# MUSANDAM POWER COMPANY SAOG

## Unaudited financial statements for the period ended.
## 30 September 2023

**MUSANDAM POWER COMPANY SAOG**

# Unaudited financial statements
*for the period ended 30 September 2023*

## Contents

# Unaudited statement of financial position

*as at 30 September 2023*

| | Notes | 30 September 2023 RO '000 | Audited 31 December 2022 RO '000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets:** | | | |
| Property, plant, and equipment | 5 | **66,577** | 68,069 |
| **Current assets:** | | | |
| Inventories | 6 | **3,313** | 3,403 |
| Trade and other receivables | 7 | **21,580** | 23,648 |
| Cash and bank balances | 8 | **1,080** | 1,522 |
| **Total current assets** | | **25,973** | 28,573 |
| **Total assets** | | **92,550** | 96,642 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity:** | | | |
| Share capital | 9 | **7,039** | 7,039 |
| Legal reserve | 10 | **1,810** | 1,515 |
| Retained earnings | | **3,849** | 3,133 |
| **Total equity** | | **12,698** | 11,687 |
| **Non-current liabilities:** | | | |
| Senior facility loan | 11(a) | **50,737** | 52,590 |
| Provision for asset retirement obligation | 13 | **189** | 183 |
| Lease liability | 14 | **105** | 100 |
| Deferred tax liability | 20(c) | **4,069** | 3,672 |
| Employees' end-of-service benefits | | **4** | 3 |
| **Total non-current liabilities** | | **55,104** | 56,548 |
| **Current liabilities:** | | | |
| Senior facility loan | 11(a) | **3,357** | 3,249 |
| Lease liability | 14 | **3** | 3 |
| Trade and other payables | 12 | **21,388** | 20,655 |
| Short-term loan facility | 11(b) | **-** | 4,500 |
| **Total current liabilities** | | **24,748** | 28,407 |
| **Total liabilities** | | **79,852** | 84,955 |
| **Total equity and liabilities** | | **92,550** | 96,642 |
| **Net assets per share** | 24 | **0.180** | 0.166 |

**Chairman** **Director**

The accompanying notes form an integral part of these financial statements.

## Unaudited statement of profit or Profit and other comprehensive income

*for the nine months period ended 30 September 2023*

| | Notes | **30 September 2023 RO '000** | 30 September 2022 RO '000 |
|---|---|---|---|
| Revenue | 15 | **15,776** | 15,536 |
| Operating costs | 16 | **(9,268)** | (8,612) |
| **Gross profit** | | **6,508** | 6,924 |
| General and administrative expenses | 17 | **(827)** | (779) |
| Finance costs | 18 | **(2,330)** | (2,213) |
| **Profit before tax** | | **3,351** | 3,932 |
| Tax expense | 20(a) | **(397)** | (592) |
| **Profit and total comprehensive income for the period** | | **2,954** | 3,340 |
| **Basic and diluted profit per share for the period** | 23 | **0.042** | 0.047 |

The accompanying notes form an integral part of these financial statements.

## Unaudited statement of changes in equity

*for the nine months period ended 30 September 2023*

| | Share capital RO '000 | Legal reserve RO '000 | Retained earnings RO '000 | Total RO '000 |
|---|---|---|---|---|
| At 1 January 2022 | 7,039 | 1,250 | 2,848 | 11,137 |
| Profit and total comprehensive income for the period | - | - | 3,340 | 3,340 |
| Transfer to legal reserve (note 10) | - | 334 | (334) | - |
| Dividends paid (note 27) | - | - | (2,097) | (2,097) |
| At 30 September 2022 | 7,039 | 1,584 | 3,757 | 12,380 |
| | | | | |
| At 1 January 2023 | **7,039** | **1,515** | **3,133** | **11,687** |
| Profit and total comprehensive income for the period | **-** | **-** | **2,954** | **2,954** |
| Transfer to legal reserve (note 10) | **-** | **295** | **(295)** | **-** |
| Dividends paid (note 27) | **-** | **-** | **(1,943)** | **(1,943)** |
| **At 30 September 2023** | **7,039** | **1,810** | **3,849** | **12,698** |

The accompanying notes form an integral part of these financial statements.

## Unaudited statement of cash flows

*for the nine months period ended 30 September 2023*

| | Notes | **30 September 2023 RO '000** | 30 September 2022 RO '000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Profit before tax | | **3,351** | 3,932 |
| **Adjustments for:** | | | |
| Finance costs | 18 | **2,325** | 2,208 |
| Provision for slow-moving inventories | | **11** | 11 |
| Finance cost on lease liability | | **5** | 5 |
| Depreciation of property, plant, and equipment | 5 | **1,506** | 1,495 |
| | | **7,198** | 7,651 |
| **Operating cash flows before working capital changes** | | | |
| Inventories | | **79** | 311 |
| Trade and other receivables | | **2,068** | (4,809) |
| Trade and other payables | | **5** | 2,828 |
| **Net cash generated from operating activities** | | **9,350** | 5,981 |
| **Cash flows from investing activities:** | | | |
| Purchase of property, plant, and equipment | 5 | **(14)** | (3) |
| **Net cash used in investing activities** | | **(14)** | (3) |
| **Cash flows from financing activities:** | | | |
| Proceeds from short-term loan facility | 11(b) | **2,000** | 8,000 |
| Repayment of short-term loan facility | | **(6,500)** | (7,500) |
| Repayment of senior facilities loan | | **(1,795)** | (2,097) |
| Dividends paid | 27 | **(1,943)** | (2,097) |
| Finance costs paid | | **(1,540)** | (1,466) |
| **Net cash used in financing activities** | | **(9,778)** | (5,160) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(442)** | 818 |
| Cash and cash equivalents at the beginning of the period | | **1,522** | 1,707 |
| **Cash and cash equivalents at the end of the period** | 8 | **1,080** | 2,525 |

The accompanying notes form an integral part of these financial statements.

# Notes
*(Forming part of the financial statements)*

## 1. Nature of operations
Musandam Power Company SAOG (the "Company") is primarily engaged in the design, construction, ownership, financing, operation, and maintenance of a dual fuel power plant (the "Plant") with natural gas as the primary fuel and diesel oil as the alternative fuel with a capacity of 120 Mega Watt (MW) located in Wilayat Bukha in the Musandam Governorate, the Sultanate of Oman (the "Project"). The Company is selling the electrical energy generated to Oman Power and Water Procurement Company SAOC ("OPWP"). The Company commenced its commercial operations on 17 June 2017.

## 2. General information and compliance with IFRSs
The Company was registered and incorporated as a closed joint stock company in the Sultanate of Oman on 18 November 2014. The Shareholders at the Company's Extraordinary General Meeting held on 28 May 2019 approved the conversion of the Company from a Closed Joint Stock Company ("SAOC") to a Public Joint Stock Company ("SAOG") by offering its shares for public subscription. The Company was listed on the Muscat Securities Exchange ("MSX") on 5 December 2019 and became a listed public company.

The registered office of the Company is PO Box 228, PC 134, Muscat, Sultanate of Oman.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standard Board (IASB).

**Significant agreements:**
The Company has entered into the following significant agreements:

- An Engineering, Procurement, and Construction ("EPC") contract with Wartsila Muscat LLC (the "EPC contractor") to carry out and complete all design, engineering, procurement, and construction of the power plant and implement the Project.
- A Long-Term Services Agreement ("LTSA") with the EPC contractor.
- A Power Purchase Agreement ("PPA') with OPWP to sell the electricity generated from the Plant.
- A Natural Gas Sales Agreement ("NGSA") with the Integrated Gas Company SAOC ("IGC") to purchase natural gas for the Plant. ******
- An operation and maintenance agreement with the EPC contractor to operate and maintain the Plant.
- A diesel purchase agreement with the Al Maha Petroleum Products Marketing Company SAOG.
- An electrical connection agreement with the Oman Electricity Transmission Company SAOC ("OETC") for the evacuation of the electricity generated from the Plant.
- Usufruct Agreement with the Ministry of Housing and Urban Planning ("MOH") for the project site, temporary areas, and OETC substation area.
- A senior facility loan agreement with the Bank Muscat SAOG as the lead banker to fund the costs of the Project.

** *Effective from 1st January 2023, vide Ministry of Energy & Minerals Ministerial decision No [19/2023] (the **MEM** transfer decision) and Ministerial Decision No. 248/2022 of the Minister of the Finance (the **MOF** decision), the MOF has established a Wholly owned Oman Government Company named **Integrated Gas Company SAOC** and set the mandate to transfer all the agreements related to the gas sale, purchase, supply, transportation, and related agreements from the **Ministry of Energy & Minerals** (the "MEM") to the **IGC** per the MEM transfer decision.*

# Notes

*(Forming part of the financial statements)*

## 3. New or revised Standard or Interpretations

### 3.1 New and revised Standards that are effective for annual periods beginning on or after 1 January 2023

Some accounting pronouncements that have become effective from 1 January 2023 and have therefore been adopted do not have a significant impact on the Company's financial results or position.

### 3.2 Standards, amendments, and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the Company and no Interpretations have been issued that are applicable and need to be taken into consideration by the Company at either reporting date.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments, and Interpretations not adopted in the current period have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

## 4. Summary of significant accounting policies

### 4.1 Statement of compliance

The financial statements have been prepared using the measurement bases specified by IFRSs for each type of asset, liability, income, and expense. The measurement bases are more fully described in the accounting policies below.

The significant accounting policies set out below have been applied consistently by the Company to all years presented in these financial statements.

### 4.2 Going concern assumption

Management has, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the Company's financial statements.

### 4.3 Presentation of financial statements

The financial statements are prepared in accordance with the IAS 1 *Presentation of Financial Statements*.

### 4.4 Foreign currency translation

**Functional and presentation currency**

The financial statements are presented in Rial Omani (RO) which is also the functional currency of the Company, and all values are rounded to the nearest thousands (RO '000) except where otherwise stated.

## Notes

*(Forming part of the financial statements)*

## 4. Summary of significant accounting policies (continued)

### 4.4 Foreign currency translation (continued)

**Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and the re-measurement of monetary items in the statement of financial position at year-end exchange rates are recognised in the statement of profit or loss and other comprehensive income within the ‘other income’ or ‘other expense’.

In the Company’s financial statements, all items and transactions of the Company with a presented currency other than the Rial Omani (the Company’s presentation currency) were translated into the presentation currency. Assets and liabilities have been translated into the Rial Omani at the closing rate at the reporting date. Income and expenses have been translated into the Company’s presentation currency at the average rates over the reporting period.

Non-monetary items are not retranslated at the year's end. They are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

### 4.5 Property, plant, and equipment

Property, plant, and equipment are initially recognised at acquisition cost, including any cost directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Property, plant, and equipment are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Plant and machinery | 40 years |
| Building and civil works | 40 years |
| Furniture and fixtures | 3 years |
| Computer and office equipment | 3 years |
| Motor vehicles | 3 years |

Capital spares are recognised in the carrying amount of the affected item of property, plant, and equipment when it is put in use. The carrying amount of the replaced item is derecognised. When it is not practical to determine the carrying amount of the replaced part, the cost of the capital spares may be used as an indication of what the cost of the replaced part was at the time it was acquired.

## Notes
*(Forming part of the financial statements)*

## 4. Summary of significant accounting policies (continued)

### 4.5 Property, plant, and equipment (continued)
Expenditure incurred to replace a component of an item of property, plant, and equipment that is capitalised if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant, and equipment. All other expenditure is recognised in the statement of profit or loss and other comprehensive income as the expense is incurred. When each major inspection is performed, its cost is recognised in the carrying amount of the property, plant, and equipment as a replacement if the recognition criteria are satisfied and the carrying amounts of the replaced components are written off to the statement of profit or loss and other comprehensive income.

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

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

### 4.6 Capital work-in-progress
Capital work-in-progress is stated at cost, with less impairment, if any. When commissioned, capital work-in-progress is transferred to the appropriate property, plant, and equipment category and depreciated in accordance with the Company's policy.

### 4.7 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 indications exist, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows as a cash generating units.

## Notes

*(Forming part of the financial statements)*

## 4. Summary of significant accounting policies (continued)

### 4.8 Leases

**The Company as a lessee**

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

**Lease liability**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease or, if that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.
- uses a build-up approach that starts with a risk-free interest rate; and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives; and
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is presented as a separate line item in the statement of financial position. Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used.
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

# Notes

*(Forming part of the financial statements)*

## 4. Summary of significant accounting policies (continued)

### 4.8 Leases (continued)

**Right-of-use asset**

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use asset is depreciated over the shorter period of the lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cast of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use asset is presented as a separate line item in the property, plant and equipment. The Company applies IAS 36 *"Impairment of assets"* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the note 4.7.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Operating expenses" in the statement of profit or loss and other comprehensive income.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement- The Company has not used this practical expedient.

**The Company as lessor**

The Company has entered into a Power Purchase Agreement ("PPA") with Oman Power and Water Procurement Company SAOC ("OPWP") on take or pay arrangement for the sale of electricity generated by the Company to OPWP. PPA does not take the legal form of a lease but convey the rights to OPWP to use the Company's power generation plant in return for payments as defined in the contract. Contracts meeting these criteria are identified as either operating leases or finance leases.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (for capacity revenue refer revenue accounting policy). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

## Notes
*(Forming part of the financial statements)*

## 4. Summary of significant accounting policies (continued)

### 4.9 Financial instruments
Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

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 are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**Classification of financial assets**
Financial assets that meet the following conditions are measured subsequently at amortised cost:

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

The Company does not have any financial assets recognised at fair value through other comprehensive income and at fair value through profit or loss.

The Company's financial assets include trade and other receivables and cash and bank balances. These financial assets are measured at amortised cost.

**Amortised cost and effective interest rate method**
For financial instruments, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

## Notes

*(Forming part of the financial statements)*

## 4. Summary of significant accounting policies (continued)

### 4.9 Financial instruments (continued)

**Amortised cost and effective interest rate method (continued)**

Interest income is recognised using the effective interest method and is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Interest income is recognised in the statement of profit or loss and other comprehensive income as a finance income.

**Impairment of financial assets**

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including the time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. The assessment of whether lifetime expected credit losses should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime expected credit losses represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month expected credit losses represent the portion of lifetime expected credit losses that are expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

***Significant increase in credit risk***

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relates to the Company's core operations.

# Notes

*(Forming part of the financial statements)*

## 4. Summary of significant accounting policies (continued)

### 4.9 Financial instruments (continued)

**Impairment of financial assets (continued)**

***Significant increase in credit risk (continued)***

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external, if available, or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has an external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

## Notes

*(Forming part of the financial statements)*

## 4. Summary of significant accounting policies (continued)

### 4.9 Financial instruments (continued)

**Impairment of financial assets (continued)**

***Definition of default***

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

***Credit-impaired financial assets***

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

***Write-off***

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the statement of profit or loss and other comprehensive income.

***Measurement and recognition of expected credit losses***

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

# Notes

*(Forming part of the financial statements)*

## 4. Summary of significant accounting policies (continued)

### 4.9 Financial instruments (continued)

**Impairment of financial assets (continued)**

***Measurement and recognition of expected credit losses (continued)***
For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period but determines at the current reporting date that the conditions for lifetime expected credit losses are no longer met, the Company measures the loss allowance at an amount equal to 12-month lifetime expected credit losses at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in the statement of profit or loss and other comprehensive income for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

***Derecognition of financial assets***
The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of profit or loss and other comprehensive income.

***Classification as debt or equity***
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in the statement of profit or loss and other comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss, the Company does not have any liabilities measured at fair value through profit or loss. Financial liabilities are measured subsequently at amortised cost using the effective interest method.

## Notes

*(Forming part of the financial statements)*

## 4. Summary of significant accounting policies (continued)

### 4.9 Financial instruments (continued)

***Foreign exchange gains and losses***

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised as the 'other gains and losses' in the statement of profit or loss and other comprehensive income.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

***Derecognition of financial liabilities***

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit or loss and other comprehensive income.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 4.10 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plans main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Probable inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are disclosed as contingent assets.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

## Notes

*(Forming part of the financial statements)*

## 4. Summary of significant accounting policies (continued)

### 4.11 Post employment benefits and short term employee benefits

The provision for employees' end-of-service benefits is based upon the liability accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law, 2003 and the Social Security Law, 1991.

***Government of Oman Social Insurance Scheme (the Scheme)***

The Company contributes to the Scheme for all Omani employees. The Scheme, which is a defined contributions retirement plan, is administered by the Government of Oman. The Company and Omani employees are required to make monthly contributions to the Scheme at prescribed rates of gross salaries.

***Non-Omani employee terminal benefits***

The provision for end of service benefits for non-Omani employees is made in accordance with the requirements of the Oman Labour Law of 2003. Employees are entitled to end of service benefits calculated at the rate of 15 days basic salary for each of the first three years of continuous service and at a rate of 30 days basic salary for each year of continuous service following the first three years. This is an unfunded defined benefits retirement plan. Accrued non-Omani staff terminal benefits are payable on termination of employment.

### 4.12 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank. Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value and have maturity of three months or less at the date of acquisition.

### 4.13 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Taxation is provided for in accordance with Omani fiscal regulations.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

# Notes

*(Forming part of the financial statements)*

## 4. Summary of significant accounting policies (continued)

### 4.13 Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax assets and liabilities on a net basis, or their tax assets and liabilities will be realised simultaneously.

Income tax relating to items recognised directly in equity is recognised in the statement of changes in equity and not in the statement of profit or loss and other comprehensive income.

### 4.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 4.15 Interest bearing loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### 4.16 Revenue

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The tariff structure under the PPA is comprised of power capacity (includes investment charge and fixed operation and maintenance charge), electrical energy and fuel charges components.

***Capacity revenue***

The PPA with OPWP is considered as a lease within the context of IFRS 16 and has been classified as an operating lease under IFRS 16. Under the PPA, the Company is entitled to the capacity charges for each hour during which the plant is available for power generation. Power capacity investment charge is treated as lease revenue under IFRS 16 and is recognised on a straight-line basis over the lease term. Fixed operation and maintenance charge is recognised based on the capacity made available in accordance with contractual terms stipulated in the PPA.

***Other revenue from contracts with customers***

Revenue is measured based on the terms specified in the contract with a customer. The Company recognizes electrical energy and fuel charges revenue when it transfers the control of a product or service to a customer i.e., when electricity is delivered, and the customer has accepted the deliveries and the control has been transferred to the customer. Energy charge and fuel charge is determined based on the fuel and variable cost of power.

## Notes

*(Forming part of the financial statements)*

## 4. Summary of significant accounting policies (continued)

### 4.16 Revenue (continued)

***Other revenue from contracts with customers (continued)***

No revenue is recognised if it is not probable that the Company will collect the consideration to which the Company will be entitled in exchange for the goods or services that will be transferred to customers. In evaluating whether the collectability of an amount of consideration is probable, the Company considers only the customers' ability and intention to pay that amount of consideration when it is due.

The Company has a long-term agreement with OPWP which determines performance obligation, transaction price and allocates the transaction price to each of the separate performance obligations. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

The Company does not adjust any of the transaction prices for time value of money as the period between the transfer of the promised goods or services to the customer and payment by the customer does not exceed one year and the sales are made with agreed credit terms which are in line with the industry practice.

### 4.17 Asset retirement obligation

The provision for asset retirement obligation is recognised when there is a present obligation as a result of asset constructed on land under usufruct contracts with MOH, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of provision can be measured reliably. The estimated future obligations include the costs of removing the facilities and restoring the affected areas. A corresponding asset is recognised as a part of plant and machinery in property, plant and equipment and depreciated accordingly.

The provision for asset retirement obligation is a best estimate of the present value of expected costs required to settle the obligation, at the reporting date based on the current requirements of the Usufruct agreement, using estimated cash flows. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the asset retirement obligation. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss and other comprehensive income as a finance cost.

### 4.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. As of reporting date, inventories consist of spares, diesel, and lube oil.

### 4.19 Directors' sitting fees and remuneration

The Board of Directors sitting fees and remuneration are calculated as per the guidelines prescribed by the CMA and these are approved by the Shareholders in the ordinary annual general meeting of the Company.

### 4.20 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Shareholders.

## Notes

*(Forming part of the financial statements)*

## 4. Summary of significant accounting policies (continued)

### 4.21 Earnings and net assets per share

The Company presents earnings per share ("EPS") and net assets per share for its ordinary shares. Basic EPS is calculated by dividing the net profit or loss attributable to ordinary Shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Net assets per share is calculated by dividing the net assets attributable to ordinary Shareholders of the Company by the number of ordinary shares outstanding during the year. Net assets for the purpose are defined as total equity.

### 4.22 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO") who manages the Company on a day-to-day basis, as per the directives given by the Board of Directors that makes strategic decisions.

### 4.23 Significant management judgement in applying accounting policies and estimation uncertainty.

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, revenue and expenses.

### Significant management judgements

The following are the judgements made by management in applying the accounting policies of the Company that have the most significant effect on these financial statements.

**Lease classification**

The Company has entered into PPA with OPWP to generate electricity and make available the power capacity from its Plant.

Management believes that IFRIC 12 *"Service Concession Arrangements"* is not applicable to the arrangement as the residual interest is borne by the Company and not OPWP. The estimated useful life of the power plant of 40 years takes into account the Company's right to extend the land lease under a Usufruct Agreement for an additional term of 25 years. Furthermore, the residual value of the assets will have substantial value at the conclusion of the PPA and the Company will be able to continue to generate revenue through supply of power taking into account the government's future plans to deregulate the power sector in Oman.

## Notes
*(Forming part of the financial statements)*

## 4. Summary of significant accounting policies (continued)

### 4.23 Significant management judgement in applying accounting policies and estimation uncertainty (continued)

### Significant management judgements (continued)

**Lease classification (continued)**
Management considers the requirements of IFRS 16 *"Leases"*, which sets out guidelines to determine when an arrangement might contain a lease. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Once a determination is reached that an arrangement contains a lease, the lease arrangement is classified as either financing or operating according to the principles in IFRS 16. A lease that conveys the majority of the risks and rewards of operation is a finance lease. A lease other than a finance lease is an operating lease.

Based on management's evaluation, the PPA with OPWP is considered as a lease within the context of IFRS 16 and has been classified as an operating lease since significant risks and rewards associated with the ownership of the plant lies with the Company and not with OPWP.

The primary basis for this conclusion is that the PPA is for a term of 15 years while the economic life of the power plant is estimated to be 40 years. The present value of minimum lease payments under the PPA does not substantially recover the fair value of the plant at the inception of the lease.

**Fuel incremental costs**
The Company and IGC have entered into NGSA, which includes a clause for reimbursement of the incremental fuel oil costs (this represents an amount by which the cost of fuel oil is more than the cost of Natural Gas). Due to the shortage of the natural gas supply, the Company has incurred additional fuel oil costs to maintain the operations of the Plant (since the commercial operation date).

The Company has recognised reimbursement of incremental fuel oil cost as allowed under NGSA and based on the correspondence with IGC and OPWP in respect of this matter. The Company has received confirmation from OPWP that the parameters used by the Company in the calculation of the incremental fuel oil costs does not materially differ from their basis.

# Notes

*(Forming part of the financial statements)*

## 4. Summary of significant accounting policies (continued)

### 4.23 Significant management judgement in applying accounting policies and estimation uncertainty (continued)

#### Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

**Useful lives and residual values of property, plant and equipment**

Depreciation is charged so as to write-off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating life, the maintenance programs, and normal wear and tear using its best estimates. Management reviews its estimate of the useful lives and residual values of depreciable assets at each reporting date based on the expected utility of the assets. The carrying amounts are analysed in note 5.

**Income tax**

Uncertainties exist with respect to the interpretation of the tax regulations and the amount of timing of future taxable income. Differences arising between the actual result and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimate, for possible consequences of the finalisation of the tax assessment of the Company. The amount of such provision is based on various factors, such as experience of previous assessment and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

**Estimating the incremental borrowing rate - leases**

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

**Provision for decommissioning costs**

Management uses the best estimate of the present value of the expenditure required to settle the decommissioning obligation at the reporting date based on the current requirements. Future decommissioning costs are reviewed annually and any changes in the estimate are reflected in the present value of the decommissioning provision at each reporting date.

## Notes
*(Forming part of the financial statements)*

## 5. Property, plant, and equipment

| | Plant and machinery RO '000 | Buildings and civil works RO '000 | Furniture and fixtures RO '000 | Computer and office equipment RO '000 | Motor Vehicles RO '000 | Right-of-use asset RO '000 | Total RO '000 |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| At 1 January 2022 | 58,498 | 20,716 | 32 | 31 | 44 | 113 | 79,434 |
| Additions | - | - | - | 31 | - | - | 31 |
| At 1 January 2023 | **58,498** | **20,716** | **32** | **62** | **44** | **113** | **79,465** |
| Additions | **-** | **-** | **1** | **13** | **-** | **-** | **14** |
| **At 30 September 2023** | **58,498** | **20,716** | **33** | **75** | **44** | **113** | **79,479** |
| **Depreciation:** | | | | | | | |
| At 1 January 2022 | 6,771 | 2,523 | 30 | 16 | 44 | 15 | 9,399 |
| Charge for the year | 1,463 | 518 | 1 | 10 | - | 5 | 1,997 |
| At 1 January 2023 | **8,234** | **3,041** | **31** | **26** | **44** | **20** | **11,396** |
| Charge for the period | **1,085** | **401** | **1** | **15** | **-** | **4** | **1,506** |
| **At 30 September 2023** | **9,319** | **3,442** | **32** | **41** | **44** | **24** | **12,902** |
| **Net book value:** | | | | | | | |
| **At 30 September 2023** | **49,179** | **17,274** | **1** | **34** | **-** | **89** | **66,577** |
| At 31 December 2022 | 50,264 | 17,675 | 1 | 36 | - | 93 | 68,069 |

Right-of-use asset represents the land leased from MOH (note 14) on which the Company's power plant is constructed.

The depreciation charged for the period is allocated as follows:

| | **30 September 2023 RO '000** | 30September 2022 RO '000 |
|---|---|---|
| Operating costs (note 16) | **1,486** | 1,486 |
| General and administrative expenses (note 17) | **20** | 10 |
| | **1,506** | 1,496 |

## Notes

*(Forming part of the financial statements)*

## 6. Inventories

| | **30 September 2023 RO '000** | Audited 31 December 2022 RO '000 |
|---|---|---|
| Stores and spares | **1,433** | 1,342 |
| Fuel and lube oil | **1,913** | 2,083 |
| | **3,346** | 3,425 |
| Less: Provision for slow-moving inventories | **(33)** | (22) |
| | **3,313** | 3,403 |

Movement in the provision for slow-moving inventories is as follows:

| | **30 September 2023 RO '000** | Audited 31 December 2022 RO '000 |
|---|---|---|
| As at 1 January | **22** | 7 |
| Charge during the period | **11** | 15 |
| | **33** | 22 |

## 7. Trade and other receivables

| | **30 September 2023 RO '000** | Audited 31 December 2022 RO '000 |
|---|---|---|
| Trade receivables (i) | **4,456** | 925 |
| Other receivables (ii) | **17,113** | 22,592 |
| Prepaid expenses | **11** | 131 |
| | **21,580** | 23,648 |

(i) The Company has one customer OPWP which is included in the trade receivables balance as of the reporting date. The average credit period on the invoices raised to the OPWP on the generation/sale of electricity is 25 days.

(ii) Other receivables include RO 16,950 thousand (2022: RO 22,338 thousand) which the Company has billed Integrated Gas Company SAOC (IGC) for incremental fuel oil costs due to the shortage of the gas supply (note 4.23 and 19a).

Note 22 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

## 8. Cash and bank balances

| | **30 September 2023 RO '000** | Audited 31 December 2022 RO '000 |
|---|---|---|
| Cash in hand | **2** | 2 |
| Cash at bank | **1,078** | 1,520 |
| | **1,080** | 1,522 |

There are no restrictions on bank balances at the time of approval of the financial statements.

## Notes
*(Forming part of the financial statements)*

## 9. Share capital

| | 30 September 2023 RO '000 | Audited 31 December 2022 RO '000 |
|---|---|---|
| Authorised share capital represents 200,000,000 shares of RO 0.1 each (2022: 200,000,000 shares of RO 0.1 each) | **20,000** | 20,000 |
| Issued and fully paid-up share capital represents 70,390,000 shares of RO 0.1 each (2022: 70,390,000 shares of RO 0.1 each) | **7,039** | 7,039 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

**Shareholders details**
The Shareholders of the Company, who own 10% or more of the Company's share and the number of shares held by them during 2023 and 2022 are as follows:

| | Number of shares held ('000) | Percentage of shareholding |
|---|---|---|
| Oman Oil Facilities Development Company LLC | **29,564** | **42** |
| LX International Corp. | **12,670** | **18** |

## 10. Legal reserve

In accordance with the Commercial Companies Law of Sultanate of Oman, 2019, annual appropriations of 10% of the profit for the period are made to this reserve until the accumulated balance of the reserve is equal to one-third of the Company's paid-up share capital. Accordingly, during the period RO 295 thousand (31 December 2022: RO 265 thousand) is transferred to the legal reserve. The reserve is not available for distribution.

# Notes

*(Forming part of the financial statements)*

## 11. Borrowings

### a) Senior facility loan

| | 30 September 2023 RO '000 | Audited 31 December 2022 RO '000 |
|---|---|---|
| As at 1 January | **56,433** | 60,053 |
| Less: Repayments made during the period | **(1,795)** | (3,620) |
| As at 30 September (gross) | **54,638** | 56,433 |
| Less: Deferred financing charges | **(544)** | (594) |
| As at 30 September (net) | **54,094** | 55,839 |
| Less: Current portion | **(3,357)** | (3,249) |
| **Non-current portion** | **50,737** | 52,590 |

The senior facility loan is denominated in Rials Omani and carries an interest rate of 5.25% (January 2022 to September 2022: 4.6%; October 2022 Onwards: 5.25%) per annum. The loan is to be repaid in half-yearly installments commencing on 30 June 2017, with the last installment scheduled on 17 December 2031. The loan is subject to applicable financial covenants and DSRA requirements.

The loan is secured by:

- Legal mortgage over the Company's immovable assets.
- Pledge over shares of some of the Shareholders.
- Pledge over the project accounts.
- Assignment/charge over all of the Company's rights, titles, and interest in and to the project documents, the insurances and reinsurance, the consents, and any other material agreements to which the Company is a party and other material property, asset, and revenue of the Company.

### b) Short-term loan facility

During the period, the Company obtained a short-term loan facility of RO 2 million from a commercial bank and repaid RO 6.5 million including the outstanding balance of RO 4.5 million at the year ending 2022. During the period, the short-term loan facility carried an interest rate of 3.5% per annum. Net balance at the end of the period is nill.

## Notes

*(Forming part of the financial statements)*

## 11. Borrowings (continued)

### c) Reconciliation of financing cash flows

A reconciliation between opening and closing balances in the statement of financial position for liabilities that result in financing cash flows is presented below:

| **Borrowings** | **As at 1 January** | **Proceeds / (repayments) during the period** | **Non-cash changes** | **As at 30 September** |
|---|---|---|---|---|
| **30 September 2023** | **RO '000** | **RO '000** | **RO '000** | **RO '000** |
| Short-term loan facility | **4,500** | **(4,500)** | **-** | **-** |
| Senior facility loan | **55,839** | **(1,795)** | **50** | **54,094** |
| | **60,339** | **(6,295)** | **50** | **54,094** |

| 31 December 2022 | As at 1 January | Proceeds / (repayments) during the year | Non-cash changes | Audited As at 31 December |
|---|---|---|---|---|
| | RO '000 | RO '000 | RO '000 | RO '000 |
| Short-term loan facility | 2,500 | 2,000 | - | 4,500 |
| Senior facility loan | 59,393 | (3,620) | 66 | 55,839 |
| | 61,893 | (1,620) | 66 | 60,339 |

## 12. Trade and other payables

| | **30 September 2023** | Audited 31 December 2022 |
|---|---|---|
| | **RO '000** | RO '000 |
| Trade payables (i) | **18,838** | 19,324 |
| Accrued expenses and provisions | **2,550** | 1,331 |
| | **21,388** | 20,655 |

(i) Trade payables include RO 18,249 thousand (2022: RO 14,718 thousand) payable to Integrated Gas Company SAOC (IGC) for the supply of gas (note 19a).

## 13. Provision for asset retirement obligation

Under the Usufruct Agreement with the MOH, the Company has an obligation to remove the plant and restore the land to its original condition. During the previous years, the Company appointed an independent external firm with relevant expertise to reassess the estimated provision for asset retirement obligation. Based on the expert's report, the provision is maintained. The movement in the provision for asset retirement obligation is as follows:

| | **30 September 2023** | Audited 31 December 2022 |
|---|---|---|
| | **RO '000** | RO '000 |
| As at 1 January | **183** | 174 |
| Unwinding of discount | **6** | 9 |
| | **189** | 183 |

## Notes

*(Forming part of the financial statements)*

## 14. Lease liability

| | **30 September 2023 RO '000** | Audited 31 December 2022 RO '000 |
|---|---|---|
| Gross lease liability related to right-of-use asset | **185** | 185 |
| Future finance charges on finance leases | **(77)** | (82) |
| Present value of lease liability | **108** | 103 |
| | | |
| The maturity of lease liability is as follows: | | |
| Not later than 1 year | **3** | 3 |
| Later than 1 year | **105** | 100 |
| | **108** | 103 |

## 15. Revenue

| | **30 September 2023 RO '000** | 30 September 2022 RO '000 |
|---|---|---|
| **Revenue from the contract with the customer** | | |
| Capacity charges | **9,746** | 9,798 |
| Energy charges | **1,787** | 1,643 |
| Other charges | **4,243** | 4,095 |
| | **15,776** | 15,536 |

## 16. Operating costs

| | **30 September 2023 RO '000** | 30 September 2022 RO '000 |
|---|---|---|
| Fuel cost | **4,293** | 3,744 |
| Operating and maintenance expenses | **2,934** | 2,864 |
| Depreciation expense (note 5) | **1,486** | 1,486 |
| Connection fees | **209** | 209 |
| Insurance costs | **205** | 205 |
| Other expenses | **141** | 104 |
| | **9,268** | 8,612 |

## Notes

*(Forming part of the financial statements)*

### 17. General and administrative expenses

| | **30 September 2023 RO '000** | 30 September 2022 RO '000 |
|---|---|---|
| Staff costs | **440** | 382 |
| Office expenses | **130** | 123 |
| Directors' remuneration and sitting fees (note 19 (d)) | **203** | 187 |
| Professional charges | **34** | 26 |
| Depreciation expense (note 5) | **20** | 10 |
| Receivable write-off | **-** | 49 |
| Other expenses | **-** | 2 |
| | **827** | 779 |

### 18. Finance costs

| | **30 September 2023 RO '000** | 30 September 2022 RO '000 |
|---|---|---|
| Interest on senior facility loan | **2,193** | 2,042 |
| Amortization of deferred finance charges (note 11) | **50** | 50 |
| Unwinding of discount on asset retirement obligation | **6** | 7 |
| Interest on short-term loan facility | **70** | 103 |
| Other finance charges | **11** | 11 |
| | **2,330** | 2,213 |

### 19. Related party transactions and balances

Related parties comprise the Shareholders, directors, key management personnel and business entities which have the ability to control or exercise significant influence in financial and operating decisions. Terms of these transactions are approved by the Company's Board and Management.

Government of Sultanate of Oman (the "Government") indirectly owns 42% (2022: 42%) of the Company's shares. The Company has applied the exemptions in IAS 24 'Related Party Disclosures' related to transactions with the Government and other entities controlled, jointly controlled, or significantly influenced by the Government. In this respect, the Company has disclosed certain information, to meet the disclosure requirements of IAS 24, in this note.

## Notes

*(Forming part of the financial statements)*

## 19. Related party transactions and balances (continued)

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

**a) Due from/to government and other state-controlled entity**

| | **30 September 2023 RO '000** | Audited 31 December 2022 RO '000 |
|---|---|---|
| Trade receivable due from state-controlled entity (note 7) | **4,456** | 925 |
| Other receivables due from government (note 7) | **16,950** | 22,338 |
| Due to government (note 12) | **18,249** | 14,718 |

**Transactions**

Transactions with related parties included in the financial statements are as follows:

| | **30 September 2023 RO '000** | Audited 31 December 2022 RO '000 |
|---|---|---|
| **b) Transactions with entities related to the major shareholder** | | |
| Non-SLA support services provided by OQ Gas Network Company SAOC | **-** | 59 |
| Transfer of gas facility (GPRS) spare parts to OQ Gas Network Company SAOC | **-** | 8 |
| **c) Transactions with government and state-controlled entities** | | |
| Purchase of gas from Integrated Gas Company SAOC | **3,746** | 2,818 |
| Fuel incremental cost charge to Integrated Gas Company SAOC | **874** | 8,815 |
| Revenue from Oman Power and Water Procurement Company SAOC | **15,776** | 18,474 |
| Connection charges to Oman Electricity Transmission Company SAOC | **209** | 278 |
| **d) Directors' remuneration and sitting fees** | **203** | 160 |
| **e) Key management remuneration** | **198** | 260 |

## Notes
*(Forming part of the financial statements)*

## 20. Taxation

The tax rate applicable to the Company is 15% (2022: 15%). For the purpose of determining the taxable result for the period, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations, and practices.

No provision for the current tax has been made in these financial statements in view of cumulative taxable losses incurred by the Company as at 30 September 2023. The Company has recognized deferred tax assets on the tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilized. No deferred tax asset has been recognized on the cumulative tax losses up to 30 September 2023 in the amount of RO 2.921 million (2022 - RO 4.497 million) as the Company does not expect to have sufficient taxable profits in the future years against which such tax losses will be adjusted.

The deferred tax on all temporary differences has been calculated and dealt with in the statement of profit or loss and other comprehensive income.

### a) The taxation charge for the period is comprised of:

| | **30 September 2023 RO '000** | 30 September 2022 RO '000 |
|---|---|---|
| Deferred tax expense | **397** | 592 |

### b) Tax reconciliation

The following is a reconciliation of income taxes calculated on accounting profits at the applicable tax rate with the income tax expense for the period. The reconciliation of the accounting profit with the taxation charge in the financial statements is as follows:

| | **30 September 2023 RO '000** | 30 September 2022 RO '000 |
|---|---|---|
| Profit before tax | **3,351** | 3,932 |
| | | |
| Taxation @ 15% (2022: 15%) | **503** | 590 |
| **Add: Tax effect of:** | | |
| Change in recognised temporary differences | **(244)** | - |
| Tax loss carried forward for set off against future taxable net profits | **138** | - |
| Deferred tax – prior period | **-** | 2 |
| Tax expense | **397** | 592 |

## Notes

*(Forming part of the financial statements)*

## 20. Taxation (continued)

### c) Deferred tax liability

| | As at 1 January | Recognised during the period | As at 30 September |
|---|---|---|---|
| | RO '000 | RO '000 | RO '000 |
| **2023** | | | |
| ***Taxable temporary differences*** | | | |
| Effect of accelerated tax depreciation | **(4,281)** | **(263)** | **(4,544)** |
| Right-of-use asset | **(14)** | **1** | **(13)** |
| ***Deductible temporary differences*** | | | |
| Provision for asset retirement | **27** | **2** | **29** |
| Provision for obsolete inventories | **3** | **2** | **5** |
| Lease liability | **15** | **1** | **16** |
| Tax losses | **578** | **(140)** | **438** |
| | **(3,672)** | **(397)** | **(4,069)** |

| | As at 1 January | Recognised during the year | As at 31 December Audited |
|---|---|---|---|
| 2022 | RO '000 | RO '000 | RO '000 |
| ***Taxable temporary differences*** | | | |
| Effect of accelerated tax depreciation | (3,749) | (532) | (4,281) |
| Right-of-use asset | (16) | 2 | (14) |
| ***Deductible temporary differences*** | | | |
| Provision for assets retirement | 26 | 1 | 27 |
| Provision for obsolete inventories | - | 3 | 3 |
| Lease liability | 17 | (2) | 15 |
| Tax losses | 523 | 55 | 578 |
| | (3,199) | (473) | (3,672) |

### d) Tax status

The Company's tax assessments have been finalised till the year 2018 by the Secretariat General for Taxation. At the end of the reporting period, management considers that the amount of additional taxes, if any, that may become payable on finalisation of the unassessed tax years would not be material to the Company's financial position.

## 21. Commitments

**Operation and maintenance commitment**

As per the O&M agreement, Wartsila Muscat LLC will operate and maintain the Company's plant until 16 June 2025. Under the O&M agreement, the Company shall pay the fixed operating fee. The initial agreement signed on July 2015, was expired on 16 June 2022. The initial agreement is renewed for another 3+1+1 years, and it is effective immediately after the expiry of the initial agreement.

All fees are subject to the agreed indexation as per the O&M agreement. The minimum future payments under the O&M agreement (excluding indexation) are as follows:

## Notes
*(Forming part of the financial statements)*

## 21. Commitments (continued)

### Operation and maintenance commitment (continued)

| | **30 September 2023 RO '000** | Audited 31 December 2022 RO '000 |
|---|---|---|
| Due within one year | **1,120** | 1,120 |
| Due after one year but within five years | **793** | 1,633 |
| | **1,913** | 2,753 |

As per the LTSA Agreement, Wartsila Muscat LLC will operate and maintain the Company's plant until 16 June 2032. Under the LTSA agreement, the Company shall pay the fixed operating fee.

All fees are subject to 3% indexation. The minimum future payments under the LTSA (excluding indexation) are as follows:

| | **30 September 2023 RO '000** | Audited 31 December 2022 RO '000 |
|---|---|---|
| Due within one year | **438** | 438 |
| Due after one year but within five years | **1,753** | 1,753 |
| Due after five years | **1,644** | 1,972 |
| | **3,835** | 4,163 |

## 22. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including price risk, foreign currency risk, and interest rate risk), liquidity risk, and credit risk. However, the Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

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. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has entrusted the Management with the responsibility of developing and monitoring the Company's risk management policies and procedures and its compliance with them.

**Market risk**
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and 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.

***Price risk***
The permitted tariff (prices) for the generation of electricity is determined in accordance with the PPA with OPWP. Hence, the Company is not subject to significant price risk.

# Notes

*(Forming part of the financial statements)*

## 22. Financial risk management (continued)

**Market risk (continued)**

***Foreign currency risk***

Foreign exchange risk arises when transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US Dollar. The Rial Omani is pegged to the US Dollar. Since most of the Company's foreign currency transactions are in US Dollars or other currencies linked to the US Dollar, management believes that exchange rate fluctuations would have an insignificant impact on the Company's pre-tax profit.

***Interest rate risk***

The Company is not exposed to interest rate risk on its borrowings as they carry fixed interest rate. At the reporting date, the interest rate risk profile of the Company's interest-bearing financial instruments was:

| | **30 September 2023 RO '000** | Audited 31 December 2022 RO '000 |
|---|---|---|
| Borrowings (senior and short-term loan facilities) | **54,094** | 60,339 |

***Fair value sensitivity analysis for fixed-rate instruments***

The Company does not account for any fixed-rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect the statement of profit or loss and other comprehensive income.

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade and other receivables and cash balances held with banks.

As at reporting date, the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

The Company has a significant concentration of credit risk with the Government of the Sultanate of Oman represented by the Integrated Gas Company SAOC ("IGC") and Oman Power and Water Procurement Company SAOC ("OPWP"). Under the terms of the PPA and NGSA, as disclosed in note 2, the Company's sales and fuel incremental costs are billed wholly to OPWP (indirectly wholly owned by the Government) and IGC (as disclosed in note 4) respectively. Therefore, the Company's credit risk on receivables from OPWP and IGC is limited.

In order to minimize credit risk, the management develops and maintains the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information.

## Notes
*(Forming part of the financial statements)*

## 22. Financial risk management (continued)

**Credit risk (continued)**
The Company's current credit risk grading framework comprises the following categories:

| **Category** | **Description** | **Basis for recognising expected credit losses** |
|---|---|---|
| Performing | The counterparty has a low risk of default and does not have any past-due amounts | 12-month ECL |
| Doubtful | Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition | Lifetime ECL – not credit-impaired |
| In default | Amount is >90 days past due or there is evidence indicating the asset is credit-impaired | Lifetime ECL – credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery | Amount is written off |

The tables below detail the credit quality of the Company's financial assets, as well as the Company's maximum exposure to credit risk by credit risk rating agencies:

| **30 September 2023** | **External credit rating** | **12-month or lifetime ECL** | **Gross carrying amount RO'000** | **Loss allowance RO'000** | **Net carrying amount RO'000** |
|---|---|---|---|---|---|
| Trade and other receivables | Ba2 | Lifetime | **21,406** | **-** | **21,406** |
| Cash at bank | Ba2 | 12 months | **1,078** | **-** | **1,078** |
| | | | **22,484** | **-** | **22,484** |
| | | | | | |
| 31 December 2022 (Audited) | | | | | |
| Trade and other receivables | Ba2 | Lifetime | 23,263 | - | 23,263 |
| Cash at bank | Ba2 | 12 months | 1,520 | - | 1,520 |
| | | | 24,783 | - | 24,783 |

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECL using the simplified approach. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has not accounted for ECL against OPWP and IGC receivables because these are government and/or government-owned entities and taking into account the historical default experience and the current credit ratings of the Government, the management of the Company has assessed that there is no significant impairment loss.

## Notes

*(Forming part of the financial statements)*

## 22. Financial risk management (continued)

**Credit risk (continued)**

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are overdue two years past due. None of the trade receivables that have been written off are subject to enforcement activities.

The Company's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the reporting date, as summarised below:

| | | | **Past due** | | | |
|---|---|---|---|---|---|---|
| **Gross carrying amount:** | **Carrying amount RO'000** | **Not due RO'000** | **Up to 90 days RO'000** | **Up to 365 days RO'000** | **Over 365 days RO'000** | **Total RO'000** |
| **30 September 2023** | | | | | | |
| Trade and other receivables | **21,406** | **2,017** | **3,312** | **5,255** | **10,822** | **21,406** |
| Cash at bank | **1,078** | **1,078** | **-** | **-** | **-** | **1,078** |
| | **22,484** | **3,095** | **3,312** | **5,255** | **10,822** | **22,484** |
| 31 December 2022 (Audited) | | | | | | |
| Trade and other receivables | 23,263 | 925 | 2,453 | 6,552 | 13,333 | 23,263 |
| Cash at bank | 1,520 | 1,520 | - | - | - | 1,520 |
| | 24,783 | 2,445 | 2,453 | 6,552 | 13,333 | 24,783 |

**Bank balances**

Balances with bank are assessed to have low credit risk of default since this bank is highly regulated by the central bank. Accordingly, the management of the Company estimates the loss allowance on balances with bank at the end of the reporting period at an amount equal to 12-month ECL. None of the balances with bank at the end of the reporting period are past due and taking into account the historical default experience and the current credit ratings of the bank, the management of the Company has assessed that there is no significant impairment, and hence have not recorded any loss allowances on these balances.

The Company limits its credit risk with regard to bank balance deposits by only dealing with reputable bank and financial institution with strong credit ratings. The Company's bank accounts are placed with a reputed financial institution having an appropriate credit rating.

## Notes
*(forming part of the financial statements)*

## 22. Financial risk management (continued)

**Liquidity risk**

The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Further, the Company maintains sufficient bank balances.

The table below summarises the maturities of the Company's undiscounted financial liabilities at the reporting date. Further, the Company maintains sufficient bank balances and having adequate working capital facilities.

| | **Less than 3 months RO '000** | **3 to 12 months RO '000** | **1 to 5 years RO '000** | **More than 5 years RO '000** | **Total RO '000** |
|---|---|---|---|---|---|
| **30 September 2023** | | | | | |
| Trade and other payables | **21,388** | **-** | **-** | **-** | **21,388** |
| Senior facility loan | **2,900** | **3,295** | **24,461** | **41,755** | **72,411** |
| Lease liability | **-** | **10** | **41** | **134** | **185** |
| | **24,288** | **3,305** | **24,502** | **41,889** | **93,984** |
| 31 December 2022 (Audited) | | | | | |
| Trade and other payables | 20,655 | - | - | - | 20,655 |
| Senior facility loan | - | 6,164 | 24,560 | 44,951 | 75,675 |
| Short-term loan facility | 3,500 | 1,000 | - | - | 4,500 |
| Lease liability | - | 10 | 41 | 134 | 185 |
| | 24,155 | 7,174 | 24,601 | 45,085 | 101,015 |

**Categories of financial instruments**

| | **30 September 2023 RO '000** | Audited 31 December 2022 RO '000 |
|---|---|---|
| *Financial assets (at amortised cost)* | | |
| Cash and bank balances | **1,080** | 1,522 |
| Trade and other receivables | **21,569** | 23,517 |
| | **22,649** | 25,039 |
| *Financial liabilities (at amortised cost)* | | |
| Senior facility loan | **54,094** | 55,839 |
| Short-term loan facility | **-** | 4,500 |
| Lease liability | **108** | 103 |
| Trade and other payables | **21,388** | 20,655 |
| | **75,590** | 81,097 |

**Fair value of financial instruments**

The fair values of financial instruments are not materially different from their carrying values.

## Notes
*(forming part of the financial statements)*

## 22. Financial risk management (continued)

**Capital management**
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to provide an adequate return to Shareholders.

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain the future development of the business. The capital structure of the Company comprises share capital, reserves, and retained earnings. Debt comprises loan facilities from banks and lease liability. The Company is not subject to externally imposed capital requirements except those under the Commercial Companies Law of the Sultanate of Oman.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares, or sell assets to reduce debt. During the period, there was no change in the capital management policy of the Company.

**Gearing ratio**
The gearing ratio at the end of the reporting period was as follows:

| | **30 September 2023 RO '000** | Audited 31 December 2022 RO '000 |
|---|---|---|
| Debt (senior and short loan term facilities) | **54,094** | 60,339 |
| Cash and bank balances | **(1,080)** | (1,522) |
| Net debt | **53,014** | 58,817 |
| Equity | **12,698** | 11,687 |
| Net debt to equity ratio | **417%** | 503% |

## 23. Basic and diluted earnings per share

| | **30 September 2023** | 30 September 2022 |
|---|---|---|
| Net profit attributable to ordinary Shareholders of the Company for basic and diluted earnings per share (RO '000) | **2,954** | 3,340 |
| Weighted average number of shares (in '000s) | **70,390** | 70,390 |
| Earnings per share (RO) | **0.042** | 0.047 |

There is no difference between basic and diluted earnings per share because the Company has not issued any instruments that would have an impact on earnings per share when exercised.

## Notes
*(forming part of the financial statements)*

### 24. Net assets per share
Net assets per share is calculated by dividing the net assets attributable to the ordinary Shareholders of the Company at the reporting date by the weighted average number of ordinary shares outstanding during the period.

| | **30 September 2023** | Audited 31 December 2022 |
|---|---|---|
| Net assets (RO in '000) | **12,698** | 11,687 |
| Number of shares outstanding at period end ('000s) | **70,390** | 70,390 |
| Net assets per share (RO) | **0.180** | 0.166 |

### 25. Segment information
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the strategic decisions maker, which is the CEO. The Company's operating activities are disclosed in note 1 to the financial statements. The strategic business unit offers similar services and is managed as one segment. For the strategic business unit, the CEO reviews internal management reports on a monthly basis. Performance is measured based on the profit before income tax, as included in the internal management reports. The CEO considers the business of the Company as one operating segment and monitors accordingly. The requirements of IFRS 8: Operating Segments - paragraphs 31 to 34 relating to entity wide disclosures have been covered under statements of financial position, profit or loss and other comprehensive income and also in notes to the financial statements.

### 26. Operating lease arrangement where the Company acts as a lessor
As disclosed in notes 1 and 4 of these financial statements, the arrangement between the Company and OPWP under the PPA is covered under IFRS 16 Leases and such arrangement in substance represents an operating lease under IFRS 16 Leases. The lease commenced on 17 June 2017. The following is the total of future minimum lease receipts expected to be received under the PPA:

| | **30 September 2023 RO '000** | Audited 31 December 2022 RO '000 |
|---|---|---|
| Due within one year | **11,170** | 11,170 |
| Due after one year but within five years | **45,768** | 45,768 |
| Due after five years | **39,492** | 47,869 |
| | **96,430** | 104,807 |

## Notes
*(forming part of the financial statements)*

## 27. Dividends

On 8th February 2022, the Board of Directors proposed a final cash dividend for 2021 of Baisas 13.8 per share amounting to RO 0.971 million which was paid on 27th March 2022. The dividend was approved by the Shareholders in the Annual General Meeting held on 10th March 2022.

On 14th September 2022, the Board of Directors approved an interim cash dividend of Baizas 16.0 per share amounting to RO 1.126 million which was paid on 20th September 2022. The dividend was approved by the Shareholders in the Annual General Meeting held on 10th March 2022.

On 7th February 2023, the Board of Directors proposed a final cash dividend for 2022 of Baizas 13.8 per share amounting to RO 0.971 million which was paid on 21st March 2023. The dividend was approved by the shareholders in an Annual General Meeting held on 6th March 2023.

On 12th September 2023, the Board of Directors approved an interim cash dividend of Baizas 13.8 per share amounting to RO 0.971 million which was paid on 18th September 2023. The dividend was approved by the shareholders in an Annual General Meeting held on 6th March 2023.

## 28. Comparative figures

Comparative figures for the previous period have been reclassified/re-arranged wherever necessary to conform with the presentation in the current period financial statements.

## 29. Approval of the financial statements

The financial statements were approved by the board and authorized to be issued on 29th October 2023.