade payables	**2,006,731**	2,571,953
Accruals for leave salary, air fare and bonus	**519,752**	534,105
Other accruals and provisions	**590,052**	985,243
Other payables	**11,740**	538,402
	3,128,275	4,629,703

Accounts payable are non-interest bearing and are normally settled within 60 days of the date of the invoice.

15 REVENUE FROM CONTRACTS WITH CUSTOMERS

	2021 *BD*	*2020* *BD*
Al Ezzel Power Company B.S.C. (c)	**6,292,416**	6,605,107
Al Dur Power and Water Company B.S.C. (c)	**18,908,975**	18,417,658
	25,201,391	25,022,765

16 DIRECT COSTS

	2021 *BD*	*2020* *BD*
Costs incurred under:		
Long term supply agreements	**1,791,998**	1,916,093
Long term service agreements	**4,977,283**	5,063,940
	6,769,281	6,980,033
Staff costs (note 19)	**2,590,500**	3,406,355
Repairs and maintenance	**3,954,005**	3,778,045
Spare parts and consumables	**2,969,598**	2,727,410
Chemicals costs	**1,391,185**	1,203,260
Other plant operating costs	**158,327**	195,881
Depreciation (note 4)	**55,098**	48,413
	17,887,994	18,339,397

17 GENERAL AND ADMINISTRATION EXPENSES

	2021	*2020*
	BD	*BD*
Staff costs (note 19)	**585,497**	806,617
Office supplies	**275,729**	261,964
Depreciation (note 4)	**88,016**	101,286
Catering and kitchen	**85,995**	126,580
Corporate guarantee fee (note 7)	**71,429**	71,604
Legal and professional fees	**34,597**	29,346
Office cleaning	**29,438**	36,791
Entertainment expenses	**22,136**	12,934
Bank charges	**25,127**	12,389
Utilities - net	**11,975**	11,584
Donations	**1,880**	25,000
Business travel	**404**	1,197
Miscellaneous	**99,080**	115,453
	1,331,303	1,612,745

18 OTHER INCOME

	2021	*2020*
	BD	*BD*
Proceeds from sale of scrap	**25,847**	22,244
Interest income (note 7)	**-**	29,067
	25,847	51,311

19 PROFIT FOR THE YEAR

Profit for the year is stated after charging the following:

	2021	*2020*
	BD	*BD*
Staff costs - net:		
Salaries and allowances	**2,770,972**	3,741,732
Employees' end of service benefits (note 12)	**77,255**	109,993
Contributions to Social Insurance Organisation	**238,166**	248,095
Other benefits	**89,604**	113,152
	3,175,997	4,212,972

Staff costs are allocated in the statement of comprehensive income as follows:

	2021	*2020*
	BD	*BD*
Direct costs (note 16)	**2,590,500**	3,406,355
General and administration expenses (note 17)	**585,497**	806,617
	3,175,997	4,212,972
Inventories recognised as an expense	**4,360,783**	3,930,670

20 COMMITMENTS AND CONTINGENCIES

a) Commitments:
The Company has long term service and supply agreements under which it is committed to incur fixed and variable costs, dependent on the relevant indexation adjustments, as specified in the agreements.

	2021	*2020*
	BD	*BD*
Total commitments	**50,048,611**	49,955,307

Committed costs are payable as follows:

	2021	*2020*
	BD	*BD*
Within one year	**4,846,758**	6,320,761
One year to five years	**17,226,734**	13,978,059
More than five years	**27,975,119**	29,656,487
	50,048,611	49,955,307

21 RISK MANAGEMENT

The Company manages risks through a process of ongoing identification and monitoring of the risks it faces. The Company is exposed to credit risk, liquidity risk and currency risk.

The Company's management oversees the management of these risks. The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on the following financial assets:

	2021	*2020*
	BD	*BD*
Bank balances	**7,505,241**	8,876,295
Amounts due from related parties	**2,259,333**	1,860,798
Other receivables	**3,626**	26,937
	9,768,200	10,764,030

Bank balances
The Company seeks to limit its credit risk with respect to bank balances by dealing with reputable financial institutions. With respect of balances held with an entity related to the ultimate parent (cash pooling arrangement), the Company considers the credit risk to be low.

Amounts due from related parties
With regard to amounts due from related parties, the Company seeks to limit its credit risk by monitoring outstanding balances on an on-going basis. An impairment analysis is performed at each reporting date to measure expected credit losses. As at 31 December 2021, provision for ECL in respect of amounts due from related parties amounted to BD 1,093,714 (2020: BD 921,687).

21 RISK MANAGEMENT (continued)

Credit risk (continued)

Amounts due from related parties (continued)

Set out below is the information on the credit risk exposure of the Company's amounts due from related parties:

	2021	*2020*
	BD	*BD*
Total Gross carrying amount at default (BD)	**3,353,047**	2,782,485
Expected credit loss rate (%)	**33%**	33%
Expected credit loss losses (BD)	**1,093,714**	921,687

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities.

The Company limits its liquidity risk by ensuring adequate funds are available in its bank accounts. The Company's terms of credit requires customers to settle their dues within 30 days from the date of invoice. Trade payables are normally settled within 60 days from the invoice date.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December which are payable within 3 months.

	2021	*2020*
	BD	*BD*
Trade payables	**2,006,731**	2,571,953
Amounts due to related parties	**789,821**	1,055,949
Other payables	**11,740**	538,402
	2,808,292	4,166,304

Currency risk

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

The Company's financial assets and financial liabilities are denominated primarily in Bahraini Dinars, United States Dollars and Euros. As the Bahraini Dinar is pegged to the United States Dollar, balances in US Dollars are not considered to represent a significant currency risk and as of the reporting date. Further, there are no material balances outstanding in Euros.

Capital management

The primary objective of the Company's capital management strategy is to ensure that it maintains a healthy capital base in order to support its business and maximise shareholders' value.

The Company manages the capital structure and makes adjustments to it in the light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020. Equity comprises share capital, statutory reserve and retained earnings and is measured at BD 5,830,782 as at 31 December 2021 (2020: BD 4,842,341).

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities

Financial assets consist of bank balances, cash in hand, amounts due from related parties and other receivables. Financial liabilities consist of trade payables, amounts due to related parties and other payables.

The fair values of the Company's financial instruments approximates their carrying amounts as at the reporting date.

As at 31 December 2021 and as at 31 December 2020, the Company did not hold any financial instrument remeasured at fair value, therefore, disclosure related to fair value hierarchy is not relevant.

23 IMPACT OF CORONAVIRUS (COVID-19)

The Board of Directors has considered the impact of COVID-19 on the Company's financial and non-financial assets and liabilities reported in the financial statements. As part of the stimulus package announced by the Government of Bahrain to counter the effects of COVID-19, the Company received financial assistance during the year ended 31 December 2021 in respect of reimbursement of salaries of Bahraini employees amounting to BD 245,522 (2020: BD 530,692). During the year ended 31 December 2020, the Government also waived water charges for the months of April 2020 to June 2020 amounting to BD 14,384 which was recognised in the statement of comprehensive income.

AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L.

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2022

Commercial Registration Number	55965
Directors	Mr. Ernesto Javier Parra Bertolotto Mr. Paul Van Den Hende Mr. Jose Igancio Fores Piquer - (up to 18 August 2022)
Registered Office	Building 285, Road 1505, Block 115, Hidd Town, Kingdom of Bahrain.
Bankers	HSBC Bank Middle East Limited Building: 2505, Road: 2832, Block 428 P.O. Box 57 Seef Kingdom of Bahrain.
Auditor	Ernst & Young - Middle East P.O. Box 140 Manama Kingdom of Bahrain.

Contents of the financial statements for the year ended 31 December 2022

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AL EZZEL O&M COMPANY W.L.L.

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AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L
REPORT OF THE BOARD OF DIRECTORS

The Company's Board of Directors has pleasure in submitting its report and the audited financial statements of Al Ezzel Operation and Maintenance Company W.L.L. ("the Company") for the year ended 31 December 2022.

Principal activities
The principal activities of the Company are to provide maintenance and operation services and consultancy services for customers in the field of power and water generation industry.

Results for the year
During the year ended 31 December 2022, the Company generated revenue of BD 23,904,270 (2021: BD 25,201,391) and reported a profit of BD 5,709,132 (2021: BD 5,771,358).

Movements in retained earnings during the year are as follows:

	BD
Balance as of 1 January 2022	**5,800,783**
Profit for the year	**5,709,132**
Dividend approved and paid	**(5,760,458)**
Balance as of 31 December 2022	**5,749,457**

Auditors
Ernst & Young have expressed their willingness to continue in office and a resolution proposing their appointment as auditors of the Company, for the year ending 31 December 2023, will be submitted to the Annual General Meeting.

Signed on behalf of the Board of Directors on 04 July 2023 by:

Ernesto Javier Parra Bertolotto
Director

Paul Van Den Hende
Director

AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L.

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C.R. No. 29977-1

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L.

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Al Ezzel Operation and Maintenance Company W.L.L. ("the Company"), which comprise the statement of financial position as at 31 December 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Company's report of the Board of Directors

Other information consists of the information included in Company's Report of the Board of Directors, set out on page 3, other than the financial statements and our auditor's report thereon. The Company's Board of Directors is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L. (continued)

Report on the audit of the Financial Statements (continued)

Responsibilities of the Company's Board of Directors for the financial statements

The Company's Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Company's Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company's Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Company's Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Board of Directors.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L. (continued)

Report on the audit of the Financial Statements (continued)

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

- Conclude on the appropriateness of the Company's Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company's Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Bahrain Commercial Companies Law, we report that:

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

b) the financial information contained in the Report of the Company's Board of Directors is consistent with the financial statements;

c) we are not aware of any violations of the Bahrain Commercial Companies Law or the terms of the Company’s memorandum of association during the year ended 31 December 2022 that might have had a material adverse effect on the business of the Company or on its financial position; and

d) satisfactory explanations and information have been provided to us by management in response to all our requests.

Ernst & Young

Auditor Registration No. 186
9 July 2023
Manama, Kingdom of Bahrain

AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L.

STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 BD	2021 BD
ASSETS			
Non-current asset			
Property and equipment	4	**551,719**	636,134
Current assets			
Inventories	5	**3,599,196**	3,452,652
Advances, prepayments and other receivables	6	**904,008**	160,228
Amounts due from related parties	7	**8,066,584**	2,259,333
Bank balances and cash	8	**6,336,369**	7,509,722
		18,906,157	13,381,935
TOTAL ASSETS		**19,457,876**	14,018,069
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**20,000**	20,000
Statutory reserve	10	**10,000**	10,000
Retained earnings		**5,749,457**	5,800,783
Total equity		**5,779,457**	5,830,783
Non-current liabilities			
Employees' end of service benefits	12	**665,158**	722,721
Contract liabilities	13	**3,725,694**	2,382,077
		4,390,852	3,104,798
Current liabilities			
Contract liabilities	13	-	1,164,392
Trade payables and accruals	14	**5,111,164**	3,128,275
Amounts due to related parties	7	**4,176,403**	789,821
		9,287,567	5,082,488
Total liabilities		**13,678,419**	8,187,286
TOTAL EQUITY AND LIABILITIES		**19,457,876**	14,018,069

Ernesto Jàvier Parra Bertolotto
Director

Paul Van Den Hende
Director

The attached notes 1 to 22 form part of these financial statements

AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 BD	2021 BD
Revenue from contracts with customers	7, 15	**23,904,270**	25,201,391
Direct costs	16	**(16,276,789)**	(17,887,994)
GROSS PROFIT		**7,627,481**	7,313,397
General and administration expenses	17	**(1,638,899)**	(1,331,303)
Provision for expected credit losses	7	**(368,283)**	(172,027)
Other income	18	**98,813**	25,847
Foreign exchange losses - net		**(9,980)**	(64,556)
PROFIT FOR THE YEAR	19	**5,709,132**	5,771,358
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,709,132**	5,771,358

Ernesto Javier Parra Bertolotti
Director

Paul Van Den Hende
Director

The attached notes 1 to 22 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital BD	*Statutory reserve BD*	*Retained earnings BD*	*Total BD*
At 1 January 2021	20,000	10,000	4,812,341	4,842,341
Profit and total comprehensive income for the year	-	-	5,771,358	5,771,358
Dividend approved (note 11)	-	-	(4,782,916)	(4,782,916)
At 31 December 2021	20,000	10,000	5,800,783	5,830,783
Profit and total comprehensive income for the year	-	-	5,709,132	5,709,132
Dividend approved (note 11)	-	-	(5,760,458)	(5,760,458)
At 31 December 2022	**20,000**	**10,000**	**5,749,457**	**5,779,457**

The attached notes 1 to 22 form part of these financial statements.

AL EZZEL OPERATION AND MAINTENANCE COMPANY W.L.L.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	*2022* *BD*	*2021* *BD*
OPERATING ACTIVITIES			
Profit for the year		**5,709,132**	5,771,358
Adjustments for:			
Depreciation	4	**126,578**	143,114
Gain on disposal of property and equipment		**(4,141)**	-
Provision for employees' end of service benefits	12	**97,603**	77,255
Provision for expected credit losses	7	**368,283**	172,027
Reversal of provision		**-**	(530,691)
Interest income	18	**(72,840)**	-
Operating profit before working capital changes		**6,224,615**	5,633,063
Working capital changes:			
Inventories		**(146,544)**	(91,839)
Advances, prepayments and other receivables		**(743,780)**	532,235
Amounts due from related parties		**(6,175,534)**	(570,562)
Trade payables and accruals		**1,982,889**	(970,737)
Contract liabilities		**179,225**	(688,543)
Amounts due to related parties		**3,386,582**	(266,128)
Cash flows from operations		**4,707,453**	3,577,489
Employees' end of service benefits paid	12	**(155,166)**	(25,215)
Interest received	18	**72,840**	-
Net cash flows from operating activities		**4,625,127**	3,552,274
INVESTING ACTIVITIES			
Additions to property and equipment	4	**(63,052)**	(138,547)
Proceeds from disposal of property and equipment		**25,030**	-
Net cash outflows from investing activities		**(38,022)**	(138,547)
FINANCING ACTIVITY			
Dividend paid and cash used in financing activity	11	**(5,760,458)**	(4,782,916)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(1,173,353)**	(1,369,189)
Cash and cash equivalents at 1 January		**7,509,722**	8,878,911
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	8	**6,336,369**	7,509,722

The attached notes 1 to 22 form part of these financial statements.

1 ACTIVITIES

AL Ezzel Operation and Maintenance Company W.L.L. (the "Company") is a limited liability company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 55965 on 8 March 2005. The address of the Company's registered office is Building 285, Road 1505, Block 115, Hidd, Kingdom of Bahrain.

The principal activities of the Company are to provide maintenance and operation services and consultancy services for customers, especially in power and water generation industry.

The majority shareholder of the Company is Kahrabel F.Z.E. ('the Parent Company'), a company registered in the United Arab Emirates. The Ultimate Parent of the Company is ENGIE S.A., a Company registered in La Défense, France.

The financial statements were authorised for issue by the Board of Directors on 4 July 2023.

2 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in conformity with the applicable requirements of the Bahrain Commercial Companies Law.

Basis of preparation

The financial statements are prepared under the historical cost convention.

The functional currency of the Company is United States Dollars (USD) and the financial statements are presented in Bahraini Dinars (BD). The Company uses a fixed exchange rate of 0.376 to translate transactions and balances in USD to BD.

New and amended standards effective as of 1 January 2022

The accounting policies adopted in the preparation of these financial statements are consistent with those used in the previous year, except for certain amendments to standards adopted by the Company as of 1 January 2022. The Company has not early adopted any other standard or amendment that has been issued but is not yet effective. The adoption of these standards did not have any effect on the Company's financial position, financial performance or disclosures.

- Onerous Contracts – Costs of Fulfilling a Contract - Amendments to IAS 37: The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- Reference to the Conceptual Framework – Amendments to IFRS 3: The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards effective as of 1 January 2022 (continued)

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases: The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- IFRS 9 Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

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

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective:

IAS 1 Amendments to IAS 1: Classification of Liabilities as Current or Non-current: In January 2020, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are applicable for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively;

IAS 1 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - The amendment is effective for annual reporting periods beginning on or after 1 January 2023;

IAS 8 Definition of Accounting Estimates - Amendments to IAS 8: The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendment is effective for annual reporting periods beginning on or after 1 January 2023; and

IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12: The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

The Company's Management is currently assessing the impact of the above standards on the Company' financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification

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

An asset is classified as current when it is:

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

The Company classifies all other assets as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

Fair value measurement

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment in value, if any.

Depreciation on property and equipment is calculated on a straight-line basis over their estimated useful lives as follows:

Sheds and cabins	- 10 - 15 years
Tools	- 5 - 10 years
Motor vehicles	- 5 years
Information technology equipment	- 2 - 5 years
Furniture	- 5 - 7 years

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

The carrying value of property and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate.

Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Costs are those expenses incurred in bringing each product to its present location and condition and is determined on weighted average cost basis.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired assets.

An assessment is made at each reporting date as to whether there is any indication that a previously recognised impairment loss may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation if any, had no impairment loss been recognised for the asset in the prior years. Such reversal is recognised in the statement of comprehensive income.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand and bank balances.

Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under revenue from contracts with customers policy.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

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

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

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

The Company's financial assets at amortised cost include amounts due from related parties, other receivables, bank balances and cash.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Company has transferred substantially all the risks and rewards of the asset, or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company recognises a provision for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are past due for more than a year. However, in certain cases, the Company may also consider a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities consist of trade payables, amounts due to related parties and other payables which are subsequently measured at amortised cost using effective interest rate (EIR) method.

Derecognition of financial liabilities

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

Amortised cost of financial instruments

Amortised cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Offsetting of financial instruments

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

Employees' end of service benefits

The Company provides end of service benefits to its expatriate employees in accordance with the Bahrain Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

The Company also makes contributions to the Social Insurance Organisation (SIO) for its Bahraini employees calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Company has a legal or constructive obligation arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Contract liability

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liability is recognised as revenue when the Company performs its obligations under the contract.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services excluding any amounts collected on behalf of third parties such as value added taxes, if any. The Company acts as a principal in its revenue arrangements because it typically controls the services before transferring them to the customers. The Company provides maintenance and operation services to its related parties. Revenue is recognised over time, using output method. The Company's contracts with customers generally include one performance obligation of rendering of services to the customers. The Company's revenue from contracts with customers is generated in the Kingdom of Bahrain.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the services, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer. There are no significant financing components or non-cash consideration in respect of Company's contracts with customers.

Variable consideration:

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the services to the customers. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Company's contracts with customers include performance related incentives and penalties/ liquidity damages. To estimate the variable consideration, the Company applies the 'most likely amount' method. The Company then applies the requirements on constraining estimates of variable consideration in determining the revenue to be recognised or deferred.

Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the date of statement of financial position. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Going concern

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

Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

i) Identifying performance obligations

The Company's contracts with customers include only one performance obligation, rendering of services to the customers. The Company has considered whether there are any promises in the contract other than rendering of services that are separate performance obligations to which a portion of the transaction price needs to be allocated. However, the Company has concluded that there are no performance obligations other than rendering of services to the customers.

ii) Timing of satisfaction of performance obligation

The Company's management has concluded that the revenue from rendering of services is to be recognised over time as the customers simultaneously receives and utilises the services provided by the Company. The Company has concluded that output method faithfully depicts the Company's performance towards complete satisfaction of the performance obligations.

iii) Principle versus agent considerations

The Company assessed its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements since it typically controls the services before transferring them to the customer.

iv) Determining method to estimate variable consideration and assessing the constraint

The Company's contracts with customers includes performance related incentives and liquidity damages that give rise to variable considerations. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

Management determined that use of most likely amount method is appropriate because this method best predicts the amount of variable consideration to which the Company will be entitled. Further, management concluded that the variable considerations are not material for the years ended 31 December 2022 and 31 December 2021.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions

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

Provision for expected credit losses of amounts due from related parties

The Company sets its provision initially based on the Company's historical observed default rates. The Company updates the rates to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

At the reporting date, gross amounts due from related parties amounted to BD 9,528,581 (2021: BD 3,353,047) and the provision for expected credit losses on amounts due from related parties amounted to BD 1,461,997 (2021: BD 1,093,714). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Provision for non-conforming water

The Company recognises provision for non conforming water based on management's best estimate. The Company had settled the non confirming water dispute with its customer (Al Dur Power and Water Company B.S.C.(c)) up to August 2014 following the settlement between Al Dur Power and Water Company B.S.C.(c) and Electricity and Water Authority (EWA). For the remaining period, the Company has recognised provision amounting to BD 400,157 as of 31 December 2022 (2021: BD 373,198) (note 14). Any difference between the amounts actually settled and amounts expected will be recognised in the statement of comprehensive income.

4 PROPERTY AND EQUIPMENT

	Sheds and cabins BD	*Tools BD*	*Motor vehicles BD*	*Information technology equipment BD*	*Furniture BD*	*Total BD*
Cost:						
At 1 January 2022	172,817	543,821	42,289	656,360	19,760	1,435,047
Additions	-	-	-	57,433	5,619	63,052
Disposal	-	-	(20,889)	-	-	(20,889)
At 31 December 2022	172,817	543,821	21,400	713,793	25,379	1,477,210
Depreciation:						
At 1 January 2022	43,119	305,472	38,889	403,367	8,066	798,913
Charge for the year	11,478	59,212	1,700	71,973	3,104	147,467
Disposal during the year	-	-	(20,889)	-	-	(20,889)
At 31 December 2022	54,597	364,684	19,700	475,340	11,170	925,491
Net carrying amount:						
At 31 December 2022	**118,220**	**179,137**	**1,700**	**238,453**	**14,209**	**551,719**

	Sheds and cabins BD	*Tools BD*	*Motor vehicles BD*	*Information Technology equipment BD*	*Furniture BD*	*Total BD*
Cost:						
At 1 January 2021	126,947	497,665	42,289	610,001	19,598	1,296,500
Additions	23,895	46,156	-	62,254	6,242	138,547
Reclassification	21,975	-	-	(15,895)	(6,080)	
At 31 December 2021	172,817	543,821	42,289	656,360	19,760	1,435,047
Depreciation:						
At 1 January 2021	32,098	250,374	37,189	331,370	4,768	655,799
Charge for the year	11,021	55,098	1,700	71,997	3,298	143,114
At 31 December 2021	43,119	305,472	38,889	403,367	8,066	798,913
Net carrying amount:						
At 31 December 2021	129,698	238,349	3,400	252,993	11,694	636,134

4 PROPERTY AND EQUIPMENT (continued)

4.1 Depreciation charge for the year is allocated as follows:

	2022 ***BD***	*2021* *BD*
Direct costs (note 16)	**59,212**	55,098
General and administration expenses (note 17)	**88,255**	88,016
	147,467	143,114

5 INVENTORIES

	2022 ***BD***	*2021* *BD*
Spare parts	**2,844,807**	2,778,535
Consumables	**556,014**	500,417
Chemicals	**182,394**	160,477
Tools	**15,981**	13,223
	3,599,196	3,452,652

6 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2022 ***BD***	*2021* *BD*
Advances to suppliers and subcontractors	**821,616**	156,602
Other receivables (note 21)	**82,392**	3,626
	904,008	160,228

7 RELATED PARTY TRANSACTIONS AND BALANCES

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

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Amounts due from related parties:

	2022	*2021*
	BD	*BD*
Shareholder		
International Power S.A.	**-**	5,100
Entities related to the shareholders		
Al Dur Power and Water Company B.S.C. (c)	**8,122,791**	2,733,476
Al Ezzel Power Company B.S.C. (c)	**1,153,017**	609,036
Engie Holding Company (KSA)	**4,355**	4,710
Tihama Power Generation Company Ltd.	**-**	365
ITM O&M Company Limited	**340**	195
Kahrabel Operation & Maintenance L.L.C. (Oman)	**-**	165
Suez Tractebel Operation and Maintenance Oman W.L.L	**5,036**	-
Mirfa International Power & Water Company PJSC (MIPCO)	**495**	-
Suez Services Saudi Company	**574**	-
Al Dur Shared Facilities Company W.L.L	**241,973**	-
	9,528,581	3,353,047
Provision for expected credit losses (ECL)	**(1,461,997)**	(1,093,714)
	8,066,584	2,259,333

Movement in provision for ECL during the year is as follows:

	2022	*2021*
	BD	*BD*
Balance at 1 January	**1,093,714**	921,687
Recognised during the year	**368,283**	172,027
Balance at 31 December	**1,461,997**	1,093,714

As at 31 December, the aging analysis of amounts due from related parties is as follows:

	Total	*Current*	*Past due less than 120 days*
	BD	*BD*	*BD*
2022	**8,066,584**	**4,292,414**	**3,774,170**
2021	2,259,333	2,256,136	3,197

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Amounts due to related parties:

	2022	*2021*
	BD	*BD*
Shareholders		
Kahrabel F.Z.E.	**4,088,164**	215,300
International Power S.A.	**78,128**	-
	4,166,292	215,300
Entities related to the shareholders		
Suez Tractebel Operation and Maintenance L.L.C. (Oman)	**-**	563,230
Engie Information et Technologies	**10,111**	11,291
	4,176,403	789,821

Amounts due from related parties are interest free and generally settled within 30 days of the invoice date. Amounts due to related parties are interest free and generally settled within 30 days of receipt of invoice.

Bank balances held with a related party

The Company earns interest on bank balances held with an entity related to the ultimate parent (Engie Treasury Management S.A.R.L.) as part of cash pooling arrangement between group companies (note 8).

Transactions with related parties included in the statement of comprehensive income are as follows:

	For the year ended 31 December 2022			
	Revenue BD	***Interest income BD***	***Operating costs BD***	***General and administration expenses BD***
Shareholders / entities related to the shareholders	**23,904,270**	**72,840**	**(949,740)**	**(91,319)**

	For the year ended 31 December 2021			
	Revenue BD	*Interest income BD*	*Operating costs BD*	*General and administration expenses BD*
Shareholders / entities related to the shareholders	25,201,391	-	(2,497,108)	(93,273)

As at 31 December 2022, a shareholder (International power S.A.) has issued a corporate guarantee to an entity related to the shareholders (Al Ezzel Power Company B.S.C.(c)) for USD 5,000,000 (BD 1,855,500) (2021: BD 1,855,500). Further, an entity related to the ultimate parent [ENGIE CC S.C.R.L (previously GDF Suez CC S.C.R.L.)] has issued corporate guarantees to an entity related to the shareholders (Al Dur Power and Water Company B.S.C.(c)) and to a supplier (General Electric Company Bahrain W.L.L.) amounting to USD 4,000,000 (BD 1,508,400) and USD 9,250,000 (BD 3,488,175) respectively (2021: BD 1,508,400 and BD 3,488,175). During the year ended 31 December 2022, corporate guarantee fee charged by related parties amounted to BD 71,633 (2021: BD 71,429) (note 17).

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. During the years ended 31 December 2022 and 31 December 2021, no remuneration was paid to the Board of Directors. Remuneration of other members of management is as follows:

	2022	*2021*
	BD	*BD*
Short term benefits	**168,735**	106,877
Employees' end of service benefits	**6,918**	7,414
	175,653	114,291

8 BANK BALANCES AND CASH

	2022	*2021*
	BD	*BD*
Bank balances:		
- Bahraini Dinars	**2,642,629**	4,563,020
- US Dollars	**3,688,509**	2,935,643
- Euros	**1,665**	6,578
Cash on hand	**3,566**	4,481
Bank balances and cash	**6,336,369**	7,509,722

The above balances include balances held with an entity related to the Ultimate Parent (Engie Treasury Management S.A.R.L.) as part of cash pooling arrangement between ENGIE group companies amounting to BD 6,232,713 (2021: BD 7,460,743). The Company earns interest on these balances under the arrangement (note 7). Other bank balances are held in non-interest bearing current accounts with a commercial bank in the Kingdom of Bahrain.

9 SHARE CAPITAL

The share capital of the Company is BD 20,000 (2021: BD 20,000) comprising of 200 shares of BD 100 each (2021: 200 shares of BD 100 each), distributed among the shareholders as follows:

	2022		*2021*	
	Number of shares	***Shareholding %***	*Number of shares*	*Shareholding %*
Kahrabel F.Z.E.	**198**	**99.00%**	198	99.00%
International Power S.A.	**2**	**1.00%**	2	1.00%
	200	**100.00%**	200	100.00%

10 STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law and the Company's memorandum of association, a statutory reserve equal to 50% of Company's share capital has been created by transfers of prior year profits. This reserve is not available for distribution except in such circumstances as stipulated in Bahrain Commercial Companies Law.

11 DIVIDEND

During the year ended 31 December 2022, a dividend of BD 28,802.290 per share totalling BD 5,760,458 related to 2021 was approved and paid (2021: BD 23,914.580 per share totalling BD 4,782,916 related to 2020 was approved and paid).

12 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position during the year are as follows:

	2022	*2021*
	BD	*BD*
At 1 January	**722,721**	670,681
Provided during the year (note 19)	**97,603**	77,255
Paid during the year	**(155,166)**	(25,215)
At 31 December	**665,158**	722,721

13 CONTRACT LIABILITIES

Movements in contract liabilities recognised in the statement of financial position during the year are as follows:

	2022	*2021*
	BD	*BD*
At 1 January	**3,546,469**	4,235,012
Received during the year	**1,472,510**	373,789
Released to statement of comprehensive income	**(1,293,285)**	(1,062,332)
At 31 December	**3,725,694**	3,546,469

As of 31 December, contract liabilities are classified in the statement of financial position as follows:

	2022	*2021*
	BD	*BD*
Current	**-**	1,164,392
Non-current	**3,725,694**	2,382,077
	3,725,694	3,546,469

Contract liabilities represent consideration received from the customers for major maintenance works to be carried out in future.

14 TRADE PAYABLES AND ACCRUALS

	2022 *BD*	*2021* *BD*
Trade payables	**4,025,067**	2,006,731
Accruals for leave salary, air fare and bonus	**465,522**	519,752
Other accruals and provisions	**559,532**	590,052
Other payables	**61,043**	11,740
	5,111,164	3,128,275

Accounts payable are non-interest bearing and are normally settled within 60 days of the date of the invoice.

15 REVENUE FROM CONTRACTS WITH CUSTOMERS

	2022 ***BD***	*2021* *BD*
Al Ezzel Power Company B.S.C. (c)	**5,968,544**	6,292,416
Al Dur Power and Water Company B.S.C. (c)	**17,935,726**	18,908,975
	23,904,270	25,201,391

16 DIRECT COSTS

	2022 ***BD***	*2021* *BD*
Costs incurred under:		
Long term supply agreements	**739,928**	1,791,998
Long term service agreements	**4,012,526**	4,977,283
	4,752,454	6,769,281
Staff costs (note 19)	**3,160,506**	2,590,500
Repairs and maintenance	**3,583,829**	3,954,005
Spare parts and consumables	**3,162,367**	2,969,598
Chemicals costs	**1,430,139**	1,391,185
Other plant operating costs	**128,282**	158,327
Depreciation (note 4)	**59,212**	55,098
	16,276,789	17,887,994

17 GENERAL AND ADMINISTRATION EXPENSES

	2022	*2021*
	BD	*BD*
Staff costs (note 19)	**912,245**	585,497
Office supplies	**318,439**	275,729
Depreciation (note 4)	**88,255**	88,016
Catering and kitchen	**66,567**	85,995
Corporate guarantee fee (note 7)	**71,633**	71,429
Legal and professional fees	**35,455**	34,597
Office cleaning	**19,454**	29,438
Entertainment expenses	**24,966**	22,136
Bank charges	**13,772**	25,127
Utilities	**11,389**	11,975
Donations	**-**	1,880
Business travel	**9,841**	404
Miscellaneous	**66,883**	99,080
	1,638,899	1,331,303

18 OTHER INCOME

	2022	*2021*
	BD	*BD*
Proceeds from sale of scrap	**16,096**	25,847
Interest income (note 7)	**72,840**	-
Gain on disposal of property and equipment	**4,141**	-
Other income	**5,736**	-
	98,813	25,847

19 PROFIT FOR THE YEAR

Profit for the year is stated after charging the following:

	2022	*2021*
	BD	*BD*
Staff costs - net:		
Salaries and allowances	**3,545,481**	2,770,972
Employees' end of service benefits (note 12)	**97,603**	77,255
Contributions to Social Insurance Organisation	**243,532**	238,166
Other benefits	**186,135**	89,604
	4,072,751	3,175,997

Staff costs are allocated in the statement of comprehensive income as follows:

	2022	*2021*
	BD	*BD*
Direct costs (note 16)	**3,160,506**	2,590,500
General and administration expenses (note 17)	**912,245**	585,497
	4,072,751	3,175,997
Inventories recognised as an expense	**4,592,506**	4,360,783

20 COMMITMENTS AND CONTINGENCIES

Commitments:
The Company has a long term service and supply agreement under which it is committed to incur fixed and variable costs, dependent on the relevant indexation adjustments, as specified in the agreements.

	2022	*2021*
	BD	*BD*
Total commitments	**48,270,636**	50,048,611

Committed costs are payable as follows:

	2022	*2021*
	BD	*BD*
Within one year	**3,683,170**	4,846,758
One year to five years	**21,370,047**	17,226,734
More than five years	**23,217,419**	27,975,119
	48,270,636	50,048,611

21 RISK MANAGEMENT

The Company manages risks through a process of ongoing identification and monitoring of the risks it faces. The Company is exposed to credit risk, liquidity risk and currency risk.

The Company's management oversees the management of these risks. The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on the following financial assets:

	2022	*2021*
	BD	*BD*
Bank balances	**6,332,803**	7,505,241
Amounts due from related parties (note 7)	**8,066,584**	2,259,333
Other receivables (note 6)	**82,392**	3,626
	14,481,779	9,768,200

Bank balances
The Company seeks to limit its credit risk with respect to bank balances by dealing with reputable financial institutions. With respect of balances held with an entity related to the ultimate parent (cash pooling arrangement), the Company considers the credit risk to be low.

Amounts due from related parties
With regard to amounts due from related parties, the Company seeks to limit its credit risk by monitoring outstanding balances on an on-going basis. An impairment analysis is performed at each reporting date to measure expected credit losses. As at 31 December 2022, provision for ECL in respect of amounts due from related parties amounted to BD 1,461,997 (2021: BD 1,093,714).

21 RISK MANAGEMENT (continued)

Credit risk (continued)

Amounts due from related parties (continued)

Set out below is the information on the credit risk exposure of the Company's amounts due from related parties:

	2022	*2021*
	BD	*BD*
Total Gross carrying amount at default (BD)	**9,528,581**	3,353,047
Expected credit loss rate (%)	**15%**	33%
Expected credit loss losses (BD)	**1,461,997**	1,093,714

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities.

The Company limits its liquidity risk by ensuring adequate funds are available in its bank accounts. The Company's terms of credit requires customers to settle their dues within 30 days from the date of invoice. Trade payables are normally settled within 60 days from the invoice date.

The table below summarises the Company's undiscounted financial liabilities at 31 December which are payable within 3 months.

	2022	*2021*
	BD	*BD*
Trade payables (note 14)	**4,025,067**	2,006,731
Amounts due to related parties (note 7)	**4,176,403**	789,821
Other payables (note 14)	**61,043**	11,740
	8,262,513	2,808,292

Currency risk

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

The Company's financial assets and financial liabilities are denominated primarily in Bahraini Dinars, United States Dollars and Euros. As the Bahraini Dinar is pegged to the United States Dollar, balances in US Dollars are not considered to represent a significant currency risk and as of the reporting date. Further, there are no material balances outstanding in Euros.

Capital management

The primary objective of the Company's capital management strategy is to ensure that it maintains a healthy capital base in order to support its business and maximise shareholders' value.

The Company manages the capital structure and makes adjustments to it in the light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021. Equity comprises share capital, statutory reserve and retained earnings and is measured at BD 5,779,457 as at 31 December 2022 (2021: BD 5,830,783).

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities

Financial assets consist of bank balances, cash on hand, amounts due from related parties and other receivables. Financial liabilities consist of trade payables, amounts due to related parties and other payables.

The fair values of the Company's financial instruments approximates their carrying amounts as at the reporting date.

As at 31 December 2022 and as at 31 December 2021, the Company did not hold any financial instrument remeasured at fair value, therefore, disclosure related to fair value hierarchy is not relevant.