2.4.6.1.1.4 Audited Financial Statement - FY 2023 - signed.pdf

2.4.6.1.1.1 HPC - Audited Financial Statements 2021.pdf

2.4.6.1.1.2 HPC - Audited Financial Statements 2022.pdf

HIDD POWER COMPANY B.S.C.(C)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT YEAR ENDED 31 DECEMBER 2023

HIDD POWER COMPANY B.S.C.(C)

Commercial registration	:	59322
Directors	:	Anwar Syahrin Bin Abdul Ajib, Chairman James Philip Morson Mohammed Nazersham Bin Mansor Yap Leng Khim Nagulusamy Rajendran Laurent Raymond Louis Furedi Koji Makita Mohammed Helmy Bin Ibrahim Tomaz Henrique Guadagnin Sarah Danielle M. Kiriluk (till July 2023) Parag Narsingkar (from July 2023)
Executive Managing Director	:	Carlos Alcazar
Registered office	:	P.O. Box 50710, Hidd Kingdom of Bahrain Telephone: +973 17 679479 Fax: +973 17 479429
Principal banker	:	Standard Chartered Bank Mizuho Corporate Bank Citibank Japan Bank for International Cooperation
Auditors	:	KPMG Fakhro P.O. Box 710 Manama, Kingdom of Bahrain

HIDD POWER COMPANY B.S.C.(C)

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CHAIRMAN'S REPORT
for the year ended 31 December 2023 **USD '000**

In accordance with Article 286 of the Commercial Companies law, I have the pleasure of presenting the Company's audited financial statements (pages 6 to 33) for the year ended 31 December 2023.

Financial highlights	2023	2022
Revenue	397,093	447,634
Gross profit	57,861	73,646
(Loss)/profit for the year	(182,289)	41,876
Total equity	227,654	406,515

Directors
The following Directors served during the year ended 31 December 2023 and disclosure of remuneration to members of Board of Directors.

Name	Fixed remuneration				Variable remuneration				End-of-service award	Aggregate amount	Expenses Allowances	Total
	Remunerations of the chairman and BOD	Total allowances for attending Board and committee meetings	Others	Total	Remunerations of the chairman and BOD	Incentive plans	Others	Total				
First: Independent Directors												
None	-	-	-	-	-	-	-	-	-	-	-	-
Second: Non-Executive Directors												
Anwar Syahrin Bin Abdul Ajib	-	-	-	-	-	-	-	-	-	-	-	-
James Philip Morson	-	-	-	-	-	-	-	-	-	-	-	-
Mohammed Nazersham Bin Mansor	-	-	-	-	-	-	-	-	-	-	-	-
Yap Leng Khim	-	-	-	-	-	-	-	-	-	-	-	-
Nagulusamy Rajendran	-	-	-	-	-	-	-	-	-	-	-	-
Laurent Raymond Louis Furedi	-	-	-	-	-	-	-	-	-	-	-	-
Koji Makita	-	-	-	-	-	-	-	-	-	-	-	-
Mohammed Helmy Bin Ibrahim	-	-	-	-	-	-	-	-	-	-	-	-
Tomaz Henrique Guadagnin	-	-	-	-	-	-	-	-	-	-	-	-
Sarah Danielle M. Kiriluk (i)	-	-	-	-	-	-	-	-	-	-	-	-
Parag Narsingkar	-	-	-	-	-	-	-	-	-	-	-	-
Third: Executive Directors												
None	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-

(i) Resigned with effect from July 2023

CHAIRMAN'S REPORT (continued)
for the year ended 31 December 2023 **USD '000**

Remuneration and benefits paid to Executive Management:

Salaries, benefits and other allowances 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 executive management*	1,219	-	-	1,219

* Executive management consists of Executive Managing Director, Finance Director & Production Director

Representations and audit

The Company's activities for the year ended 31 December 2023 have been conducted in accordance with the Commercial Companies Law of the Kingdom of Bahrain.

There have been no events subsequent to 31 December 2023, which would in any way invalidate the financial statements on pages 6 to 33.

The Company has maintained proper, complete accounting records and these, together with all other information and explanations, have been made freely available to the auditors – KPMG Fakhro, who have signified their willingness to continue in office for the next accounting year.

Anwar Syahrin Bin Abdul Ajib
Chairman

Tomaz Henrique Guadagnin
Director

21 February 2024

KPMG Fakhro
Audit
12th Floor, Fakhro Tower,
P.O. Box 710, Manama,
Kingdom of Bahrain

Telephone +973 17224807
Telefax +973 17227443
Website: www.kpmg.com/bh
CR No. 6220 - 2

Independent auditors' report

To the Shareholders of
Hidd Power Company BSC (c)
Hidd, Kingdom of Bahrain

Opinion

We have audited the financial statements of Hidd Power Company BSC (c) (the "Company"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory 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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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 Auditors' 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 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 Matter

The financial statements of the Company as at and for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 23 February 2023.

Other Information

The board of directors is responsible for the other information. The other information obtained at the date of this auditors' report is the Chairman's report set out on pages 1 - 2.

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 on the other information obtained prior to the date of this auditors' 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 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 IFRS Accounting Standards, 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 has no realistic alternative but to do so.

Auditors' 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 auditors' 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 board of directors.
- Conclude on the appropriateness of the 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 auditors' 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 auditors' 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 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 Regulatory Requirements

As required by the 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 chairman'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 management in response to all our requests.

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

a) a corporate governance officer; and
b) a Board approved written guidance and procedures for corporate governance.

KPMG

KPMG Fakhro
Director Registration Number 246
21 February 2024

HIDD POWER COMPANY B.S.C.(C)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 USD '000	2022 USD '000
ASSETS			
Non-current assets			
Property, plant and equipment	4	458,584	682,337
Advance payments for long term parts and repairs		3,414	19,683
Derivative financial instruments	20	90	291
Total non-current assets		**462,088**	702,311
Current assets			
Derivative financial instruments	20	311	390
Inventories	5	18,768	22,269
Receivables	6	20,803	23,735
Other assets	7	2,693	3,075
Cash and bank balances	8	29,864	35,606
Total current assets		**72,439**	85,075
Total assets		**534,527**	787,386
EQUITY AND LIABILITIES			
Equity			
Share capital	1	140,663	140,663
Statutory reserve	9	43,794	43,794
Cash flow hedge reserve	20	(1,932)	(5,360)
Retained earnings		45,129	227,418
Total equity		**227,654**	406,515
Liabilities			
Non-current liabilities			
Bank borrowings	11	173,268	252,491
Derivative financial instruments	20	1,888	4,469
Deferred revenue		10,585	14,331
Provision for dismantling cost	13	39,124	36,564
Provision for employees' end-of-service benefits	10	1,695	1,507
Total non-current liabilities		**226,560**	309,362
Current liabilities			
Bank borrowings	11	66,223	57,594
Derivative financial instruments	20	447	1,572
Deferred revenue		3,747	3,737
Other liabilities	12	9,896	8,606
Total current liabilities		**80,313**	71,509
Total liabilities		**306,873**	380,871
Total equity and liabilities		**534,527**	787,386

The financial statements consisting of pages **6 to 33** were approved by the Board of Directors on **21 February 2024.**

Anwar Syahrin Bin Abdul Ajib	Tomaz Henrique Guadagnin	Carlos Alcazar
Chairman	*Director*	*Executive Managing Director*

The attached notes form an integral part of these financial statements

HIDD POWER COMPANY B.S.C.(C)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2023

	Note	2023	2022
		USD '000	USD '000
Revenue	14	397,093	447,634
Cost of revenue	15	(339,232)	(373,988)
Gross profit		**57,861**	73,646
General and administration expenses	16	(26,188)	(8,225)
Impairment loss on property, plant and equipment	4	(195,000)	-
Other income		6	21
Operating (loss) / profit		**(163,321)**	65,442
Finance income	17	1,721	509
Finance expense	17	(20,689)	(24,075)
Net finance expense		**(18,968)**	(23,566)
(Loss) / profit for the year		**(182,289)**	41,876
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	20	2,246	19,080
Net changes in fair value of cash flow hedges transferred to profit or loss	20	(552)	15,951
Net changes in fair value of cash flow hedges transferred to carrying amount of a non-financial asset	20	1,734	1,974
Total other comprehensive income of the year		**3,428**	37,005
Total profit and other comprehensive income for the year		**(178,861)**	78,881

Anwar Syahrin Bin Abdul Ajib
Chairman

Tomaz Henrique Guadagnin
Director

Carlos Alcazar
Executive Managing Director

The attached notes form an integral part of these financial statements

HIDD POWER COMPANY B.S.C.(C)

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2023

	Share capital USD '000	Statutory reserve USD '000	Cash flow hedge reserve USD '000	Retained earnings USD '000	Total USD '000
Balance at 1 January 2022	140,663	39,606	(42,365)	189,730	327,634
Profit for the year	-	-	-	41,876	41,876
Other comprehensive income:					
Effective portion of changes in fair value of cash flow hedges	-	-	19,080	-	19,080
Net changes in fair value of cash flow hedges transferred to profit or loss	-	-	15,951	-	15,951
Net changes in fair value of cash flow hedges transferred to the carrying amount of a non-financial asset	-	-	1,974	-	1,974
Total comprehensive income for the year			37,005	41,876	78,881
Transfer to statutory reserve		4,188	-	(4,188)	-
Balance at 31 December 2022	140,663	43,794	(5,360)	227,418	406,515
Loss for the year	-	-	-	(182,289)	(182,289)
Other comprehensive income:					
Effective portion of changes in fair value of cash flow hedges	-	-	2,246	-	2,246
Net changes in fair value of cash flow hedges transferred to profit or loss	-	-	(552)	-	(552)
Net changes in fair value of cash flow hedges transferred to the carrying amount of a non-financial asset	-	-	1,734	-	1,734
Total comprehensive loss for the year			3,428	(182,289)	(178,861)
Balance at 31 December 2023	140,663	43,794	(1,932)	45,129	227,654

The attached notes form an integral part of these financial statements

HIDD POWER COMPANY B.S.C.(C)

STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2023

	Note	2023 USD '000	2022 USD '000
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / profit for the year		(182,289)	41,876
Adjustments for:			
Depreciation	4	63,800	61,317
Impairment of inventory		4,638	2,059
Impairment allowance on trade receivables	6	19,241	1,198
Impairment of property, plant and equipment	4	195,000	-
Amortisation of upfront fee	17	299	343
Amortisation of TDS settlement	15	221	221
Provision for employees' end of service benefits	10	262	219
Gain on disposal of property, plant and equipment		-	(15)
Finance cost, net		15,814	20,488
Deferred revenue		(3,737)	(3,737)
Unwinding of discount on provision for dismantling cost	13	2,560	2,392
Operating profit before changes in working capital		115,809	126,361
Changes in working capital:			
(Increase)/decrease in inventories		(1,137)	(167)
(Increase) / decrease in receivables		(16,309)	21,453
Decrease in other assets		161	225
Increase in advance payments for long term parts and repairs		(12,206)	(17,477)
Increase / (decrease) in other liabilities		1,819	(23,966)
Cash generated from operations		88,137	106,429
Payment of employees' end of service benefits	10	(74)	(71)
Net cash generated from operating activities		88,063	106,358
CASH FLOW FROM INVESTING ACTIVITIES			
(Increase) / decrease in fixed deposits		(53)	1,382
Acquisition of property, plant and equipment		(6,519)	(5,941)
Net movement in capital work in progress and capital spares		(229)	(260)
Proceeds from disposal of property, plant and equipment		-	15
Write-off of Capital spares		178	-
Net cash used in investing activities		(6,623)	(4,804)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of bank borrowings	11	(70,893)	(83,976)
Finance cost, net		(16,342)	(21,183)
Net cash used in financing activities		(87,235)	(105,159)
Net decrease in cash and cash equivalents		(5,795)	(3,605)
Cash and cash equivalents at the beginning of the year		14,484	18,089
Cash and cash equivalents at the end of the year	8	8,689	14,484

The attached notes form an integral part of these financial statements

1 REPORTING ENTITY

Hidd Power Company BSC (c) (the "Company") is a closed Joint Stock Company incorporated in the Kingdom of Bahrain on January 21, 2006 under commercial registration (CR) number 59322 issued by the Ministry of Industry, Commerce, and Tourism.

The Company has an authorised share capital of USD 150,000,000, comprising 30,000,000 shares of USD 5 each and issued and paid up share capital of USD 140,663,100 divided into 28,132,620 shares of USD 5 each held as follows:

Name of the Shareholder	Number of shares
Malakoff Summit Hidd Holding Company Limited	19,692,834
Kahrabel FZE	8,439,786

The Company commenced operations on January 22, 2006, upon entering into an Asset Transfer Agreement (the "agreement") with the Ministry of Finance and National Economy of the Government of Bahrain ("MoFNE") and the Electricity and Water Authority of the Government of Bahrain ("EWA"), to buy the Al Hidd Power Plant ("power plant") and related inventories, and operates the power plant on a build, own, operate basis.

The Company also entered into a power and water purchase agreement ("PWPA") with the EWA to sell all the output of the power plant to the EWA for a period of 20 years from the scheduled commercial operation date - May 18, 2008. Subsequent to that, the Company also concluded the following agreements relating to the power plant:

- Land Rights Agreement with the MoFNE
- Natural Gas Agreement with Bapco Upstream (previously with Bahrain Petroleum Company ("BAPCO"))

Subsequent to the commencement of its operations, the Company carried out construction of the Phase III project, a water distillation plant, as per the pre-requisite of the PWPA. This project was completed on achievement of Commercial Operations Date ("COD") as on May 18, 2008.

The current PWPA term is ending in November 2027. EWA has expressed their interest in extending the current PWPA term and indicated several options for the extension including adding new facilities for the water plant.

2 BASIS OF PREPARATION

Statement of compliance

The financial statements are for the year ended 31 December 2023 and have been prepared in accordance with International IFRS accounting standards and the requirements of the Commercial Companies Law.

Basis of measurement

The financial statements have been prepared on the historical cost convention except for the measurement at fair value of derivative financial instruments.

2. BASIS OF PREPARATION *(continued)*

Functional and presentation currency
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company is Bahraini Dinars ('BHD') and the financial statements are presented in United States Dollar ('USD'). The translation difference between the functional currency and the presentation currency is insignificant. All financial information presented in USD has been rounded off to the nearest thousand.

Use of estimates and judgements
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and in arriving at estimates with a risk of material adjustment in the following period include the estimate of total revenue over the lease period (note 3), fair value of derivative financial instruments (note 20), useful lives of property, plant and equipment (note 3), impairment of non-financial assets (note 3), net cost of dismantling (note 13) and amortisation of costs incurred under the Long Term Parts & Repairs Agreements (LTPRA) (note 3).

New and revised Standards applied with no material impact on the financial statements

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 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 IAS 1 *Presentation of Financial Statements* - Classification of Liabilities as Current or Noncurrent - effective from January 1, 2023
- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements - 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 - effective from January 1, 2023

2. BASIS OF PREPARATION *(continued)*

New and revised standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however; the Company has not early adopted the new or amended standards in preparing these financial statements.

The following new standards, amendments and interpretations to standards that are relevant to the Company are not expected to have a significant impact on the Company's financial statements.

- IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 - Climate-related Disclosures- effective from 1 January 2024
- Amendments to IAS 1 *Presentation of Financial Statement- Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of Liabilities as Current or Non-current* - effective from 1 January 2024
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates - effective from Lack of Exchangeability - effective from 1 January 2025.
- Amendments to IFRS 16 Leases - Lease Liability in a Sale and Leaseback - effective from 1 January 2024

3 MATERIAL ACCOUNTING POLICIES

The material accounting polices applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

Revenue recognition

The PWPA arrangement with the EWA constitutes a lease under IFRS 16. The revenue from capacity sale of electricity and water (lease income) is recognised on a straight-line basis over the term of the lease, adjusted for estimated increase in the capacity of water generation. An estimate of electricity and water capacity required to be made available to the EWA over the lease period as per the PWPA forms the basis for recognising the revenue over the lease term. Excess of amount of revenue billed to the EWA over the amount of revenue estimated for the reporting period is recognised as deferred revenue.

The variable charge for sale of electricity and water is recognised as income when the electricity and water is delivered. The variable charge is arrived at based on the agreed tariff as per PWPA and the actual units of electricity and water delivered during the year.

Gas consumed in operations is recovered from the EWA as part of sale of electricity and water. The actual amount of gas recovered by the company is recognized as revenue on the basis of the computation agreed as per the PWPA.

Interest income on deposits with banks is recognised, as finance income in the statement of profit or loss and other comprehensive income, on a time-apportioned basis over the period of the deposit

3 **MATERIAL ACCOUNTING POLICIES** (continued)

Borrowings costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. The amount of borrowing cost eligible for capitalisation on any qualifying asset is determined as actual borrowing cost incurred on the borrowings during the period less any investment income on temporary investment of those borrowings. Other borrowing costs are recognised as finance expense in the period in which they are incurred.

Property, plant and equipment
Property, plant and equipment are stated at historical cost less depreciation and allowances for impairment, if any. Historical cost includes purchase price of the items and expenditure that is directly attributable to the acquisition of the items except in case of production facilities, which also includes estimated cost of dismantling accounted at amortised cost basis.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item or repairs can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

One of the components of subsequent costs that are capitalised includes the costs related to the Long-Term Parts and Repairs Agreement (LTPRA) entered into by the Company with a service provider. The costs incurred under this agreement are primarily for C-inspections (overhauling/inspection) of the gas turbines of the Company and for the cost of parts replaced/ refurbished as result of the overhauling/inspection of the gas turbines. The payments made under the LTPRA are initially recorded as advance payments till the time C-inspection of a turbine is performed, upon which, average cost of C-inspection per turbine is transferred from the advance payments to the Property, Plant and Equipment; any shortfall in the advance payments is accrued as a liability, which represents cost of service received up to the date of C-inspection.

The cost of C-inspection capitalised as part of the cost of plant is depreciated over a period up to the next C-inspection of the gas turbine i.e. over 4 to 5 years.

The average cost of C-inspection per turbine is estimated by the management by estimating the total cost under LTPRA that includes lump-sum charges paid at the onset of the agreement and variable charges, which will be paid over the life of the LTPRA, based on the Estimated Operating Hours (EOH) of the turbines over the life of the LTPRA. Under the LTPRA, the Company transferred certain parts to the service provider. The book value of those parts on the date of such transfer has been considered as a component of the total cost of LTPRA. This total cost is spread over the total number of C-inspections agreed to be carried out under the LTPRA.

3 **MATERIAL ACCOUNTING POLICIES** (continued)

Depreciation
Depreciation is calculated on a straight-line basis to allocate the cost of property, plant and equipment to their residual values over their estimated useful lives, as follows:

Asset category	Estimated useful lives of the assets
Production facilities:	
Plant acquired from EWA as per the PWPA	382 months
Plant constructed (Phase III)	360 months
C-inspection (under LTPRA)	48 to 60 months
Building and building improvements	240 to 382 months
Other assets:	
Furniture, fixtures and office equipment's	12 to 60 months
Information technology assets	36 months

All depreciation is charged to the statement of profit or loss and other comprehensive income. The total amount of depreciation is classified into cost of revenue and general and administration expenses based on the use of the related property, plant and equipment's for operational and administrative purposes, respectively. Capital spares are depreciated only when they are in use. Critical spares include major items and parts critical to be kept on hand to ensure uninterrupted operations, and are depreciated with a useful life of 8 years (till the end of PWPA agreement).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

Capital work in progress is carried at an amount, which represents the value of the work completed as at the reporting date.

Provision for dismantling cost
Provision for dismantling cost represents present value of the best estimate of the expenditure to be incurred to settle obligation under the land right agreement. The provision is recognized on amortised cost basis.

Impairment of non-financial assets
The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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.

3 **MATERIAL ACCOUNTING POLICIES** (continued)

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories
Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. Replacement price of inventory less estimated cost for disposal is estimated net realisable value of inventory.

Receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and balance with banks that are on demand.

Provision
Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the cost to settle the obligations are both probable and able to be reasonably measured.

Employees' end of service benefits
Pensions and other social benefits for *Bahraini employees* are covered by the General Organisation for Social Insurance scheme, which is a defined contribution scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis.

Expatriate employees are entitled to leaving indemnities payable under the Bahrain Labour Law, based on length of service and final salary and other allowances paid. Provision for this unfunded commitment, which represents a defined benefit scheme, has been made by calculating the notional liability had all employees left at the reporting date.

Foreign currency transactions
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company is Bahraini Dinars and the financial statements are presented in United States Dollar ('USD'). The translation difference between the functional currency and the presentation currency is insignificant. Transactions in foreign currencies are translated to USD at the foreign exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into USD at the foreign exchange rate prevailing at that date.

Foreign exchange differences resulting from the settlement of such foreign currency transactions and from the translation of monetary and non-monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the statement of profit or loss and other comprehensive income.

3 **MATERIAL ACCOUNTING POLICIES** (continued)

Financial instruments

(i) Recognition and initial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost; FVOCI or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Refer note 20 for financial liabilities designated as hedging instruments.

3 **MATERIAL ACCOUNTING POLICIES** (continued)

(iii) Derecognition

Financial assets
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities
The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting
Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Derivative financial instruments and hedging activities
Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments and include interest rate swaps and currency forward contracts. These are held to hedge the Company's foreign currency and interest rate risk exposures.

The derivative financial instruments are recognised in the statement of financial position at fair value, attributable transaction costs are recognised in profit or loss as incurred.

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

3 **MATERIAL ACCOUNTING POLICIES** (continued)

Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below. Fair values are estimated based on the prevailing market rates of interest and related foreign currency exchange rates. Changes in the fair value of the derivative financial instruments that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk are recognised in other comprehensive income and presented in a hedge reserve as a separate component of equity. The corresponding effect of the unrealised gains or losses recognised in other comprehensive income is recognised as other assets or other liabilities in the statement of financial position. The effective portion of the gain or loss on derivative instruments recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of profit or loss and other comprehensive income as the hedged item. Any gains or losses arising from changes in fair value on derivative instruments that do not qualify for hedge accounting or are determined to be ineffective are recognised directly in the profit or loss.

Hedges directly affected by interest rate benchmark reform
When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Company amends the hedge documentation of that hedging relationship to reflect the changes required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk
- updating the description of the hedged item, including the description of the designated portion of the cash flows being hedged; or updating the description of the hedging instrument.

The Company amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.
When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Company deems that the hedging reserve recognised in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

(vi) Impairment
The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

3 MATERIAL ACCOUNTING POLICIES (continued)

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). Presentation of allowance for ECL in the statement of financial position Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

4. PROPERTY, PLANT AND EQUIPMENT

	Production facilities	Building and improvements	Other assets	Capital work in progress	Capital spares / critical spares	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Cost						
At 1 January 2022	1,414,672	32,117	6,595	1,139	2,862	1,457,385
Additions	33,946	-	423	501	72	34,942
Transfers	1,053		74	(1,127)	(337)	(337)
At 31 December 2022	1,449,671	32,117	7,092	513	2,597	1,491,990
Additions	34,873	-	122	146	108	35,249
Write-off	-	-	-	-	(178)	(178)
Transfers	558		11	(513)	(56)	-
Impairment	(190,361)	(4,639)	-	-	-	(195,000)
At 31 December 2023	**1,294,741**	**27,478**	**7,225**	**146**	**2,471**	**1,332,061**
Depreciation						
At 1 January 2022	728,210	14,552	5,209	-	389	748,360
Charge for the year	59,758	1,014	387		158	61,317
At 31 December 2022	787,968	15,566	5,596	-	547	809,677
Charge for the year	62,191	1,001	421		187	63,800
At 31 December 2023	**850,159**	**16,567**	**6,017**	-	**734**	**873,477**
Carrying value						
At 31 December 2023	**444,957**	**10,897**	**847**	**146**	**1,737**	**458,584**
At 31 December 2022	661,703	16,551	1,496	513	2,074	682,337

a. Capital work in progress primarily represents expenditure incurred on Phase 3 sea water pump 1 overhaul, MSFE distillate pumps overhauling, Sea water intake boom system upgrade, and Phase 2 GCB Overhaul.

b. Capital spares represents items that are identified by the management to a specific item of property, plant and equipment and are intended for replacement at scheduled intervals based on anticipated life cycle. These capital spares have not been put to use as at reporting date. Critical spares include major items and parts critical to be kept on hand to ensure uninterrupted operations of the equipment.

4. PROPERTY, PLANT AND EQUIPMENT (continued)

c. The depreciation charge has been allocated in the statement of profit or loss and other comprehensive income as follows:

	2023	2022
	USD ('000)	USD ('000)
Cost of revenue (note 15)	63,231	60,757
General and administration expenses (note 16)	569	560
	63,800	61,317

d. As at reporting date, all of the above assets were subject to a floating charge that forms security for bank borrowings (note 11).

e. While HPC is waiting for a formal response from EWA on the potential long-term extension, the Company has carried out an impairment assessment at the close of year 2023 based on the available information and certain assumptions. Accordingly, an impairment loss of USD195,000 (2022: Nil) on the PPE was booked on 31 December 2023. In determining the recoverable amount of PPE, management has extended the cashflow projections beyond the current term as being a highly probable scenario based on supply-demand projections and the available production facilities to meet Bahrain's demand.

The key assumption used in the estimation of value in use is the discount rate of 11.75%. The discount rate was based on the rate of 5-year government bonds issued by the Government of Bahrain and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU. A reasonable possible change of 1% in the discount rate would result in the value in use being higher/lower by USD 10,000 thousand.

f. During the year, a transfer of USD 28,476 thousand (2022: USD 28,428 thousand) from advance payments for long-term parts and repairs to property, plant and equipment was adjusted from current year additions to property, plant and equipment.

As an outcome of the reassessment of the asset retirement obligation exercise, the Company reviewed the revised estimated residual value of the property, plant and equipment reflecting the market assessments. The residual/scrap value estimates are based on weight estimated from various as-built drawings and documents and estimates of similar equipment's based on the consultant's know-how and engineering judgement. These revised estimates further looked into the various categories of the metals and values based on the London Metal Exchange with an adjustment for the local market. Based on this methodology, the revised residual value reflects a reduction in the previous estimate by USD 56.4 million. As required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the above revision in estimate has been accounted prospectively by adjusting the depreciation charge on the assets by providing accelerated depreciation.

The effect of changes in depreciation expense due to the revision in residual value has been incorporated along with the impairment loss in the current year. Additionally, the deprecation on the PPE will be accelerated including based on the assumed useful value until the extended period as per the impairment assessment and including the revised residual value for the future years is as follows:

	2024	2025	Later
	USD ('000)	USD ('000)	USD ('000)
Depreciation	30,793	30,793	84,961

5. INVENTORIES

	2023 USD ('000)	2022 USD ('000)
Spare parts	24,181	23,684
Chemicals	812	998
	24,993	24,682
Less: Provision for slow-moving spares	(6,225)	(2,413)
	18,768	22,269

Movement in allowance for impairment of inventories are as follows:

	2023 USD ('000)	2022 USD ('000)
Opening balance	2,413	849
Charge for the year	4,638	2,059
Written off during the year	(826)	(495)
Closing balance	**6,225**	2,413

6. RECEIVABLES

	2023 USD ('000)	2022 USD ('000)
Trade receivables (due from EWA)	58,822	42,526
Less: Provision for impairment	(38,051)	(18,810)
	20,771	23,716
Due from related parties (note 19)	32	19
	20,803	23,735

Trade receivables (due from EWA) relate to sale of electricity and water and are due within 45 days from the date of invoice. The Company's exposures to credit and currency risk related to trade receivables are disclosed in note 21.

Movement in allowance for receivables are as follows:

	2023 USD ('000)	2022 USD ('000)
Opening balance	18,810	17,612
Charge for the year	19,241	1,198
Closing balance	38,051	18,810

7. OTHER ASSETS

	2023 USD ('000)	2022 USD ('000)
Prepayments and other assets	2,484	2,595
Advance to suppliers	209	480
	2,693	3,075

Prepayments and other assets include an amount of USD 846 thousand (31 December 2022: USD 1,067 thousand) which represents un-amortised portion of payment of USD 4,139 thousand to EWA in relation to the total dissolved solids (TDS) of the Company. The benefit of this payment is estimated to accrue over a period of remaining life of the PWPA.

8. CASH AND BANK BALANCES

	2023 USD ('000)	2022 USD ('000)
Bank balances	8,688	14,480
Fixed deposits with original maturity exceeding 3 months	21,175	21,122
Cash on hand	1	4
Cash and bank balances	29,864	35,606
Less: Fixed deposits with original maturity exceeding 3 months	(21,175)	(21,122)
Cash and cash equivalents	**8,689**	14,484

Expected credit losses on balances with banks are not considered material due to short term maturity period.

9. STATUTORY RESERVE

As required by the Commercial Companies' Law, a minimum of 10% of the net profit should be transferred to a statutory reserve each year until this reserve is equal to 50% of the paid-up share capital. The reserve is not available for distribution except in the circumstances stipulated in the above law. As at reporting date, the total recognised statutory reserve was USD 43,794 thousand (2022: USD 43,794 thousand). There was no transfer to the statutory reserve for the year ended 31 December 2023 (2022: USD 4,188 thousand).

10. PROVISION FOR EMPLOYEES' END-OF-SERVICE BENEFITS

	2023 USD ('000)	2022 USD ('000)
Opening balance	1,507	1,359
Charge for the year	262	219
Payments during the year	(74)	(71)
Closing balance	**1,695**	1,507

11. BANK BORROWINGS

	2023 USD ('000)	2022 USD ('000)
Secured bank loans	240,021	310,914
Less: Transaction costs	(530)	(829)
	239,491	310,085
Classified as:		
Non-current liabilities	173,268	252,491
Current liabilities	66,223	57,594
	239,491	310,085

11. BANK BORROWINGS (continued)

The above borrowings represent the amounts drawn by the Company under various floating rate loan facilities obtained from a syndicate of banks, which are outstanding as at 31 December 2023. The facilities have been obtained by the Company for payment of the purchase consideration to EWA, Phase III construction activities and for working capital. The above borrowings carry a floating charge over the Company's property, plant and equipment (note 4).

Since the borrowings are denominated in USD, the Company does not have any significant foreign currency risk. For information on interest rate risk and liquidity risk, refer note 21.

Significant terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	31 December 2023 Carrying amount	31 December 2022 Carrying amount
				USD ('000)	USD ('000)
Senior debt	USD	SOFR+0.55	2026	122,680	166,855
Commercial debt	USD	SOFR+1.50	2026	117,341	144,059
				240,021	310,914

The rates mentioned above are post-transition of the company's loan contracts as a result of the IBOR reform. For information, there are no changes to the interest rate except the replacement of LIBOR with SOFR.

The following is the reconciliation between the opening and closing balances for bank borrowings arising from financing activities:

	2023	2022
	USD ('000)	USD ('000)
At January 1	310,914	394,890
Repayment of bank borrowings*	(70,893)	(83,976)
At December 31	**240,021**	310,914

*Includes partial repayments against bullet amount payable at the end of the term.

12. OTHER LIABILITIES

	2023	2022
	USD ('000)	USD ('000)
Trade payables	1,672	249
Accrued interest	2,652	3,180
Other accrued expenses	5,538	5,153
Related party payables (note 19)	34	24
	9,896	8,606

13. PROVISION FOR DISMANTLING COST

A provision is made in respect of the Company's obligation, as per the Land Rights Agreement with the Ministry of Finance and National Economy (the "agreement"), to dismantle the power plant on completion of the term of the agreement, which is 30 years from the Scheduled Commercial Operation Date.

Due to long-term nature of the liability, there is a significant uncertainty in estimating the provision for the costs that will be incurred. The Company had estimated these costs, assuming that the land will be restored using the technology and materials that are available currently (current cost), adjusted with an inflation rate estimated over remaining years. The current cost of dismantling was carried at its present value as at 31 December 2023 using a discount rate of 7% (2022: 7%). Movement during the year:

	2023 USD ('000)	2022 USD ('000)
Opening balance	36,564	34,172
Unwinding of discount on provision for dismantling cost (note 17)	2,560	2,392
Closing balance	**39,124**	36,564

14. REVENUE

	2023 USD ('000)	2022 USD ('000)
Capacity charge:		
Power	41,669	44,953
Water	76,278	81,877
Add: Deferred revenue	3,737	3,737
	121,684	130,567
Variable charge:		
Power	8,938	10,165
Water	3,711	4,294
	12,649	14,459
Recovery of gas consumed	262,760	302,608
	397,093	447,634

Capacity charge represents the revenue from capacity sale of electricity and water and is recognised on a straight-line basis over the term of the PWPA, adjusted for estimated increase in the capacity of water generation. An estimate of electricity and water capacity required to be made available to the EWA over the PWPA period forms the basis for recognising the capacity charge revenue over the PWPA term.

The variable charge represents revenue from sale of electricity and water and is arrived at based on the agreed tariff as per PWPA and the actual units of electricity and water delivered during the year.

The cost of gas consumed in operations is recovered from the EWA as part of sale of electricity and water and is based on the computation agreed as per the PWPA.

15. COST OF REVENUE

	2023 USD ('000)	2022 USD ('000)
Gas consumed	251,843	294,562
Depreciation (note 4)	63,231	60,757
Staff costs	6,180	6,400
Amortisation of TDS settlement	221	221
Other production and maintenance costs	17,757	12,048
	339,232	373,988

16. GENERAL AND ADMINSTRATION EXPENSES

	2023 USD ('000)	2022 USD ('000)
Staff costs	2,339	2,287
Impairment loss on trade receivables (note 6)	19,241	1,198
Insurance	1,885	1,813
Communication and IT expenses	538	478
Depreciation (note 5)	569	560
Legal, professional and consultancy fees	388	649
Security & Fire Fighting costs	261	314
Facility management expenses	173	176
Travel and transportation costs	147	128
Staff welfare expenses	159	161
Trainings and seminars	124	152
Non-recoverable VAT	52	45
Other expenses	312	264
	26,188	8,225

17. FINANCE INCOME AND EXPENSES

	2023 USD ('000)	2022 USD ('000)
Interest income	1,721	509
Finance income	1,721	509
Net changes in fair value of cash flow hedges transferred from equity	(552)	15,951
Interest on borrowings	17,844	9,601
Interest rate swap net income	134	(4,661)
Unwinding of discount on provision for dismantling cost (note 13)	2,560	2,392
Amortisation of loan origination fees	299	343
Commitment fees	106	106
Ineffectiveness on interest rate swaps	3	-
	20,394	23,732
Foreign exchange loss	295	343
Finance expense	20,689	24,075
Net finance expense	**18,968**	23,566

18. COMMITMENTS

	2023	2022
	USD ('000)	USD ('000)
Long Term Parts and Repairs Agreement	10,742	27,198
	10,742	27,198

19. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Company exercises significant influence, major shareholders, directors and key management personnel of the Company.

The transactions and balances with the related parties (major shareholders) included in these financial statements are as follows:

	2023	2022
	USD ('000)	USD ('000)
Technical fee and other consultancy charges	312	244
Staff costs	1,219	1,174
Reimbursements	(110)	(145)

	2023	2022
	USD ('000)	USD ('000)
Amounts due from related parties (note 6)	32	19
Amounts due to related parties (note 12)	(34)	(24)

The transactions and balances with the related parties (affiliates) included in these financial statements are as follows:

	2023	2022
	USD ('000)	USD ('000)
Technical fee and other consultancy charges	122	115

20. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses interest rate swaps and currency forward contracts as part of its interest rate and foreign currency risk management respectively. These derivatives qualify and have been designated by the Company as cash flow accounting hedge as per the requirements IFRS 9 *Financial instruments.* Fair value of interest rate swaps agreements and currency forward contracts are estimated based on the prevailing interest and forward rates of the related foreign currencies respectively.

The Company has entered into Interest Rate Swaps ("IRSs") transactions to hedge the interest rate exposure of its term loans as follows:

The bank borrowings (refer to note 11) bears interest at USD-SOFR plus applicable margins. The Company has entered into "pay fixed, receive variable" IRS agreements with various counterparties.

20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). In 2022, the Company initiated amendments to financial instruments and other project documents where in the contractual terms are indexed to IBORs such that they incorporate new benchmark rates. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). The Company finished the process of implementing appropriate modification clauses for all US dollar LIBOR indexed exposures in 2023 and the Company has no unreformed contracts as at 31 December 2023. (Refer note 21 (i))

The details of such agreements and contracts outstanding as at the reporting dates are provided in the following table:

	2023		2022	
	Notional amount	Fair value	Notional amount	Fair value
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Interest rate swaps	219,919	(976)	289,844	(2,659)
Currency forward contracts	4,210	(958)	11,109	(2,701)
	224,129	**(1,934)**	300,953	(5,360)

	2023	2022
	USD ('000)	USD ('000)
Assets		
Non-current	90	291
Current	311	390
	401	681
Liabilities		
Non-current	1,888	4,469
Current	447	1,572
	2,335	6,041
Effective portion	**1,934**	5,360

The contractual maturity analysis of the interest rate swap and currency forward contracts are included as part of liquidity risk information in note 21.

Movement in hedging reserve during the year

	2023	2022
	USD ('000)	USD ('000)
Balance as at January 1	(5,360)	(42,365)
Net fair value gain (a)	3,428	37,005
Balance as at December 31	**(1,932)**	(5,360)
(a) Net fair value gain		
Effective portion of changes in fair value of cash flow hedges	2,246	19,080
Net changes in fair value of cash flow hedges transferred to profit or loss	(552)	15,951
Net changes in fair value of cash flow hedges transferred to carrying amount of a non-financial asset	1,734	1,974
	3,428	37,005

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Overview
Financial instruments
Financial instruments include financial assets and financial liabilities. Financial assets of the Company include cash and cash equivalents, other assets, derivatives and trade receivables. Financial liabilities of the Company include bank borrowings, interest rate swaps (derivative financial instruments), provision for dismantling cost, trade payable, and other current liabilities.

The Company has exposure to the following risks from use of its financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The note also presents certain quantitative disclosures in addition to the disclosures throughout the financial statements.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk
Credit risk is the risk that counter-party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The Company is exposed to credit risk primarily on cash and cash equivalents and receivables.

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 carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2023	2022
	USD ('000)	USD ('000)
Cash and cash equivalents	29,864	35,606
Receivables	20,803	23,735
	50,667	59,341

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 PWPA terms. Credit risk on cash and cash equivalents is limited since these are maintained with bank having appropriate credit rating.

	2023		2022	
	Gross amount	ECL	Gross amount	ECL
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Not past due	21,647	844	23,835	100
Past due impaired	37,207	37,207	18,710	18,710
	58,854	**38,051**	42,545	18,810

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its liquidity risk, by ensuring that banks and other facilities are adequate to meet its working capital requirements.

The following are the contractual maturities of financial liabilities, including interest payments:

31 December 2023	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Non-derivative financial liabilities						
Bank borrowings	240,021	264,618	37,409	42,561	79,979	104,669
Trade payables	1,672	1,672	1,672	-	-	-
Derivative financial liabilities						
Interest rate swaps	1,377	1,520	(629)	277	1,473	399
Currency forward contracts	958	1,021	565	276	180	-
Total	**244,028**	**268,831**	**39,017**	**43,114**	**81,632**	**105,068**

31 December 2022	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Non-derivative financial liabilities						
Bank borrowings	310,914	354,225	35,677	39,601	80,430	198,517
Trade payables	249	249	249	-	-	-
Derivative financial liabilities						
Interest rate swaps	3,340	3,707	454	(636)	1,631	2,258
Currency forward contracts	2,701	2,861	1,032	845	946	38
Total	317,204	361,042	37,412	39,810	83,007	200,813

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (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 Company's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market interest rates. The Company's interest rate risk is limited to its interest-bearing demand deposits with banks and bank borrowings.

The Company has hedged a significant portion of its interest rate risk on bank borrowings by entering into interest rate swap agreements. Since the deposits with banks are of short-term nature and realisable at the values at which carried in the books, interest rate fluctuations do not have significant impact on the carrying value of these deposits.

The effective interest rate on bank borrowings during the year was 6.33% (31 December 2022: 5.91%).

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

	Carrying amount	
	2023	2022
	USD ('000)	USD ('000)
Fixed rate instruments		
Cash and cash equivalents	29,864	35,606
Variable rate instruments		
Bank borrowings	240,021	310,914
Interest rate swaps	1,377	3,340

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 2023.

	Profit or loss		Equity	
	100 bp Increase	*100 bp Decrease*	*100 bp Increase*	*100 bp Decrease*
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
31 December 2023				
Bank borrowings	(2,843)	2,843	-	-
Interest rate swap	2,665	(2,665)	2,211	(2,269)
Cash flow sensitivity (net)	**(178)**	**178**	**2,211**	**(2,269)**
31 December 2022				
Bank borrowings	(3,641)	2,575	-	-
Interest rate swap	3,333	(3,333)	4,415	(4,560)
Cash flow sensitivity (net)	(308)	(758)	4,415	(4,560)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company has successfully completed the transition from LIBOR to the replacement rate (SOFR) on 25 October 2023 for the loan and linked derivatives. The loan amendment agreements and swap amendment confirmation are duly executed and are applied effective 31 October 2023. HPC managed to get the loan and derivate terms matched and does not foresee any economic impact on the transactions.

(ii) Currency risk

Currency risk is the risk that the Company's earnings will be affected as a result of fluctuations in currency exchange rates.

The Company is exposed to currency risk on liabilities for commitments under the LTPRA, bank borrowings and certain purchases denominated in foreign currencies. The majority of the foreign currency payments are in US dollars, except for payments under LTPRA. The Company has effectively hedged approximately 60% of its currency rate risk relating to its commitments under the LTPRA by way of entering into currency forward contracts. The Company perceives the currency risk, on the transactions denominated in Bahraini Dinars, to be low, as the US dollar is pegged against the Bahraini Dinar.

Exposure to currency risk

The Company's significant exposure to currency risk was as follows:

	2023		2022	
	USD ('000)	*Euro ('000)*	*USD ('000)*	*Euro ('000)*
Estimated cost of LTPRA*	(7,016)	(4,808)	(22,218)	(15,232)
Notional amount of the currency forward contracts	(4,210)	(2,885)	(11,109)	(7,616)

**cash flows to occur over 2 years*

Sensitivity analysis for currency risk

A 10 percent strengthening (weakening) of the USD against the Euro at reporting date would have increased (decreased) equity and profit or loss by USD +/- 311 thousand (2022: USD +/- 794 thousand) the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Capital management

The Board's policy is to maintain investor, lender and Government confidence and to be able to meet the requirements of the PWPA. The Company is currently significantly leveraged. The Board of Directors monitors that there is sufficient capital to ensure smooth working of the current operations.

The Company maintains a project lifetime financial model which is reviewed and updated on a six monthly basis. The management uses this model to plan cash flows and ensures that the Company continues to meet debt covenants. The Company has complied with all other externally imposed capital requirements throughout the year.

22. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is 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.

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
	USD ('000)	USD ('000)	USD ('000)
31 December 2023			
Receivables	-	20,803	20,803
Cash and cash equivalents	-	29,864	29,864
Derivative financial instruments	401	-	401
	401	**50,667**	**51,068**
Bank borrowings	-	240,021	240,021
Other financial liabilities	-	11,591	11,591
Derivative financial instruments	2,335	-	2,335
	2,335	**251,612**	**253,947**

	At fair value	Amortised cost	Total carrying Amount
	USD ('000)	USD ('000)	USD ('000)
31 December 2022			
Receivables	-	23,735	23,735
Cash and cash equivalents	-	35,606	35,606
Derivative financial instruments	681	-	681
	681	59,341	60,022
Bank borrowings	-	310,914	310,914
Other financial liabilities	-	10,113	10,113
Derivative financial instruments	6,041	-	6,041
	6,041	321,027	327,068

22. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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.

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	**Level 2**	**Level 3**	**Total**
31 December 2023				
Assets				
Derivative financial instruments	-	401	-	401
Liabilities				
Derivative financial instruments	-	2,335	-	2,335

	Level 1	Level 2	Level 3	Total
31 December 2022				
Assets				
Derivative financial instruments	-	681	-	681
Liabilities				
Derivative financial instruments	-	6,041	-	6,041

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.

23. CONTINGENCY

The Company has received dispute notices against their invoices to Electricity and Water Authority (Off-taker), Kingdom of Bahrain primarily on water revenues related to shortfall in capacity and delivery of Non-Conforming Water, which is defined in the Power and Water Purchase Agreement as water that fails to conform to the Potable Water Delivery Specification as described in the PWPA.

A total amount of USD 37,207 thousand (2022: 18,710 thousand) has already been deducted from the payment of invoices billed as of 31 December 2023, which in the opinion of the Company, is not fully in line with the PWPA. The Company is assertive of partially recovering the outstanding receivable through its continuing effort to resolve the disputed matters amicably with the off taker. Nevertheless, as a matter of prudence, the Company has made a provision for already deducted amounts in full.

HIDD POWER COMPANY B.S.C.(C)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT YEAR ENDED DECEMBER 31, 2021

HIDD POWER COMPANY B.S.C.(C)

Commercial registration	:	59322
Directors	:	Ahmad Fuaad Bin Mohd. Kenali, *Chairman* (till January 12, 2021) Anwar Syahrin Bin Abdul Ajib,*Chairman* (from January 12, 2021) Frederic Michel Nicolas Claux James Philip Morson Antonio Di Cecca Mohd Nazersham Bin Mansor Yap Leng Khim Nagulusamy Rajendran Shinya Nakamura (till May 23, 2021) Luc Christiaan E.Dietvorst Mohd Helmy Bin Ibrahim Koji Makita (from May 24, 2021)
Executive Managing Director	:	Niko Piet Cornelis
Registered office	:	P.O. Box 50710, Hidd Kingdom of Bahrain Telephone: +973 17 679479 Fax: +973 17 479429
Principal banker	:	Standard Chartered Bank
Auditors	:	Deloitte & Touche – Middle East P.O. Box 421 Manama, Kingdom of Bahrain

HIDD POWER COMPANY B.S.C.(C)

TABLE OF CONTENTS

CHAIRMAN'S REPORT

In accordance with Article 286 of the Bahrain Commercial Companies Law 2001, I have pleasure in presenting the Company's audited financial statements (pages 5 to 34) for the year ended December 31, 2021.

Amount in USD '000

Financial highlights	2021	2020
Revenue	455,933	464,585
Gross profit	76,055	81,471
Profit for the year	47,826	43,158
Total equity	327,634	253,038

Directors

The following Directors served during the year ended December 31, 2021 and disclosure of remuneration to members of Board of Directors and Executive Management.

Name	Fixed remuneration					Variable remuneration					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													
Anwar Syahrin Bin Abdul Ajib –Chairman (i)	-	-	-	-	-	-	-	-	-	-	-	-	-
Ahmad Fuaad Bin Mohd. Kenali, *Chairman* – (ii)	-	-	-	-	-	-	-	-	-	-	-	-	-
Frederic Michel Nicolas Claux	-	-	-	-	-	-	-	-	-	-	-	-	-
James Philip Morson	-	-	-	-	-	-	-	-	-	-	-	-	-
Antonio Di Cecca	-	-	-	-	-	-	-	-	-	-	-	-	-
Mohd Nazersham Bin Mansor	-	-	-	-	-	-	-	-	-	-	-	-	-
Yap Leng Khim	-	-	-	-	-	-	-	-	-	-	-	-	-
Nagulusamy Rajendran	-	-	-	-	-	-	-	-	-	-	-	-	-
Luc Christiaan E.Dietvorst	-	-	-	-	-	-	-	-	-	-	-	-	-
Mohd Helmy Bin Ibrahim	-	-	-	-	-	-	-	-	-	-	-	-	-
Koji Makita (iii)	-	-	-	-	-	-	-	-	-	-	-	-	-
Shinya Nakamura (iv)	-	-	-	-	-	-	-	-	-	-	-	-	-
Third: Executive Directors													
None	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: All amounts are stated in Bahraini Dinars

(i) Appointed w.e.f January 12, 2021
(ii) Resigned January 12, 2021
(iii) Appointed w.e.f May 24, 2021
(iv) Resigned May 23, 2021

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) *	402,157			**402,157**

Note: All amounts are stated in Bahraini Dinars

* Executive management consist of Executive Managing Director, Finance Director & Production director

Representations and audit

The Company's activities for the year ended December 31, 2021 have been conducted in accordance with the Bahrain Commercial Companies Law 2001 (and subsequent amendments), and other relevant statutes of the Kingdom of Bahrain.

There have been no events subsequent to December 31, 2021, which would in any way invalidate the financial statements on pages 5 to 34.

The Company has maintained proper, complete accounting records and these, together with all other information and explanations, have been made freely available to the auditors - Deloitte & Touche, who have signified their willingness to continue in office for the next accounting year.

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.

Anwar Syahrin Bin Abdul Ajib
Chairman

February 10, 2022

Deloitte.

Deloitte & Touche
Middle East
United Tower, Bahrain Bay
Manama, P.O. Box 421
Kingdom of Bahrain

Tel: +973 1 721 4490
Fax: +973 1 721 4550
www.deloitte.com
C.R. 18670

INDEPENDENT AUDITORS' REPORT

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hidd Power Company B.S.C.(c) (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of 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 December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' 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 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

The Board of Directors is responsible for the other information. The other information comprises the Chairman's report which we obtained prior to the date of this auditors' report. The other information does not include the financial statements and our auditors' 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 auditors' 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 IFRS, and for such internal control as the Board of Directors determine 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 has no realistic alternative but to do so.

Deloitte.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 auditors' 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 judgment 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 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 Board of Directors.

- Conclude on the appropriateness of the 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 auditors' 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 auditors' 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 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

1) As required by the Bahrain Commercial Companies Law of 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 Chairman's Report is consistent with the financial statements;
   c) 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 Commercial Companies Law, or the terms of its Articles of Association that would have a material adverse effect on its business or its financial position at December 31, 2021; and
   d) satisfactory explanations and information have been provided to us by the Board in response to all our requests.

2) As required by the Ministry of Industry, Commerce and Tourism in their letter dated January 30, 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
   a) a corporate governance officer; and
   b) a Board approved written guidance and procedures for corporate governance.

Deloitte & Touche,

DELOITTE & TOUCHE – MIDDLE EAST
Partner Registration No. 157
Manama, Kingdom of Bahrain

March 27, 2022

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	Note	December 31, 2021 USD '000	December 31, 2020 USD '000
ASSETS			
Property, plant and equipment	5	709,025	761,509
Advance payments for long term parts and repairs		30,634	13,646
Total non-current assets		**739,659**	775,155
Inventories	6	24,161	26,553
Receivables	7	46,386	191,154
Other assets	8	3,521	4,793
Cash and bank balances	9	40,593	25,194
Total current assets		**114,661**	247,694
Total assets		**854,320**	1,022,849
EQUITY AND LIABILITIES			
Equity			
Share capital	1	140,663	140,663
Statutory reserve	10	39,606	34,823
Cash flow hedge reserve		(42,365)	(69,135)
Retained earnings		189,730	146,687
Total equity		**327,634**	253,038
Liabilities			
Bank borrowings	12	341,089	409,723
Derivative financial instruments	21	24,439	48,388
Deferred revenue		18,068	21,805
Provision for dismantling cost	14	34,172	38,364
Provision for employees' end-of-service benefits	11	1,359	1,201
Total non-current liabilities		**419,127**	519,481
Bank borrowings	12	52,629	48,434
Derivative financial instruments	21	17,926	20,747
Deferred revenue		3,737	3,737
Other liabilities	13	33,267	177,412
Total current liabilities		**107,559**	250,330
Total liabilities		**526,686**	769,811
Total equity and liabilities		**854,320**	1,022,849

The financial statements consisting of pages 5 to 34 were approved by the Board of Directors on February 10, 2022.

Anwar Syahrin Bin Abdul Ajib	Frederic Michel Nicolas Claux	Niko Piet Cornelis
Chairman	*Director*	*Executive Managing Director*

The attached notes form an integral part of these financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2021

	Note	December 31, 2021 *USD '000*	December 31, 2020 *USD '000*
Revenue	15	455,933	464,585
Cost of revenue	16	(379,878)	(383,114)
Gross profit		**76,055**	81,471
General and administration expenses	17	(7,194)	(7,255)
Other income		6,317	232
Operating profit		**75,178**	74,448
Finance income	18	14	202
Finance expense	18	(27,366)	(31,492)
Net finance expense		**(27,352)**	(31,290)
Profit for the year		**47,826**	43,158
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Effective portion of changes in fair value of cash flow hedges		6,023	(19,246)
Net changes in fair value of cash flow hedges transferred to profit or loss	18	19,144	13,949
Net changes in fair value of cash flow hedges transferred to carrying amount of a non-financial asset		1,603	2,242
Total other comprehensive income of the year		26,770	(3,055)
Total profit and other comprehensive income for the year		**74,596**	40,103

Anwar Syahrin Bin Abdul Ajib	Frederic Michel Nicolas Claux	Niko Piet Cornelis
Chairman	*Director*	*Executive Managing Director*

The attached notes form an integral part of these financial statements

HIDD POWER COMPANY B.S.C.(C)

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2021

	Share capital USD '000	Statutory reserve USD '000	Cash flow hedge reserve USD '000	Retained earnings USD '000	Total USD '000
Balance at January 1, 2020	140,663	30,507	(66,080)	107,845	212,935
Profit for the year	**-**	-	**-**	**43,158**	**43,158**
Other comprehensive income:					
Effective portion of changes in fair value of cash flow hedges	-	-	(19,246)	-	(19,246)
Net changes in fair value of cash flow hedges transferred to profit or loss (note 18)	-	-	13,949	-	13,949
Net changes in fair value of cash flow hedges transferred to the carrying amount of a non-financial asset	-	-	2,242	-	2,242
Total comprehensive income for the year	**-**	**-**	**(3,055)**	**43,158**	**40,103**
Transfer to statutory reserve	-	4,316	-	(4,316)	-
Balance at December 31, 2020	**140,663**	**34,823**	**(69,135)**	**146,687**	**253,038**
Profit for the year				**47,826**	**47,826**
Other comprehensive income:					
Effective portion of changes in fair value of cash flow hedges	-	-	6,023	-	6,023
Net changes in fair value of cash flow hedges transferred to profit or loss (note 18)	-	-	19,144	-	19,144
Net changes in fair value of cash flow hedges transferred to the carrying amount of a non-financial asset	-	-	1,603	-	1,603
Total comprehensive income for the year	**-**	**-**	**26,770**	**47,826**	**74,596**
Transfer to statutory reserve	-	4,783	-	(4,783)	-
Balance at December 31, 2021	**140,663**	**39,606**	**(42,365)**	**189,730**	**327,634**

The attached notes form an integral part of these financial statements

HIDD POWER COMPANY B.S.C.(C)

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

	Note	December 31, 2021	December 31, 2020
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		47,826	43,158
Adjustments for:			
Depreciation	5	59,617	53,177
Net movement of obsolete inventory		677	881
Impairment allowance on trade receivables	7	836	1,225
Amortisation of upfront fee	18	382	421
Amortisation of TDS settlement		221	221
Provision for employees' end of service benefits	11	233	207
Gain on disposal of property, plant and equipment		(3)	(220)
Proceeds from Insurance claim		(6,137)	-
Finance cost, net		24,416	27,924
Deferred revenue		(3,737)	(3,747)
Unwinding of discount on provision for dismantling cost	14	2,236	2,510
Operating profit before changes in working capital		126,567	125,757
Changes in working capital:			
Decrease / (increase) in inventories		1,714	(1,916)
Decrease / (increase) in receivables		143,932	(117,575)
Decrease / (increase) in other assets		1,052	(494)
(Increase) in advance payments for long term parts and repairs		(16,988)	(16,692)
(Decrease) / increase in other liabilities		(143,529)	110,464
Cash generated from operations		112,748	99,544
Payment of employees' end of service benefits	11	(75)	(50)
Net cash generated from operating activities		**112,673**	99,494
CASH FLOW FROM INVESTING ACTIVITIES			
Increase in fixed deposits		(22,504)	-
Acquisition of property, plant and equipment	5	(12,647)	(7,039)
Net movement in capital work in progress and capital spares	5	(914)	(1,956)
Proceeds from Insurance claim		6,137	-
Proceeds from disposal of property, plant and equipment		3	220
Net cash used in investing activities		**(29,925)**	(8,775)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of bank borrowings	12	(64,821)	(58,209)
Finance cost, net		(25,032)	(28,367)
Net cash used in financing activities		**(89,853)**	(86,576)
Net (decrease) / increase in cash and cash equivalents		**(7,105)**	4,143
Cash and cash equivalents at the beginning of the year		25,194	21,051
Cash and cash equivalents at the end of the year	9	**18,089**	25,194

The attached notes form an integral part of these financial statements

1. STATUS AND ACTIVITIES

Hidd Power Company BSC (c) (the "Company") is a closed Joint Stock Company incorporated in the Kingdom of Bahrain on January 21, 2006 under commercial registration (CR) number 59322 issued by the Ministry of Industry, Commerce, and Tourism.

The Company has an authorised share capital of USD 150,000,000, comprising 30,000,000 shares of USD 5 each and issued and paid up share capital of USD 140,663,100 divided into 28,132,620 shares of USD 5 each held as follows:

Name of the Shareholder	Number of shares
Malakoff Summit Hidd Holding Company Limited	19,692,834
Kahrabel FZE	8,439,786

The Company commenced operations on January 22, 2006, upon entering into an Asset Transfer Agreement (the "agreement") with the Ministry of Finance of the Government of Bahrain ("MoF") and the Electricity and Water Authority of the Government of Bahrain ("EWA"), to buy the Al Hidd Power Plant ("power plant") and related inventories, and operates the power plant on a build, own, operate basis.

The Company also entered into a power and water purchase agreement ("PWPA") with the EWA to sell all the output of the power plant to the EWA for a period of 20 years from the scheduled commercial operation date – May 18, 2008. Subsequent to that, the Company also concluded the following agreements relating to the power plant:

- Land Rights Agreement with the MoF
- Natural Gas Agreement with Tatweer Petroleum (previously with Bahrain Petroleum Company ("BAPCO"))

Subsequent to the commencement of its operations, the Company carried out construction of the Phase III project, a water distillation plant, as per the pre-requisite of the PWPA. This project was completed on achievement of Commercial Operations Date ("COD") as on May 18, 2008.

2. BASIS OF PREPARATION

Statement of compliance
The financial statements are for the year ended December 31, 2021 and have been prepared in accordance with International Financial Reporting Standards ('IFRS') and the requirements of Bahrain Commercial Companies Law 2001.

Basis of measurement
The financial statements have been prepared on the historical cost convention except for the measurement at fair value of derivative financial instruments.

Functional and presentation currency
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company is Bahraini Dinars ('BHD') and the financial statements are presented in United States Dollar ('USD'). The translation difference between the functional currency and the presentation currency is insignificant. All financial information presented in USD has been rounded off to the nearest thousand.

Use of estimates and judgements
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and in arriving at estimates with a significant risk of material adjustment in the following period include the estimate of total revenue over the lease period (note 4), fair value of derivative financial instruments (note 21), useful lives of property, plant and equipment (note 4), impairment of non-financial assets (note 4), net cost of dismantling (note 14) and amortisation of costs incurred under the Long Term Parts & Repairs Agreements (LTPRA) (note 4).

Going concern
Management has assessed 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. Furthermore, the Board of Directors of the Company 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 continue to be prepared on the going concern basis.

3. ADOPTION OF NEW AND REVISED STANDARDS (IFRSs)

3.1 New and revised Standards applied with no material impact on the financial statements

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 30 June 2021:

  In the previous year, amendment to IFRS 16 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 30 June 2021.

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

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 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)
- ✓ There is no substantive change to other terms and conditions of the lease

The application of these amendments did not have a significant impact on the Company's financial statements, since there were no rent concessions from lessors during the year.

3.2 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 Provi*sions, 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting polices applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

Revenue recognition
The PWPA arrangement with the EWA constitutes a lease under IFRS 16. The revenue from capacity sale of electricity and water (lease income) is recognised on a straight line basis over the term of the lease, adjusted for estimated increase in the capacity of water generation. An estimate of electricity and water capacity required to be made available to the EWA over the lease period as per the PWPA forms the basis for recognising the revenue over the lease term. Excess of amount of revenue billed to the EWA over the amount of revenue estimated for the reporting period is recognised as deferred revenue.

The variable charge for sale of electricity and water is recognised as income when the electricity and water is delivered. The variable charge is arrived at based on the agreed tariff as per PWPA and the actual units of electricity and water delivered during the year.

Gas consumed in operations is recovered from the EWA as part of sale of electricity and water. The actual amount of gas recovered by the company is recognized as revenue on the basis of the computation agreed as per the PWPA.

Interest income on deposits with banks is recognised, as finance income in the statement of profit or loss and other comprehensive income, on a time-apportioned basis over the period of the deposit

Borrowings costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. The amount of borrowing cost eligible for capitalisation on any qualifying asset is determined as actual borrowing cost incurred on the borrowings during the period less any investment income on temporary investment of those borrowings. Other borrowing costs are recognised as finance expense in the period in which they are incurred.

Property, plant and equipment
Property, plant and equipment are stated at historical cost less depreciation and allowances for impairment, if any. Historical cost includes purchase price of the items and expenditure that is directly attributable to the acquisition of the items except in case of production facilities, which also includes estimated cost of dismantling accounted at amortised cost basis.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item or repairs can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

One of the components of subsequent costs that are capitalised includes the costs related to the Long-Term Parts and Repairs Agreement (LTPRA) entered into by the Company with a service provider. The costs incurred under this agreement are primarily for C-inspections (overhauling/inspection) of the gas turbines of the Company and for the cost of parts replaced/ refurbished as result of the overhauling/inspection of the gas turbines. The payments made under the LTPRA are initially recorded as advance payments till the time C-inspection of a turbine is performed, upon which, average cost of C-inspection per turbine is transferred from the advance payments to the Property, Plant and Equipment; any shortfall in the advance payments is accrued as a liability, which represents cost of service received up to the date of C-inspection.

The cost of C-inspection capitalised as part of the cost of plant is depreciated over a period up to the next C-inspection of the gas turbine i.e. over 4 to 5 years.

The average cost of C-inspection per turbine is estimated by the management by estimating the total cost under LTPRA that includes lump-sum charges paid at the onset of the agreement and variable charges, which will be paid over the life of the LTPRA, based on the Estimated Operating Hours (EOH) of the turbines over the life of the LTPRA. Under the LTPRA, the Company transferred certain parts to the service provider. The book value of those parts on the date of such transfer has been considered as a component of the total cost of LTPRA. This total cost is spread over the total number of C-inspections agreed to be carried out under the LTPRA.

Government grant
Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Depreciation
Depreciation is calculated on a straight-line basis to allocate the cost of property, plant and equipment to their residual values over their estimated useful lives, as follows:

Asset category	**Estimated useful lives of the assets**
Production facilities:	
Plant acquired from EWA as per the PWPA	382 months
Plant constructed (Phase III)	360 months
C-inspection (under LTPRA)	48 to 60 months
Building and building improvements	240 to 382 months
Other assets:	
Furniture, fixtures and office equipment's	12 to 60 months
Information technology assets	36 months

All depreciation is charged to the statement of profit or loss and other comprehensive income. The total amount of depreciation is classified into cost of revenue and general and administration expenses based on the use of the related property, plant and equipment's for operational and administrative purposes, respectively. Capital spares are depreciated only when they are in use. Critical spares include major items and parts critical to be kept on hand to ensure uninterrupted operations, and are depreciated with a useful life of 8 years (till the end of PWPA).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

Capital work in progress is carried at an amount, which represents the value of the work completed as at the reporting date.

Provision for dismantling cost
Provision for dismantling cost represents present value of the best estimate of the expenditure to be incurred to settle obligation under the land right agreement. The provision is recognized on amortised cost basis.

Impairment of non-financial assets
The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories
Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. Replacement price of inventory less estimated cost for disposal is estimated net realisable value of inventory.

Receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and balance with banks that are on demand.

Other liabilities
Other liabilities include liabilities that are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provision
Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the cost to settle the obligations are both probable and able to be reasonably measured.

Employees' end of service benefits
Pensions and other social benefits for *Bahraini employees* are covered by the General Organisation for Social Insurance scheme, which is a defined contribution scheme under IAS 19 – *Employee Benefits*, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis.

Expatriate employees are entitled to leaving indemnities payable under the Bahrain Labour Law 2012, based on length of service and final salary and other allowances paid. Provision for this unfunded commitment, which represents a defined benefit scheme under IAS 19 – Employee Benefits, has been made by calculating the notional liability had all employees left at the reporting date.

Foreign currency transactions
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company is Bahraini Dinars and the financial statements are presented in United States Dollar ('USD'). The translation difference between the functional currency and the presentation currency is insignificant.

Transactions in foreign currencies are translated to USD at the foreign exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into USD at the foreign exchange rate prevailing at that date.

Foreign exchange differences resulting from the settlement of such foreign currency transactions and from the translation of monetary and non-monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the statement of profit or loss and other comprehensive income.

Financial instruments

(i) Recognition and initial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

(ii) Classification and subsequent measurement

Financial assets
On initial recognition, a financial asset is classified as measured at amortised cost; FVOCI or FVPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

Financial liabilities
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Refer note 21 for financial liabilities designated as hedging instruments.

(iii) Derecognition

Financial assets
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities
The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting
Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Derivative financial instruments and hedging activities
Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments and include interest rate swaps and currency forward contracts. These are held to hedge the Company's foreign currency and interest rate risk exposures.

The derivative financial instruments are recognised in the statement of financial position at fair value, attributable transaction costs are recognised in profit or loss as incurred.

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below. Fair values are estimated based on the prevailing market rates of interest and related foreign currency exchange rates. Changes in the fair value of the derivative financial instruments that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk are recognised in other comprehensive income and presented in a hedge reserve as a separate component of equity. The corresponding effect of the unrealised gains or losses recognised in other comprehensive income is recognised as other assets or other liabilities in the statement of financial position. The effective portion of the gain or loss on derivative instruments recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of profit or loss and other comprehensive income as the hedged item. Any gains or losses arising from changes in fair value on derivative instruments that do not qualify for hedge accounting or are determined to be ineffective are recognised directly in the profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss.

(vi) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

5. PROPERTY, PLANT AND EQUIPMENT

	Production facilities	Building and improvements	Other assets	Capital work in progress	Capital spares / critical spares	Total
	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)
Cost						
At January 1, 2020	1,389,660	32,117	5,794	1,099	2,777	1,431,447
Additions	22,359	-	249	1,290	97	23,995
Disposals	(140)	-	-	-	-	(140)
Transfers	892	-	103	(739)	313	569
Write-off	-	-	-	-	(225)	(225)
At December 31, 2020	**1,412,771**	**32,117**	**6,146**	**1,650**	**2,962**	**1,455,646**
Additions	12,228	-	419	1,015	88	13,750
Disposals	(5,394)	-	-	-	-	(5,394)
Change in provision for dismantling cost	(6,428)					(6,428)
Transfers	1,495	-	30	(1,526)	(188)	(189)
At December 31, 2021	**1,414,672**	**32,117**	**6,595**	**1,139**	**2,862**	**1,457,385**
Depreciation						
At January 1, 2020	623,834	12,708	4,558	-	-	641,100
Charge for the year	51,734	925	318	-	200	53,177
Disposals	(140)	-	-	-	-	(140)
At December 31, 2020	**675,428**	**13,633**	**4,876**	**-**	**200**	**694,137**
Charge for the year	58,176	919	333	-	189	59,617
Disposals	(5,394)	-	-	-	-	(5,394)
At December 31, 2021	**728,210**	**14,552**	**5,209**	**-**	**389**	**748,360**
Carrying value						
At December 31, 2021	**686,462**	**17,565**	**1,386**	**1,139**	**2,473**	**709,025**
At December 31, 2020	737,343	18,484	1,270	1,650	2,762	761,509

a. Capital work in progress primarily represents expenditure incurred on GT 11 SFC upgrade, Water pump overhaul, MED Fapmo pumps and other maintenance capex.

b. Capital spares represents items that are identified by the management to a specific item of property, plant and equipment and are intended for replacement at scheduled intervals based on anticipated life cycle. These capital spares have not been put to use as at December 31, 2021 and 2020. Critical spares include major items and parts critical to be kept on hand to ensure uninterrupted operations of the equipment.

c. The depreciation charge has been allocated in the statement of profit or loss and other comprehensive income as follows:

	December 31, 2021	December 31, 2020
	USD (‘000)	USD (‘000)
Cost of revenue (note 16)	59,116	52,680
General and administration expenses (note 17)	501	497
	59,617	53,177

d. As at December 31, 2021 and 2020, all of the above assets were subject to a floating charge that forms security for bank borrowings (note 12).

6. INVENTORIES

	December 31, 2021 USD (‘000)	December 31, 2020 USD (‘000)
Spare parts	24,405	26,286
Chemicals	605	902
	25,010	27,188
Less: Provision for obsolete spares	(849)	(635)
	24,161	26,553

7. RECEIVABLES

	December 31, 2021 USD (‘000)	December 31, 2020 USD (‘000)
Trade receivables (due from EWA)	63,896	207,869
Less: Provision for impairment	(17,612)	(16,776)
	46,284	191,093
Due from related parties (note 20)	102	61
	46,386	191,154

Trade receivables (due from EWA) relate to sale of electricity and water and are due within 45 days from the date of invoice. The Company’s exposures to credit and currency risk related to trade receivables are disclosed in note 22.

	Total USD (‘000)	Neither past due nor impaired USD (‘000)	Past due but not impaired: Less than 90 days USD (‘000)	Past due but not impaired: 90-120 days USD (‘000)
December 31, 2021	46,284	46,284	-	-
December 31, 2020	191,093	77,508	87,099	26,486

Movement in allowance for receivables:

	December 31, 2021 USD (‘000)	December 31, 2020 USD (‘000)
Balance beginning of year	16,776	15,551
Additions	836	1,225
Balance end of year	17,612	16,776

8. OTHER ASSETS

	December 31, 2021 USD ('000)	December 31, 2020 USD ('000)
Prepayments and other assets	2,723	2,572
Advance to suppliers	798	2,221
	3,521	4,793

Prepayments and other assets include an amount of USD 1,288 thousand (December 31, 2020: USD 1,508 thousand) which represents un-amortised portion of payment of USD 4,139 thousand to EWA in relation to certain commitments of the Company. The benefit of this payment is estimated to accrue over a period of remaining life of the PWPA.

9. CASH AND CASH EQUIVALENTS

	December 31, 2021 USD ('000)	December 31, 2020 USD ('000)
Bank balances	18,086	25,185
Fixed deposits with original maturity exceeding 3 months	22,504	-
Cash on hand	3	9
Cash and bank balances	**40,593**	25,194
Less: Fixed deposits with original maturity exceeding 3 months	(22,504)	-
Cash and cash equivalents	**18,089**	25,194

Expected credit losses on balances with banks is not considered material due to short term to expected maturity.

10. STATUTORY RESERVE

As required by Bahrain Commercial Companies' Law 2001, a minimum of 10% of the net profit should be transferred to a statutory reserve each year until this reserve is equal to 50% of the paid-up share capital. The reserve is not available for distribution except in the circumstances stipulated in the above law. The Company has transferred USD 4,783 thousand to the statutory reserve for the year ended December 31, 2021 (2020: USD 4,316 thousand).

11. PROVISION FOR EMPLOYEES' END-OF-SERVICE BENEFITS

	December 31, 2021 USD ('000)	December 31, 2020 USD ('000)
Balance at the beginning of year	1,201	1,044
Charge for the year	233	207
Payments	(75)	(50)
Balance at the end of year	**1,359**	1,201

12. BANK BORROWINGS

	December 31, 2021	December 31, 2020
	USD ('000)	USD ('000)
Secured bank loans	394,890	459,711
Less: Transaction costs	(1,172)	(1,554)
	393,718	458,157
Classified as:		
Non-current liabilities	341,089	409,723
Current liabilities	52,629	48,434
	393,718	458,157

The above borrowings represent the amounts drawn by the Company under various floating rate loan facilities obtained from a syndicate of banks, which are outstanding as at December 31, 2021. The facilities have been obtained by the Company for payment of the purchase consideration to EWA, Phase III construction activities and for working capital.

The borrowings are secured by floating charge over the assets of the Company. As at December 31, 2021, the ultimate shareholders of the Company had placed a letter of credit in favour of the lenders. The value of the letter of credit was equivalent to the next debt service payment due on April 30, 2022.

Since the borrowings are denominated in USD, the Company does not have any significant foreign currency risk. For information on interest rate risk and liquidity risk, refer note 22.

Significant terms and conditions of outstanding loans were as follows:

				December 31, 2021		December 31, 2020	
	Currency	Nominal interest rate	Year of maturity	Original amount	**Carrying amount**	Original amount	Carrying amount
				USD ('000)	USD ('000)	USD ('000)	USD ('000)
Senior debt	USD	LIBOR+0.55	2026	592,944	**208,479**	592,944	247,673
Commercial debt	USD	LIBOR+1.40	2026	401,122	**186,411**	401,122	212,038

The following is the reconciliation between the opening and closing balances for bank borrowings arising from financing activities:

	2021	2020
	USD ('000)	USD ('000)
At January 1	459,711	517,920
Repayment of bank borrowings*	(64,821)	(58,209)
At December 31	**394,890**	459,711

*Includes partial repayments against bullet amount payable towards the Commercial loan at the end of the term for both the years.

13. OTHER LIABILITIES

	December 31, 2021	December 31, 2020
	USD ('000)	USD ('000)
Trade payables	1,028	139,351
Accrued interest	3,875	4,491
VAT payable	-	-
Other accrued expenses	28,364	33,570
	33,267	177,412

14. PROVISION FOR DISMANTLING COST

A provision is made in respect of the Company's obligation, as per the Land Rights Agreement with the MoF (the "agreement"), to dismantle the power plant on completion of the term of the agreement, which is 30 years from the Scheduled Commercial Operation Date.

Due to long-term nature of the liability, there is a significant uncertainty in estimating the provision for the costs that will be incurred. The Company had estimated these costs, assuming that the land will be restored using the technology and materials that are available currently (current cost), adjusted with an inflation rate estimated over remaining years. The current cost of dismantling was carried at its present value as at December 31, 2021 using a discount rate of 7% (2020: 7%).

During the year, the Company carried out a reassessment of this provision, which included hiring a third party consultant to review the current estimate of costs. This resulted into revision of the current estimate of the dismantling cost liability, to reflect the current market assessments of the time value of money and the risks specific to the liability. The revision of dismantling cost was determined by the third party consultant based on budgetary quotes from contractors, bill of quantity estimation based on plant documentation, estimate of similar equipment's based on consultants knowhow and engineering judgement. Due to the revision of the current costs, the estimate of provision for dismantling cost decreased by USD 6,428 thousand. As required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the decrease in the estimate of provision for dismantling cost has been recognized by decreasing the existing provision for dismantling cost with the corresponding impact recognized in the carrying value of plant, which is a component of property, plant and equipment. The decrease in the provision for dismantling cost will result in changes in the unwinding of discount on provision for dismantling costs and the depreciation value over the remaining useful life of plant.

The effect of changes in depreciation expense and unwind of discount on provision for dismantling costs in the current and future years is as follows:

	2021	2022	2023	Later
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Depreciation	(385)	(385)	(385)	(5,273)
Unwinding of discount	(450)	(481)	(515)	(12,115)

Movement during the year:

	2021	2020
	USD ('000)	USD ('000)
Balance at January 1	38,364	35,854
Unwinding of discount on provision for dismantling cost	2,236	2,510
Reduction in provision due to change in estimate (Note 5)	(6,428)	-
Balance at December 31	**34,172**	38,364

15. REVENUE

	December 31, 2021 USD ('000)	December 31, 2020 USD ('000)
Capacity charge:		
Power	44,257	44,521
Water	81,613	83,163
Add: Deferred revenue	3,737	3,747
	129,607	131,431
Variable charge:		
Power	10,183	9,864
Water	4,844	5,131
	15,027	14,995
Recovery of gas consumed	311,299	318,159
	455,933	464,585

Capacity charge represents the revenue from capacity sale of electricity and water and is recognised on a straight-line basis over the term of the PWPA, adjusted for estimated increase in the capacity of water generation. An estimate of electricity and water capacity required to be made available to the EWA over the PWPA period forms the basis for recognising the capacity charge revenue over the PWPA term.

The variable charge represents revenue from sale of electricity and water and is arrived at based on the agreed tariff as per PWPA and the actual units of electricity and water delivered during the year.

The cost of gas consumed in operations is recovered from the EWA as part of sale of electricity and water and is based on the computation agreed as per the PWPA.

16. COST OF REVENUE

	December 31, 2021 USD ('000)	December 31, 2020 USD ('000)
Gas consumed	303,258	313,338
Depreciation (note 5)	59,116	52,680
Staff costs (a)	6,172	6,272
Production and maintenance costs	11,332	10,824
	379,878	383,114

a) Staff costs are presented net of government grant provided by the Government of the Kingdom of Bahrain to lessen the impact of effect of the pandemic (note 27)

17. GENERAL AND ADMINSTRATION EXPENSES

	December 31, 2021	December 31, 2020
	USD ('000)	USD ('000)
Staff costs (a)	2,147	2,130
Impairment loss on trade receivables (note 7)	836	1,225
Insurance	1,566	1,166
Communication and IT expenses	506	516
Depreciation (note 5)	501	497
Legal, professional and consultancy fees	420	388
Crisis management expenses	21	348
Security & Fire Fighting costs	391	227
Facility management expenses	183	170
Travel and transportation costs	108	153
Staff welfare expenses	150	106
Trainings and seminars	94	24
Non-recoverable VAT	23	25
Other expenses	248	280
	7,194	7,255

a) Staff costs are presented net of government grant provided by the Government of the Kingdom of Bahrain to minimize the impact from the pandemic (note 27).

18. FINANCE INCOME AND EXPENSES

	December 31, 2021	December 31, 2020
	USD ('000)	USD ('000)
Interest income	14	202
Finance income	**14**	202
Net changes in fair value of cash flow hedges transferred from equity	19,144	13,949
Interest on borrowings	5,122	10,390
Interest rate swap net expense	-	3,788
Unwinding of discount on provision for dismantling cost (note 14)	2,236	2,510
Amortisation of loan origination fees	382	421
Commitment fees	102	69
Interest income written off	64	-
	27,050	31,127
Foreign exchange loss	316	365
Finance expense	**27,366**	31,492
Net finance expense	**27,352**	31,290

19. COMMITMENTS

	December 31, 2021 USD ('000)	December 31, 2020 USD ('000)
Long Term Parts and Repairs Agreement	38,008	57,558
	38,008	57,558

20. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Company exercises significant influence, major shareholders, directors and key management personnel of the Company.

The transactions and balances with the related parties (major shareholders) included in these financial statements are as follows:

	December 31, 2021 USD ('000)	December 31, 2020 USD ('000)
Technical fee and other consultancy charges	**334**	273
Staff costs	**1,070**	1,055
Reimbursements	**(145)**	(114)

	December 31, 2021 USD ('000)	December 31, 2020 USD ('000)
Amounts due from related parties (note 7)	**102**	61

The transactions and balances with the related parties (affiliates) included in these financial statements are as follows:

	December 31, 2021 USD ('000)	December 31, 2020 USD ('000)
Technical fee and other consultancy charges	**205**	40

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses interest rate swaps and currency forward contracts as part of its interest rate and foreign currency risk management respectively. These derivatives qualify and have been designated by the Company as cash flow accounting hedge as per the requirements IFRS 9 *Financial instruments*. Fair value of interest rate swaps agreements and currency forward contracts are estimated based on the prevailing interest and forward rates of the related foreign currencies respectively.

The Company has entered into Interest Rate Swaps ("IRSs") transactions to hedge the interest rate exposure of its term loans as follows:

The bank borrowings (refer to note 12) bears interest at USD-LIBOR plus applicable margins. The Company has entered into "pay fixed, receive variable" IRS agreements with various counterparties.

The details of such agreements and contracts outstanding as at the reporting dates are provided in the following table:

	December 31, 2021		December 31, 2020	
	Notional amount USD ('000)	**Fair value USD ('000)**	Notional amount USD ('000)	Fair value USD ('000)
Interest rate swaps	352,786	**(38,212)**	410,243	(64,599)
Currency forward contracts	20,141	**(4,153)**	30,274	(4,536)
	372,927	**(42,365)**	440,517	(69,135)

	December 31, 2021	December 31, 2020
	USD ('000)	USD ('000)
Non-current	24,439	48,388
Current	17,926	20,747
	42,365	69,135
Effective portion	**42,365**	69,135

The contractual maturity analysis of the interest rate swap and currency forward contracts are included as part of liquidity risk information in note 22.

Movement in hedging reserve and hedging liability during the year

	2021	2020
	USD ('000)	USD ('000)
Balance as at January 1	(69,135)	(66,080)
Net fair value loss on IRSs (a)	26,770	(3,055)
Balance as at December 31	**(42,365)**	(69,135)
(a) Other comprehensive income	**26,770**	(3,055)

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Overview

Financial instruments

Financial instruments include financial assets and financial liabilities. Financial assets of the Company include cash and cash equivalents and trade receivables. Financial liabilities of the Company include bank borrowings, interest rate swaps (derivative financial instruments), provision for dismantling cost, trade payable, due to contractors and certain other current liabilities.

The Company has exposure to the following risks from use of its financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The note also presents certain quantitative disclosures in addition to the disclosures throughout the financial statements.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk that counter-party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The Company is exposed to credit risk primarily on cash and cash equivalents and receivables.

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 carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	December 31, 2021	December 31, 2020
	USD ('000)	USD ('000)
Cash and bank balances	40,593	25,194
Receivables	46,386	191,154
	86,979	216,348

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 PWPA terms. Credit risk on cash and cash equivalents is limited since these are maintained with bank having appropriate credit rating.

Breakdown of receivables:

	December 31, 2021 USD ('000)	December 31, 2020 USD ('000)
Current	46,486	77,658
Overdue	17,512	130,272
Less: Impairment loss on trade receivables (note 7 & 25)	(17,612)	(16,776)
	46,386	191,154

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its liquidity risk, by ensuring that banks and other facilities are adequate to meet its working capital requirements.

The following are the contractual maturities of financial liabilities, including interest payments:

December 31, 2021	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Bank borrowings	394,890	416,893	26,692	31,671	63,291	295,239	-
Trade payables	1,028	1,028	1,028	-	-	-	-
Capital commitments	38,008	38,008	9,069	9,262	10,772	8,905	-
Derivative financial liabilities							
Interest rate swaps	38,213	38,836	8,719	7,277	10,838	12,002	-
Currency forward contracts	4,152	4,375	1,086	971	1,547	771	-
Total	**476,291**	**499,140**	**46,594**	**49,181**	**86,448**	**316,917**	**-**

December 31, 2020	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Bank borrowings	459,711	482,385	24,694	29,516	57,955	206,549	163,671
Trade payables	164,820	164,820	164,820	-	-	-	-
Capital commitments	57,558	57,558	9,996	6,255	18,610	22,697	-
Derivative financial liabilities							
Interest rate swaps	64,599	65,035	9,955	9,227	16,979	27,900	974
Currency forward contracts	4,536	4,638	788	841	1,452	1,557	-
Total	751,224	774,436	210,253	45,839	94,996	258,703	164,645

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 Company's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market interest rates. The Company's interest rate risk is limited to its interest bearing demand deposits with banks and bank borrowings.

The Company has hedged a significant portion of its interest rate risk on bank borrowings by entering into interest rate swap agreements. Since the deposits with banks are of short term nature and realisable at the values at which carried in the books, interest rate fluctuations do not have significant impact on the carrying value of these deposits.

The effective interest rate on bank borrowings during the year was 5.66% (December 31, 2020: 5.74%).

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

	Carrying amount	
	December 31, 2021 USD ('000)	December 31, 2020 USD ('000)
Fixed rate instruments		
Cash and bank balances	**40,593**	25,194
Variable rate instruments		
Bank borrowings	**394,890**	459,711
Interest rate swaps	**38,213**	64,599

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		**Equity**	
	100 bp Increase	*100 bp Decrease*	*100 bp Increase*	*100 bp Decrease*
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
December 31, 2021				
Bank borrowings	(4,408)	942	-	-
Interest rate swap	3,933	(3,933)	8,184	(8,520)
Cash flow sensitivity (net)	**(475)**	**(2,991)**	**8,184**	**(8,520)**
December 31, 2020				
Bank borrowings	(5,061)	4,295	-	-
Interest rate swap	4,506	(4,506)	12,606	(13,222)
Cash flow sensitivity (net)	(555)	(211)	12,606	(13,222)

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.

The Company has 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 LIBOR regulators. The regulators have made clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit LIBORs.

In response to the announcements, the Company is supported by Shareholder's team formed for the purpose of managing the transition. An international law firm is appointed which will undertake a review of the relevant documentation to understand the impact and deliver on an action plan to undertake the transition from IBORs to the risk-free-rates (RFR) with appropriate adjustments before USD LIBOR cessation date of June 2023. The project will be carried out in two phases (i) Phase 1 (Due Diligence Phase) and Phase 2 (Implementation Phase).

Based on the transition plan, the Company expects completion of the Phase 1 in 2022-Q1 followed by the presentation of the outcome the proposed roadman to the Board by 2022-Q2. Once the plan is approved, the Company expects implementation (Phase 2) will take time of 7-8 months.

Refer note 21 for details of 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 Company's earnings will be affected as a result of fluctuations in currency exchange rates.

The Company is exposed to currency risk on liabilities for commitments under the LTPRA, bank borrowings and certain purchases denominated in foreign currencies. The majority of the foreign currency payments are in US dollars, except for payments under LTPRA. The Company has effectively hedged approximately 70% of its currency rate risk relating to its commitments under the LTPRA by way of entering into currency forward contracts. The Company perceives the currency risk, on the transactions denominated in Bahraini Dinars, to be low, as the US dollar is pegged against the Bahraini Dinar.

Exposure to currency risk

The Company's significant exposure to currency risk was as follows:

	December 31, 2021		December 31, 2020	
	USD ('000)	*Euro ('000)*	*USD ('000)*	*Euro ('000)*
Estimated cost of LTPRA *	(28,771)	(19,689)	(43,249)	(29,571)
Notional amount of the currency forward contracts	(20,140)	(13,782)	(30,274)	(20,700)

**cash flows to occur over 4 years*

Sensitivity analysis for currency risk
A 10 percent strengthening (weakening) of the USD against the Euro at December 31 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss		**Equity**	
	10% Strengthening	*10% Weakening*	*10% Strengthening*	*10% Weakening*
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
December 31, 2021				
Notional amount of the currency forward contracts	1,580	(1,580)	-	-
Net result	**1,580**	**(1,580)**	**-**	**-**
December 31, 2020				
Notional amount of the currency forward contracts	-	-	2,574	(2,574)
Net result	-	-	2,574	(2,574)

Capital management
The Board's policy is to maintain investor, lender and Government confidence and to be able to meet the requirements of the PWPA. The Company is currently significantly leveraged. The Board of Directors monitors that there is sufficient capital to ensure smooth working of the current operations.

The Company maintains a project lifetime financial model which is reviewed and updated on a six monthly basis. The management uses this model to plan cash flows and ensures that the Company continues to meet debt covenants. The Company has complied with all other externally imposed capital requirements throughout the year.

23. 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.

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**
	USD ('000)	**USD ('000)**	**USD ('000)**
December 31, 2021			
Receivables	-	46,386	46,386
Cash and cash equivalents	-	40,593	40,593
	-	**86,979**	**86,979**
Bank borrowings		394,890	394,890
Other financial liabilities	42,365	34,626	76,991
	42,365	**429,516**	**471,881**

	At fair value	Amortised cost	Total carrying Amount
	USD ('000)	USD ('000)	USD ('000)
December 31, 2020			
Receivables	-	191,154	191,154
Cash and cash equivalents	-	25,194	25,194
	-	216,348	216,348
Bank borrowings	-	459,711	459,711
Other financial liabilities	69,135	178,613	247,748
	69,135	638,324	707,459

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.

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	Level 2	Level 3	Total
December 31, 2021				
Derivative financial instruments	**-**	**42,365**	**-**	**42,365**

	Level 1	Level 2	Level 3	Total
December 31, 2020				
Derivative financial instruments	-	69,135	-	69,135

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.

24. APPROPRIATIONS

The Annual General Meeting was held in May 2021. The Company is obligated to transfer the excess cash flow as the mandatory prepayment in respect of the Bullet Repayment under the Commercial Bank Facility agreement and hence, no cash dividend was declared for the year ended December 31, 2020.

25. CONTINGENCY

The Company has received dispute notices and correspondence against their invoices to Electricity and Water Authority, Kingdom of Bahrain on the revenue components, primarily on water revenues related to the capacity shortfall and delivery of non-conforming water, which is defined as water that fails to conform to the Potable Water Delivery Specification as described in the Power and Water Purchase Agreement ("PWPA").

A total amount of USD 17,512 thousand has already been deducted from the payment of invoices billed as of December 31, 2021, which in the opinion of the Company, is not fully in line with the PWPA. The Company is assertive of recovering the outstanding receivable partially and is continuing its effort to resolve the disputed matters amicably with the off-taker. Nevertheless, as a matter of prudence, the Company has made a provision for already deducted amounts in full and other potential deductions of revenue charges.

26. COMPARATIVES

Certain prior period amounts have been regrouped to conform to the current period's presentation. Such regrouping did not affect previously reported profit for the period or total equity.

27. IMPACT OF COVID-19 PANDEMIC

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

While the Company's financial performance was not significantly affected at the current reporting date, the uncertainties caused by COVID-19, and the volatility in prices for chemicals & spares required the Company to closely monitor the situation to manage and assess its financial performance continually.

Government support:
The Government of Kingdom of Bahrain has announced various economic stimulus programmes to support businesses in these challenging times. The Company has received benefits in the form of partial reimbursement of salaries amounting to USD 247 thousand (2020: USD 680 thousand) of all insured Bahraini employees from the Unemployment Fund.

HIDD POWER COMPANY B.S.C.(C)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2022

HIDD POWER COMPANY B.S.C.(C)

Commercial registration	:	59322
Directors	:	Anwar Syahrin Bin Abdul Ajib, *Chairman* Frederic Michel Nicolas Claux (till September 5, 2022) James Philip Morson Antonio Di Cecca (till March 28, 2022) Mohd Nazersham Bin Mansor Yap Leng Khim Nagulusamy Rajendran Laurent Raymond Louis Furedi (from March 28, 2022) Luc Christiaan E.Dietvorst (till September 5, 2022) Mohd Helmy Bin Ibrahim Koji Makita Tomaz Henrique Guadagnin (from September 6, 2022) Sarah Danielle M Kiriluk (from September 6, 2022)
Executive Managing Director	:	Niko Piet Cornelis (till May 14, 2022) Carlos Alcazar (from May 15, 2022)
Registered office	:	P.O. Box 50710, Hidd Kingdom of Bahrain Telephone: +973 17 679479 Fax: +973 17 479429
Principal banker	:	Standard Chartered Bank Mizuho Corporate Bank Citibank Japan Bank for International Cooperation
Auditors	:	Deloitte & Touche – Middle East P.O. Box 421 Manama, Kingdom of Bahrain

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HIDD POWER COMPANY B.S.C.(C)

CHAIRMAN'S REPORT
for the year ended December 31, 2022 **USD '000**

In accordance with Article 286 of the Bahrain Commercial Companies Law 2001 (and subsequent amendments), I have the pleasure of presenting the Company's audited financial statements (pages 6 to 33) for the year ended December 31, 2022.

Financial highlights	2022	2021
Revenue	447,634	455,933
Gross profit	73,646	76,055
Profit for the year	41,876	47,826
Total equity	406,515	327,634

Directors

The following Directors served during the year ended December 31, 2022 and disclosure of remuneration to members of Board of Directors and Executive Management.

Name	Fixed remuneration					Variable remuneration					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													
Anwar Syahrin Bin Abdul Ajib –Chairman	-	-	-	-	-	-	-	-	-	-	-	-	-
Frederic Michel Nicolas Claux (i)	-	-	-	-	-	-	-	-	-	-	-	-	-
James Philip Morson	-	-	-	-	-	-	-	-	-	-	-	-	-
Antonio Di Cecca (ii)	-	-	-	-	-	-	-	-	-	-	-	-	-
Mohd Nazersham Bin Mansor	-	-	-	-	-	-	-	-	-	-	-	-	-
Yap Leng Khim	-	-	-	-	-	-	-	-	-	-	-	-	-
Nagulusamy Rajendran	-	-	-	-	-	-	-	-	-	-	-	-	-
Laurent Raymond Louis Furedi (iii)	-	-	-	-	-	-	-	-	-	-	-	-	-
Luc Christiaan E.Dietvorst (iv)	-	-	-	-	-	-	-	-	-	-	-	-	-
Mohd Helmy Bin Ibrahim	-	-	-	-	-	-	-	-	-	-	-	-	-
Koji Makita	-	-	-	-	-	-	-	-	-	-	-	-	-
Shinya Nakamura	-	-	-	-	-	-	-	-	-	-	-	-	-
Tomaz Henrique Guadagnin (v)	-	-	-	-	-	-	-	-	-	-	-	-	-
Sarah Danielle M Kiriluk (vi)	-	-	-	-	-	-	-	-	-	-	-	-	-
Third: Executive Directors													
None	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: All amounts are in Bahraini Dinars

(i) Resigned w.e.f September 5, 2022
(ii) Resigned w.e.f March 28, 2022
(iii) Appointed w.e.f March 28, 2022
(iv) Resigned w.e.f September 5, 2022
(v) Appointed w.e.f September 6, 2022
(vi) Appointed w.e.f September 6, 2022

HIDD POWER COMPANY B.S.C.(C)

CHAIRMAN'S REPORT (continued)
for the year ended December 31, 2022 **USD '000**

Remuneration and benefits paid to Executive Management:

Salaries, benefits and other allowances 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) *	441,422	-	-	441,422

Note: All amounts are in Bahraini Dinars

* Executive management consists of Executive Managing Director, Finance Director & Production Director

Representations and audit

The Company's activities for the year ended December 31, 2022 have been conducted in accordance with the Bahrain Commercial Companies Law 2001 (and subsequent amendments), and other relevant statutes of the Kingdom of Bahrain.

There have been no events subsequent to December 31, 2022, which would in any way invalidate the financial statements on pages 6 to 33.

The Company has maintained proper, complete accounting records and these, together with all other information and explanations, have been made freely available to the auditors - Deloitte & Touche, who have signified their willingness to continue in office for the next accounting year.

Anwar Syahrin Bin Abdul Ajib
Chairman

February 23, 2023

Deloitte.

Deloitte & Touche
Middle East
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INDEPENDENT AUDITORS' REPORT

To the Shareholders
Hidd Power Company B.S.C.(C)
Hidd, Kingdom of Bahrain

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Hidd Power Company B.S.C.(C) (the "Company"), which comprise the statement of financial position as at December 31, 2022, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of 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 December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 auditors' 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 Chairman's report which we obtained prior to the date of this auditors' report. The other information does not include the financial statements and our auditors' 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 auditors' 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 IFRS, and for such internal control as the Board of Directors determine 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 intend 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 auditors' 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 judgment 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 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 Board of Directors;

- Conclude on the appropriateness of the 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 auditors' 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 auditors' 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 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.

Deloitte.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Report on other legal and regulatory requirements

1) As required by the Bahrain Commercial Companies Law of 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 Chairman's Report is consistent with the financial statements;
   c) 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 Commercial Companies Law (and subsequent amendments), or the terms of its Memorandum and Articles of Association that would have a material adverse effect on its business or its financial position at December 31, 2022; and
   d) satisfactory explanations and information have been provided to us by the Board in response to all our requests.

2) As required by the Ministry of Industry and Commerce in their letter dated January 30, 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
   a) a corporate governance officer; and
   b) a Board approved written guidance and procedures for corporate governance.

Deloitte & Touche

DELOITTE & TOUCHE – MIDDLE EAST
Partner Registration No. 256
Manama, Kingdom of Bahrain

February 23, 2023

HIDD POWER COMPANY B.S.C.(C)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Note	2022 USD '000	2021 USD '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	682,337	709,025
Advance payments for long term parts and repairs		19,683	30,634
Derivative financial instruments	21	291	-
Total non-current assets		702,311	739,659
Current assets			
Derivative financial instruments	21	390	-
Inventories	6	22,269	24,161
Receivables	7	23,735	46,386
Other assets	8	3,075	3,521
Cash and bank balances	9	35,606	40,593
Total current assets		85,075	114,661
Total assets		787,386	854,320
EQUITY AND LIABILITIES			
Equity			
Share capital	1	140,663	140,663
Statutory reserve	10	43,794	39,606
Cash flow hedge reserve	21	(5,360)	(42,365)
Retained earnings		227,418	189,730
Total equity		406,515	327,634
Liabilities			
Non-current liabilities			
Bank borrowings	12	252,491	341,089
Derivative financial instruments	21	4,469	24,439
Deferred revenue		14,331	18,068
Provision for dismantling cost	14	36,564	34,172
Provision for employees' end-of-service benefits	11	1,507	1,359
Total non-current liabilities		309,362	419,127
Current liabilities			
Bank borrowings	12	57,594	52,629
Derivative financial instruments	21	1,572	17,926
Deferred revenue		3,737	3,737
Other liabilities	13	8,606	33,267
Total current liabilities		71,509	107,559
Total liabilities		380,871	526,686
Total equity and liabilities		787,386	854,320

The financial statements consisting of pages 6 to 33 were approved by the Board of Directors on February 23, 2023.

Anwar Syahrin Bin Abdul Ajib	Tomaz Henrique Guadagnin	Carlos Alcazar
Chairman	*Director*	*Executive Managing Director*

The attached notes form an integral part of these financial statements

HIDD POWER COMPANY B.S.C.(C)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2022

	Note	2022 USD '000	2021 USD '000
Revenue	15	447,634	455,933
Cost of revenue	16	(373,988)	(379,878)
Gross profit		73,646	76,055
General and administration expenses	17	(8,225)	(7,194)
Other income		21	6,317
Operating profit		65,442	75,178
Finance income	18	509	14
Finance expense	18	(24,075)	(27,366)
Net finance expense		(23,566)	(27,352)
Profit for the year		41,876	47,826
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Effective portion of changes in fair value of cash flow hedges		19,080	6,023
Net changes in fair value of cash flow hedges transferred to profit or loss	18	15,951	19,144
Net changes in fair value of cash flow hedges transferred to carrying amount of a non-financial asset		1,974	1,603
Total other comprehensive income of the year		37,005	26,770
Total profit and other comprehensive income for the year		78,881	74,596

Anwar Syahrin Bin Abdul Ajib
Chairman

Tomaz Henrique Guadagnin
Director

Carols Alcazar
Executive Managing Director

The attached notes form an integral part of these financial statements

HIDD POWER COMPANY B.S.C.(C)

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2022

	Share capital USD '000	Statutory reserve USD '000	Cash flow hedge reserve USD '000	Retained earnings USD '000	Total USD '000
Balance at January 1, 2021	140,663	34,823	(69,135)	146,687	253,038
Profit for the year	-	-	-	47,826	47,826
Other comprehensive income:					
Effective portion of changes in fair value of cash flow hedges	-	-	6,023	-	6,023
Net changes in fair value of cash flow hedges transferred to profit or loss (note 18)	-	-	19,144	-	19,144
Net changes in fair value of cash flow hedges transferred to the carrying amount of a non-financial asset	-	-	1,603	-	1,603
Total comprehensive income for the year			26,770	47,826	74,596
Transfer to statutory reserve	-	4,783	-	(4,783)	-
Balance at December 31, 2021	140,663	39,606	(42,365)	189,730	327,634
Profit for the year	-	-	-	41,876	41,876
Other comprehensive income:					
Effective portion of changes in fair value of cash flow hedges	-	-	19,080	-	19,080
Net changes in fair value of cash flow hedges transferred to profit or loss (note 18)	-	-	15,951	-	15,951
Net changes in fair value of cash flow hedges transferred to the carrying amount of a non-financial asset	-	-	1,974	-	1,974
Total comprehensive income for the year			37,005	41,876	78,881
Transfer to statutory reserve	-	4,188	-	(4,188)	-
Balance at December 31, 2022	140,663	43,794	(5,360)	227,418	406,515

The attached notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	Note	2022 USD '000	2021 USD '000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		41,876	47,826
Adjustments for:			
Depreciation	5	61,317	59,617
Net movement in slow-moving / obsolete inventory	6	2,059	677
Impairment allowance on trade receivables	7	1,198	836
Amortisation of upfront fee	18	343	382
Amortisation of TDS settlement	16	221	221
Provision for employees' end of service benefits	11	219	233
Gain on disposal of property, plant and equipment		(15)	(3)
Insurance claim		-	(6,137)
Finance cost, net		20,488	24,416
Deferred revenue		(3,737)	(3,737)
Unwinding of discount on provision for dismantling cost	14	2,392	2,236
Operating profit before changes in working capital		126,361	126,567
Changes in working capital:			
(Increase) / decrease in inventories		(167)	1,714
Decrease in receivables		21,453	143,932
Decrease in other assets		225	1,052
Increase in advance payments for long term parts and repairs		(17,477)	(16,988)
Decrease in other liabilities		(23,966)	(143,529)
Cash generated from operations		106,429	112,748
Payment of employees' end of service benefits	11	(71)	(75)
Net cash generated from operating activities		106,358	112,673
CASH FLOW FROM INVESTING ACTIVITIES			
Decrease / (increase) in fixed deposits		1,382	(22,504)
Acquisition of property, plant and equipment		(5,941)	(12,647)
Net movement in capital work in progress and capital spares		(260)	(914)
Proceeds from disposal of property, plant and equipment		15	3
Proceeds from insurance claim		-	6,137
Net cash used in investing activities		(4,804)	(29,925)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of bank borrowings	12	(83,976)	(64,821)
Finance cost, net		(21,183)	(25,032)
Net cash used in financing activities		(105,159)	(89,853)
Net decrease in cash and cash equivalents		(3,605)	(7,105)
Cash and cash equivalents at the beginning of the year		18,089	25,194
Cash and cash equivalents at the end of the year	9	14,484	18,089

The attached notes form an integral part of these financial statements

1 STATUS AND ACTIVITIES

Hidd Power Company BSC (c) (the "Company") is a closed Joint Stock Company incorporated in the Kingdom of Bahrain on January 21, 2006 under commercial registration (CR) number 59322 issued by the Ministry of Industry, Commerce, and Tourism.

The Company has an authorised share capital of USD 150,000,000, comprising 30,000,000 shares of USD 5 each and issued and paid up share capital of USD 140,663,100 divided into 28,132,620 shares of USD 5 each held as follows:

Name of the Shareholder	Number of shares
Malakoff Summit Hidd Holding Company Limited	19,692,834
Kahrabel FZE	8,439,786

The Company commenced operations on January 22, 2006, upon entering into an Asset Transfer Agreement (the "agreement") with the Ministry of Finance of the Government of Bahrain ("MoF") and the Electricity and Water Authority of the Government of Bahrain ("EWA"), to buy the Al Hidd Power Plant ("power plant") and related inventories, and operates the power plant on a build, own, operate basis.

The Company also entered into a power and water purchase agreement ("PWPA") with the EWA to sell all the output of the power plant to the EWA for a period of 20 years from the scheduled commercial operation date - May 18, 2008. Subsequent to that, the Company also concluded the following agreements relating to the power plant:

- Land Rights Agreement with the MoF
- Natural Gas Agreement with Tatweer Petroleum (previously with Bahrain Petroleum Company ("BAPCO"))

Subsequent to the commencement of its operations, the Company carried out construction of the Phase III project, a water distillation plant, as per the pre-requisite of the PWPA. This project was completed on achievement of Commercial Operations Date ("COD") as on May 18, 2008.

The current PWPA term is ending in November 2027. EWA has expressed their interest in extending the current PWPA term and indicated several options for the extension including adding new facilities for the water plant. The Company has potential chance of getting the extension given the fact that existing facilities can be offered with competitive tariff rates against green field projects. The Company is currently engaged with EWA's consultant on reviewing the various options which can bring the desired value to the stakeholders. The Company has assured their commitment to successfully perform the extension project for the benefit of the people of the Kingdom of Bahrain, EWA, and its stakeholders.

2 BASIS OF PREPARATION

Statement of compliance

The financial statements are for the year ended December 31, 2022 and have been prepared in accordance with International Financial Reporting Standards ('IFRS') and the requirements of Bahrain Commercial Companies Law 2001.

Basis of measurement

The financial statements have been prepared on the historical cost convention except for the measurement at fair value of derivative financial instruments.

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company is Bahraini Dinars ('BHD') and the financial statements are presented in United States Dollar ('USD'). The translation difference between the functional currency and the presentation currency is insignificant. All financial information presented in USD has been rounded off to the nearest thousand.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and in arriving at estimates with a risk of material adjustment in the following period include the estimate of total revenue over the lease period (note 4), fair value of derivative financial instruments (note 21), useful lives of property, plant and equipment (note 4), impairment of non-financial assets (note 4), net cost of dismantling (note 14) and amortisation of costs incurred under the Long Term Parts & Repairs Agreements (LTPRA) (note 4).

Going concern

Management has assessed 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. Furthermore, the Board of Directors of the Company 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 continue to be prepared on the going concern basis.

3. ADOPTION OF NEW AND REVISED STANDARDS (IFRSs)

3.1 New and revised Standards applied with no material impact on the financial statements

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 1, 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*.

  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.

3.2 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 Noncurrent - effective from January 1, 2023
- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements - 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 - 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
- Amendments to IFRS 16 Leases - Lease Liability in a Sale and Leaseback - effective from January 1, 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.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting polices applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

Revenue recognition
The PWPA arrangement with the EWA constitutes a lease under IFRS 16. The revenue from capacity sale of electricity and water (lease income) is recognised on a straight line basis over the term of the lease, adjusted for estimated increase in the capacity of water generation. An estimate of electricity and water capacity required to be made available to the EWA over the lease period as per the PWPA forms the basis for recognising the revenue over the lease term. Excess of amount of revenue billed to the EWA over the amount of revenue estimated for the reporting period is recognised as deferred revenue.

The variable charge for sale of electricity and water is recognised as income when the electricity and water is delivered. The variable charge is arrived at based on the agreed tariff as per PWPA and the actual units of electricity and water delivered during the year.

Gas consumed in operations is recovered from the EWA as part of sale of electricity and water. The actual amount of gas recovered by the company is recognized as revenue on the basis of the computation agreed as per the PWPA.

Interest income on deposits with banks is recognised, as finance income in the statement of profit or loss and other comprehensive income, on a time-apportioned basis over the period of the deposit

Borrowings costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. The amount of borrowing cost eligible for capitalisation on any qualifying asset is determined as actual borrowing cost incurred on the borrowings during the period less any investment income on temporary investment of those borrowings. Other borrowing costs are recognised as finance expense in the period in which they are incurred.

Property, plant and equipment
Property, plant and equipment are stated at historical cost less depreciation and allowances for impairment, if any. Historical cost includes purchase price of the items and expenditure that is directly attributable to the acquisition of the items except in case of production facilities, which also includes estimated cost of dismantling accounted at amortised cost basis.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item or repairs can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

One of the components of subsequent costs that are capitalised includes the costs related to the Long-Term Parts and Repairs Agreement (LTPRA) entered into by the Company with a service provider. The costs incurred under this agreement are primarily for C-inspections (overhauling/inspection) of the gas turbines of the Company and for the cost of parts replaced/ refurbished as result of the overhauling/inspection of the gas turbines. The payments made under the LTPRA are initially recorded as advance payments till the time C-inspection of a turbine is performed, upon which, average cost of C-inspection per turbine is transferred from the advance payments to the Property, Plant and Equipment; any shortfall in the advance payments is accrued as a liability, which represents cost of service received up to the date of C-inspection.

The cost of C-inspection capitalised as part of the cost of plant is depreciated over a period up to the next C-inspection of the gas turbine i.e. over 4 to 5 years.

The average cost of C-inspection per turbine is estimated by the management by estimating the total cost under LTPRA that includes lump-sum charges paid at the onset of the agreement and variable charges, which will be paid over the life of the LTPRA, based on the Estimated Operating Hours (EOH) of the turbines over the life of the LTPRA. Under the LTPRA, the Company transferred certain parts to the service provider. The book value of those parts on the date of such transfer has been considered as a component of the total cost of LTPRA. This total cost is spread over the total number of C-inspections agreed to be carried out under the LTPRA.

Depreciation

Depreciation is calculated on a straight-line basis to allocate the cost of property, plant and equipment to their residual values over their estimated useful lives, as follows:

Asset category	Estimated useful lives of the assets
Production facilities:	
Plant acquired from EWA as per the PWPA	382 months
Plant constructed (Phase III)	360 months
C-inspection (under LTPRA)	48 to 60 months
Building and building improvements	240 to 382 months
Other assets:	
Furniture, fixtures and office equipment's	12 to 60 months
Information technology assets	36 months

All depreciation is charged to the statement of profit or loss and other comprehensive income. The total amount of depreciation is classified into cost of revenue and general and administration expenses based on the use of the related property, plant and equipment's for operational and administrative purposes, respectively. Capital spares are depreciated only when they are in use. Critical spares include major items and parts critical to be kept on hand to ensure uninterrupted operations, and are depreciated with a useful life of 8 years (till the end of PWPA agreement).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

Capital work in progress is carried at an amount, which represents the value of the work completed as at the reporting date.

Government grant

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Provision for dismantling cost

Provision for dismantling cost represents present value of the best estimate of the expenditure to be incurred to settle obligation under the land right agreement. The provision is recognized on amortised cost basis.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. Replacement price of inventory less estimated cost for disposal is estimated net realisable value of inventory.

Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balance with banks that are on demand.

Other liabilities

Other liabilities include liabilities that are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provision

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the cost to settle the obligations are both probable and able to be reasonably measured.

Employees' end of service benefits
Pensions and other social benefits for *Bahraini employees* are covered by the General Organisation for Social Insurance scheme, which is a defined contribution scheme under IAS 19 – *Employee Benefits*, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis.

Expatriate employees are entitled to leaving indemnities payable under the Bahrain Labour Law 2012, based on length of service and final salary and other allowances paid. Provision for this unfunded commitment, which represents a defined benefit scheme under IAS 19 – Employee Benefits, has been made by calculating the notional liability had all employees left at the reporting date.

Foreign currency transactions
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company is Bahraini Dinars and the financial statements are presented in United States Dollar ('USD'). The translation difference between the functional currency and the presentation currency is insignificant. Transactions in foreign currencies are translated to USD at the foreign exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into USD at the foreign exchange rate prevailing at that date.

Foreign exchange differences resulting from the settlement of such foreign currency transactions and from the translation of monetary and non-monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the statement of profit or loss and other comprehensive income.

Financial instruments
(i) Recognition and initial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

(ii) Classification and subsequent measurement

Financial assets
On initial recognition, a financial asset is classified as measured at amortised cost; FVOCI or FVPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

Financial liabilities
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Refer note 21 for financial liabilities designated as hedging instruments.

(iii) Derecognition

Financial assets
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities
The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting
Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Derivative financial instruments and hedging activities
Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments and include interest rate swaps and currency forward contracts. These are held to hedge the Company's foreign currency and interest rate risk exposures.

The derivative financial instruments are recognised in the statement of financial position at fair value, attributable transaction costs are recognised in profit or loss as incurred.

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below. Fair values are estimated based on the prevailing market rates of interest and related foreign currency exchange rates. Changes in the fair value of the derivative financial instruments that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk are recognised in other comprehensive income and presented in a hedge reserve as a separate component of equity. The corresponding effect of the unrealised gains or losses recognised in other comprehensive income is recognised as other assets or other liabilities in the statement of financial position. The effective portion of the gain or loss on derivative instruments recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of profit or loss and other comprehensive income as the hedged item. Any gains or losses arising from changes in fair value on derivative instruments that do not qualify for hedge accounting or are determined to be ineffective are recognised directly in the profit or loss.

(vi) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). Presentation of allowance for ECL in the statement of financial position Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

5. PROPERTY, PLANT AND EQUIPMENT

	Production facilities	Building and improvements	Other assets	Capital work in progress	Capital spares / critical spares	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Cost						
At January 1, 2021	1,412,771	32,117	6,146	1,650	2,962	1,455,646
Additions	12,228	-	419	1,015	88	13,750
Disposal	(5,394)	-	-	-	-	(5,394)
Transfers	1,495	-	30	(1,526)	(188)	(189)
Change in provision for dismantling cost	(6,428)	-	-	-	-	(6,428)
At December 31, 2021	1,414,672	32,117	6,595	1,139	2,862	1,457,385
Additions	33,946	-	423	501	72	34,942
Disposal	-	-	-	-	(24)	(24)
Transfers	1,053		74	(1,127)	(313)	(313)
At December 31, 2022	1,449,671	32,117	7,092	513	2,597	1,491,990
Depreciation						
At January 1, 2021	675,428	13,633	4,876	-	200	694,137
Charge for the year	58,176	919	333	-	189	59,617
Disposals	(5,394)	-	-	-	-	(5,394)
At December 31, 2021	728,210	14,552	5,209	-	389	748,360
Charge for the year	59,758	1,014	387		158	61,317
Disposal	-	-	-	-	(24)	(24)
At December 31, 2022	787,968	15,566	5,596	-	523	809,653
Carrying value						
At December 31, 2022	661,703	16,551	1,496	513	2,074	682,337
At December 31, 2021	686,462	17,565	1,386	1,139	2,473	709,025

a. Capital work in progress primarily represents expenditure incurred on Phase 3 sea water pump 1 overhaul, ST28 control valve and GT 22 C inspection spares and other maintenance capex.

b. Capital spares represents items that are identified by the management to a specific item of property, plant and equipment and are intended for replacement at scheduled intervals based on anticipated life cycle. These capital spares have not been put to use as at December 31, 2022 and 2021. Critical spares include major items and parts critical to be kept on hand to ensure uninterrupted operations of the equipment.

c. The depreciation charge has been allocated in the statement of profit or loss and other comprehensive income as follows:

	2022	2021
	USD ('000)	USD ('000)
Cost of revenue (note 16)	60,757	59,116
General and administration expenses (note 17)	560	501
	61,317	59,617

d. As at December 31, 2022 and 2021, all of the above assets were subject to a floating charge that forms security for bank borrowings (note 12).

e. During the year, transfer of USD 28,428 thousand (2021: USD 15,669 thousand) from advance payments for long term parts and repairs to property, plant and equipment was adjusted from current year additions to property, plant and equipment.

As an outcome of the reassessment of the asset retirement obligation exercise, the Company reviewed the revised estimated residual value of the property, plant and equipment reflecting the market assessments. The residual/scrap value estimates are based on weight estimated from various as-built drawings and documents and estimates of similar equipment's based on the consultant's know-how and engineering judgement. These revised estimates further looked into the various categories of the metals and values based on the London Metal Exchange with an adjustment for the local market. Based on this methodology, the revised residual value reflects a reduction in the previous estimate by USD 53.5 million. As required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the above revision in estimate has been accounted prospectively by adjusting the depreciation charge on the assets by providing accelerated depreciation.

The effect of changes in depreciation expense due to the revision in residual value in the current and future years is as follows:

	2022 USD ('000)	2023 USD ('000)	Later USD ('000)
Depreciation	3,328	3,328	46,877

6. INVENTORIES

	2022 USD ('000)	2021 USD ('000)
Spare parts	23,684	24,405
Chemicals	998	605
	24,682	25,010
Less: Provision for slow-moving spares	(2,413)	(849)
	22,269	24,161

Movement in allowance for impairment of inventories are as follows:

	2022 USD ('000)	2021 USD ('000)
At January 1	849	635
Allowance recognised during the year	2,059	677
Reversals/write offs	(495)	(463)
At December 31	2,413	849

7. RECEIVABLES

	2022 USD ('000)	2021 USD ('000)
Trade receivables (due from EWA)	42,526	63,896
Less: Provision for impairment	(18,810)	(17,612)
	23,716	46,284
Due from related parties (note 20)	19	102
	23,735	46,386

Trade receivables (due from EWA) relate to sale of electricity and water and are due within 45 days from the date of invoice. The Company's exposures to credit and currency risk related to trade receivables are disclosed in note 22.

	Total	Neither past due nor impaired	Past due but not impaired	
			Less than 90 days	90-120 days
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
December 31, 2022	23,716	23,716	-	-
December 31, 2021	46,284	46,284	-	-

Movement in allowance for receivables are as follows:

	2022 USD ('000)	2021 USD ('000)
Balance beginning of year	17,612	16,776
Additions	1,198	836
Balance end of year	18,810	17,612

8. OTHER ASSETS

	2022 USD ('000)	2021 USD ('000)
Prepayments and other assets	2,595	2,723
Advance to suppliers	480	798
	3,075	3,521

Prepayments and other assets include an amount of USD 1,067 thousand (December 31, 2021: USD 1,288 thousand) which represents un-amortised portion of payment of USD 4,139 thousand to EWA in relation to certain commitments of the Company. The benefit of this payment is estimated to accrue over a period of remaining life of the PWPA.

9. CASH AND BANK BALANCES

	2022 USD ('000)	2021 USD ('000)
Bank balances	14,480	18,086
Fixed deposits with original maturity exceeding 3 months	21,122	22,504
Cash on hand	4	3
Cash and bank balances	35,606	40,593
Less: Fixed deposits with original maturity exceeding 3 months	(21,122)	(22,504)
Cash and cash equivalents	14,484	18,089

Expected credit losses on balances with banks is not considered material due to short term to expected maturity.

10. STATUTORY RESERVE

As required by Bahrain Commercial Companies' Law 2001 (and subsequent amendments), a minimum of 10% of the net profit should be transferred to a statutory reserve each year until this reserve is equal to 50% of the paid-up share capital. The reserve is not available for distribution except in the circumstances stipulated in the above law. The Company has transferred USD 4,188 thousand to the statutory reserve for the year ended December 31, 2022 (2021: USD 4,783 thousand).

11. PROVISION FOR EMPLOYEES' END-OF-SERVICE BENEFITS

	2022 USD ('000)	2021 USD ('000)
Balance at the beginning of year	1,359	1,201
Charge for the year	219	233
Payments	(71)	(75)
Balance at the end of year	1,507	1,359

12. BANK BORROWINGS

	2022	2021
	USD ('000)	USD ('000)
Secured bank loans	310,914	394,890
Less: Transaction costs	(829)	(1,172)
	310,085	393,718
Classified as:		
Non-current liabilities	252,491	341,089
Current liabilities	57,594	52,629
	310,085	393,718

The above borrowings represent the amounts drawn by the Company under various floating rate loan facilities obtained from a syndicate of banks, which are outstanding as at December 31, 2022. The facilities have been obtained by the Company for payment of the purchase consideration to EWA, Phase III construction activities and for working capital. The above borrowings carry a floating charge over the Company's property, plant and equipment (note 5).

Since the borrowings are denominated in USD, the Company does not have any significant foreign currency risk. For information on interest rate risk and liquidity risk, refer note 22.

Significant terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	December 31, 2022 Original amount	December 31, 2022 Carrying amount	December 31, 2021 Original amount	December 31, 2021 Carrying amount
				USD ('000)	USD ('000)	USD ('000)	USD ('000)
Senior debt	USD	LIBOR+0.55	2026	592,944	166,855	592,944	208,479
Commercial debt	USD	LIBOR+1.40	2026	401,122	144,059	401,122	186,411

The following is the reconciliation between the opening and closing balances for bank borrowings arising from financing activities:

	2022	2021
	USD ('000)	USD ('000)
At January 1	394,890	459,711
Repayment of bank borrowings*	(83,976)	(64,821)
At December 31	310,914	394,890

*Includes partial repayments against bullet amount payable at the end of the term for both the years.

13. OTHER LIABILITIES

	2022	2021
	USD ('000)	USD ('000)
Trade payables	249	1,028
Accrued interest	3,180	3,875
Other accrued expenses	5,153	28,364
Related party payables (note 20)	24	-
	8,606	33,267

14. PROVISION FOR DISMANTLING COST

A provision is made in respect of the Company's obligation, as per the Land Rights Agreement with the MoF (the "agreement"), to dismantle the power plant on completion of the term of the agreement, which is 30 years from the Scheduled Commercial Operation Date.

Due to long-term nature of the liability, there is a significant uncertainty in estimating the provision for the costs that will be incurred. The Company had estimated these costs, assuming that the land will be restored using the technology and materials that are available currently (current cost), adjusted with an inflation rate estimated over remaining years. The current cost of dismantling was carried at its present value as at December 31, 2022 using a discount rate of 7% (2021: 7%).

Movement during the year:

	2022 USD ('000)	2021 USD ('000)
Balance at January 1	34,172	38,364
Unwinding of discount on provision for dismantling cost (note 18)	2,392	2,236
Reduction in provision due to change in estimate (note 5)	-	(6,428)
Balance at December 31	36,564	34,172

15. REVENUE

	2022 USD ('000)	2021 USD ('000)
Capacity charge:		
Power	44,953	44,257
Water	81,877	81,613
Add: Deferred revenue	3,737	3,737
	130,567	129,607
Variable charge:		
Power	10,165	10,183
Water	4,294	4,844
	14,459	15,027
Recovery of gas consumed	302,608	311,299
	447,634	455,933

Capacity charge represents the revenue from capacity sale of electricity and water and is recognised on a straight-line basis over the term of the PWPA, adjusted for estimated increase in the capacity of water generation. An estimate of electricity and water capacity required to be made available to the EWA over the PWPA period forms the basis for recognising the capacity charge revenue over the PWPA term.

The variable charge represents revenue from sale of electricity and water and is arrived at based on the agreed tariff as per PWPA and the actual units of electricity and water delivered during the year.

The cost of gas consumed in operations is recovered from the EWA as part of sale of electricity and water and is based on the computation agreed as per the PWPA.

16. COST OF REVENUE

	2022 USD ('000)	2021 USD ('000)
Gas consumed	294,562	303,258
Depreciation (note 5)	60,757	59,116
Staff costs	6,400	6,172
Amortisation of TDS settlement	221	221
Other production and maintenance costs	12,048	11,111
	373,988	379,878

17. GENERAL AND ADMINSTRATION EXPENSES

	2022 USD ('000)	2021 USD ('000)
Staff costs	2,287	2,147
Impairment loss on trade receivables (note 7)	1,198	836
Insurance	1,813	1,566
Communication and IT expenses	478	506
Depreciation (note 5)	560	501
Legal, professional and consultancy fees	649	420
Crisis management expenses	-	21
Security & Fire Fighting costs	314	391
Facility management expenses	176	183
Travel and transportation costs	128	108
Staff welfare expenses	161	150
Trainings and seminars	152	94
Non-recoverable VAT	45	23
Other expenses	264	248
	8,225	7,194

18. FINANCE INCOME AND EXPENSES

	2022	2021
	USD ('000)	USD ('000)
Interest income	509	14
Finance income	509	14
Net changes in fair value of cash flow hedges transferred from equity	15,951	19,144
Interest on borrowings	9,601	5,122
Interest rate swap net income	(4,661)	-
Unwinding of discount on provision for dismantling cost (note 14)	2,392	2,236
Amortisation of loan origination fees	343	382
Commitment fees	106	102
Interest income written off	-	64
	23,732	27,050
Foreign exchange loss	343	316
Finance expense	24,075	27,366
Net finance expense	23,566	27,352

19. COMMITMENTS

	2022	2021
	USD ('000)	USD ('000)
Long Term Parts and Repairs Agreement	27,198	38,008
	27,198	38,008

20. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Company exercises significant influence, major shareholders, directors and key management personnel of the Company.

The transactions and balances with the related parties (major shareholders) included in these financial statements are as follows:

	2022	2021
	USD ('000)	USD ('000)
Technical fee and other consultancy charges	244	334
Staff costs	1,174	1,070
Reimbursements	(145)	(145)

	2022 USD ('000)	2021 USD ('000)
Amounts due from related parties (note 7)	19	102
Amounts due to related parties (note 13)	(24)	

The transactions and balances with the related parties (affiliates) included in these financial statements are as follows:

	2022 USD ('000)	2021 USD ('000)
Technical fee and other consultancy charges	115	205

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses interest rate swaps and currency forward contracts as part of its interest rate and foreign currency risk management respectively. These derivatives qualify and have been designated by the Company as cash flow accounting hedge as per the requirements IFRS 9 *Financial instruments*. Fair value of interest rate swaps agreements and currency forward contracts are estimated based on the prevailing interest and forward rates of the related foreign currencies respectively.

The Company has entered into Interest Rate Swaps ("IRSs") transactions to hedge the interest rate exposure of its term loans as follows:

The bank borrowings (refer to note 12) bears interest at USD-LIBOR plus applicable margins. The Company has entered into "pay fixed, receive variable" IRS agreements with various counterparties.

The details of such agreements and contracts outstanding as at the reporting dates are provided in the following table:

	2022		2021	
	Notional amount USD ('000)	Fair value USD ('000)	Notional amount USD ('000)	Fair value USD ('000)
Interest rate swaps	289,844	(2,659)	352,786	(38,213)
Currency forward contracts	11,109	(2,701)	20,141	(4,152)
	300,953	(5,360)	372,927	(42,365)

	2022 USD ('000)	2021 USD ('000)
Assets		
Non-current	291	-
Current	390	-
	681	-
Liabilities		
Non-current	4,469	24,439
Current	1,572	17,926
	6,041	42,365
Effective portion	5,360	42,365

The contractual maturity analysis of the interest rate swap and currency forward contracts are included as part of liquidity risk information in note 22.

Movement in hedging reserve and hedging liability during the year

	2022	2021
	USD ('000)	USD ('000)
Balance as at January 1	(42,365)	(69,135)
Net fair value loss (a)	37,005	26,770
Balance as at December 31	(5,360)	(42,365)
(a) Net fair value loss		
Effective portion of changes in fair value of cash flow hedges	19,080	6,023
Net changes in fair value of cash flow hedges transferred to profit or loss	15,951	19,144
Net changes in fair value of cash flow hedges transferred to carrying amount of a non-financial asset	1,974	1,603
	37,005	26,770

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Overview

Financial instruments

Financial instruments include financial assets and financial liabilities. Financial assets of the Company include cash and cash equivalents and trade receivables. Financial liabilities of the Company include bank borrowings, interest rate swaps (derivative financial instruments), provision for dismantling cost, trade payable, due to contractors and certain other current liabilities.

The Company has exposure to the following risks from use of its financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The note also presents certain quantitative disclosures in addition to the disclosures throughout the financial statements.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk that counter-party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The Company is exposed to credit risk primarily on cash and cash equivalents and receivables.

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 carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2022	2021
	USD ('000)	USD ('000)
Cash and cash equivalents	35,606	40,593
Receivables	23,735	46,386
	59,341	86,979

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 PWPA terms. Credit risk on cash and cash equivalents is limited since these are maintained with bank having appropriate credit rating.

Breakdown of receivables:

	2022	2021
	USD ('000)	USD ('000)
Current	23,835	46,486
Overdue	18,710	17,512
Less: Impairment loss on trade receivables (note 7 & 25)	(18,810)	(17,612)
	23,735	46,386

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its liquidity risk, by ensuring that banks and other facilities are adequate to meet its working capital requirements.

The following are the contractual maturities of financial liabilities, including interest payments:

December 31, 2022	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Non-derivative financial liabilities						
Bank borrowings	310,914	354,225	35,677	39,601	80,430	198,517
Trade payables	249	249	249	-	-	-
Derivative financial liabilities						
Interest rate swaps	3,340	3,707	454	(636)	1,631	2,258
Currency forward contracts	2,701	2,861	1,032	845	946	38
Total	317,204	361,042	37,412	39,810	83,007	200,813

December 31, 2021	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Non-derivative financial liabilities						
Bank borrowings	394,890	416,893	26,692	31,671	63,291	295,239
Trade payables	1,028	1,028	1,028			
Derivative financial liabilities						
Interest rate swaps	38,213	38,836	8,719	7,277	10,838	12,002
Currency forward contracts	4,152	4,375	1,086	971	1,547	771
Total	438,283	461,132	37,525	39,919	75,676	308,012

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 Company's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market interest rates. The Company's interest rate risk is limited to its interest bearing demand deposits with banks and bank borrowings.

The Company has hedged a significant portion of its interest rate risk on bank borrowings by entering into interest rate swap agreements. Since the deposits with banks are of short term nature and realisable at the values at which carried in the books, interest rate fluctuations do not have significant impact on the carrying value of these deposits.

The effective interest rate on bank borrowings during the year was 5.91% (December 31, 2021: 5.66%).

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

	Carrying amount	
	2022	2021
	USD ('000)	USD ('000)
Fixed rate instruments		
Cash and cash equivalents	35,606	40,593
Variable rate instruments		
Bank borrowings	310,914	394,890
Interest rate swaps	3,340	38,213

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		Equity	
	100 bp Increase	*100 bp Decrease*	*100 bp Increase*	*100 bp Decrease*
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
December 31, 2022				
Bank borrowings	(3,641)	2,575	-	-
Interest rate swap	3,333	(3,333)	4,415	(4,560)
Cash flow sensitivity (net)	(308)	(758)	4,415	(4,560)
December 31, 2021				
Bank borrowings	(4,408)	942	-	-
Interest rate swap	3,933	(3,933)	8,184	(8,520)
Cash flow sensitivity (net)	(475)	(2,991)	8,184	(8,520)

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.

The Company has 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 LIBOR regulators. The regulators have clarified that, at the end of 2021, it will no longer seek to persuade or compel banks to submit LIBORs.

In response to the announcements, the Company was supported by Shareholder's team formed to manage the transition in the initial stage. An international law firm was appointed to undertake a review of the relevant documentation to understand the impact and deliver an action plan to undertake the transition from IBORs to the risk-free-rates (RFR) with appropriate adjustments before USD LIBOR cessation date of June 2023. The project is planned to be carried out in two phases (i) Phase 1 (Due Diligence Phase) and Phase 2 (Implementation Phase).

Phase 1 of the project was completed during the last quarter of 2022 with feedback from the Shareholders team managing the project, followed by the engagement of an external legal advisor by the Company to provide necessary guidance and support in Phase 2.

Based on the transition plan, the Company has launched the process with the lenders by sharing the proposed terms for transition to the new RFR and a timeline for the next steps including the agreement on the proposed amendments and securing of necessary consent by end of 2023-Q1. At the close of the year 2022, the Company received comments from the lenders on the proposed terms and is in a process of discussion to reach common acceptable terms for all lenders. The Company expects to complete the implementation phase by early 2023-Q2.

Refer to note 21 for details of the hedging instruments and hedged items in the 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 Company's earnings will be affected as a result of fluctuations in currency exchange rates.

The Company is exposed to currency risk on liabilities for commitments under the LTPRA, bank borrowings and certain purchases denominated in foreign currencies. The majority of the foreign currency payments are in US dollars, except for payments under LTPRA. The Company has effectively hedged approximately 50% of its currency rate risk relating to its commitments under the LTPRA by way of entering into currency forward contracts. The Company perceives the currency risk, on the transactions denominated in Bahraini Dinars, to be low, as the US dollar is pegged against the Bahraini Dinar.

Exposure to currency risk

The Company's significant exposure to currency risk was as follows:

	2022		2021	
	USD ('000)	*Euro ('000)*	*USD ('000)*	*Euro ('000)*
Estimated cost of LTPRA*	(22,218)	(15,232)	(28,771)	(19,689)
Notional amount of the currency forward contracts	(11,109)	(7,616)	(20,140)	(13,872)

**cash flows to occur over 3 years*

Sensitivity analysis for currency risk

A 10 percent strengthening (weakening) of the USD against the Euro at December 31 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss		**Equity**	
	10% Strengthening	*10% Weakening*	*10% Strengthening*	*10% Weakening*
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
December 31, 2022				
Notional amount of the currency forward contracts	794	(794)	-	-
Net result	794	(794)	-	-
December 31, 2021				
Notional amount of the currency forward contracts	1,580	(1,580)	-	-
Net result	1,580	(1,580)	-	-

Capital management

The Board's policy is to maintain investor, lender and Government confidence and to be able to meet the requirements of the PWPA. The Company is currently significantly leveraged. The Board of Directors monitors that there is sufficient capital to ensure smooth working of the current operations.

The Company maintains a project lifetime financial model which is reviewed and updated on a six monthly basis. The management uses this model to plan cash flows and ensures that the Company continues to meet debt covenants. The Company has complied with all other externally imposed capital requirements throughout the year.

23. 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.

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
	USD ('000)s	USD ('000)	USD ('000)
December 31, 2022			
Receivables	-	23,735	23,735
Cash and cash equivalents	-	35,606	35,606
Other financial assets	681		681
	681	59,341	60,022
Bank borrowings	-	310,914	310,914
Other financial liabilities	6,041	10,113	16,154
	6,041	321,027	327,068

	At fair value	Amortised cost	Total carrying Amount
	USD ('000)	USD ('000)	USD ('000)
December 31, 2021			
Receivables	-	46,386	46,386
Cash and cash equivalents	-	40,593	40,593
	-	86,979	86,979
Bank borrowings	-	394,890	394,890
Other financial liabilities	42,365	34,626	76,991
	42,365	429,516	471,881

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.

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	**Level 2**	**Level 3**	**Total**
December 31, 2022				
Assets				
Derivative financial instruments	-	681	-	681
Liabilities				
Derivative financial instruments	-	6,041	-	6,041

	Level 1	Level 2	Level 3	Total
December 31, 2021				
Liabilities				
Derivative financial instruments	-	42,365	-	42,365

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.

24. APPROPRIATIONS

The Annual General Meeting was held in May 2022. The Company is obligated to transfer the excess cash flow as the mandatory prepayment in respect of the Bullet Repayment under the Commercial Bank Facility agreement and hence, no cash dividend was declared for the year ended December 31, 2021.

25. CONTINGENCY

The Company has received dispute notices and correspondence against their invoices to Electricity and Water Authority, Kingdom of Bahrain on the revenue components, primarily on water revenues related to the capacity shortfall and delivery of non-conforming water, which is defined as water that fails to conform to the Potable Water Delivery Specification as described in the Power and Water Purchase Agreement ("PWPA").

A total amount of USD 18,710 thousand (2021: USD 17,512 thousand) has already been deducted from the payment of invoices billed as of December 31, 2022, which in the opinion of the Company, is not fully in line with the PWPA. The Company is assertive of recovering the outstanding receivable partially and is continuing its effort to resolve the disputed matters amicably with the off-taker. Nevertheless, as a matter of prudence, the Company has made a provision for already deducted amounts in full and other potential deductions of revenue charges.