

**Financial Statements and Independent Auditor's Report**

**MUSANDAM POWER COMPANY SAOG**

**31 December 2023**

# MUSANDAM POWER COMPANY SAOG

<b>Contents</b>	<b>Pages</b>
Independent auditor's report	1-5
Statement of financial position	6
Statement of profit or loss and other comprehensive income	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10 – 45

## Independent Auditor's Report

To the Shareholders of  
Musandam Power Company SAOG  
PO Box 228  
PC 134  
Muscat, Sultanate of Oman

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Musandam Power Company SAOG (the “Company”), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a material accounting policies.

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

#### Basis for Opinion

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

## Independent Auditor's Report (continued)

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Useful life of the generation plant</b></p> <p>The Company operates its generation plant (the "plant") under a Power Purchase Agreement ("PPA") entered with Oman Power and Water Company SAOC ("OPWP"), which is the single buyer of power for all projects within the Sultanate of Oman. The PPA is for 15 years, expiring in June 2032 and has been determined to be an operating lease. The total cost of the plant and other associated assets was initially recognised during 2017 as plant and machinery in the financial statements of the Company with an estimated useful life of 40 years. The carrying amount of the plant and machinery and building and civil works as at 31 December 2023 was RO 65.958 million.</p> <p>The useful life of the plant is based on management's technical assessment of factors which are subject to judgement and accordingly contains significant estimation uncertainty. In addition, the estimated useful life that has been assumed by management is more than the term of the PPA as the plant will have an economic viability beyond the initial term of 15 years covered by the current PPA.</p> <p>In making its assessment of the plant's useful life, management appointed an independent expert in 2018 to prepare a cash flow model for the plant's entire expected operating life-cycle and the cash flow implications of the various options that may apply after the initial 15 year PPA. This includes consideration of a potential contract extension or the implementation of a merchant market arrangement. The valuation expert has assessed the useful life of the plant considering various factors such as the plant's operating cycles, maintenance programs, normal wear and tear and future cash flow forecasts. Management are of the view that the plant will be economically viable and will continue to operate after the PPA has expired.</p>	<p>In relation to the key audit matter, our procedures included the following:</p> <ul style="list-style-type: none"> <li>• Evaluating the design and implementation of controls around the estimation of useful life of the plant;</li> <li>• At the time the initial evaluation was performed, we evaluated the appropriateness and reasonableness of the assumptions (including checking inputs relevant to our audit used in the model and reperforming the arithmetical accuracy of the sections in the model which were relevant for audit purposes) considered by the independent valuation expert for the cash-flow forecasts pertaining to post-PPA period;</li> <li>• We re-assessed the relevance and appropriateness of the assumptions detailed above by making enquiries of management as to: <ul style="list-style-type: none"> <li>○ the current status of operations of the plant, including the future plans and utilisation of the plant after the end of the PPA; and</li> <li>○ the Company's right to extend the land lease under a Usufruct Agreement for an additional term;</li> </ul> </li> <li>• Obtained OPWP's latest seven year statement (2021-2027) published for the power sector in the Oman and Musandam region where the Company operates, which substantiates the Company's strategic position in the region;</li> <li>• Obtained OPWP's plans for implementation of a merchant market arrangement;</li> <li>• Reassessing the reasonableness of the useful life of the plant and the depreciation method used by comparing it with other power companies in the country which have operating plants with similar technology; and</li> </ul>

## Independent Auditor's Report (continued)

### Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>We focused on this area as a key audit matter because the estimation of the useful life of the plant impacts the measurement of accumulated depreciation. This involves application of judgments as to how the plant will be utilised post-PPA period and is a matter that is reconsidered annually by management for any changes that may affect the original assessment.</p> <p>Refer to notes 4 and 5 to the financial statements for further details.</p>	<ul style="list-style-type: none"> <li>Reassessing the continuing adequacy of the disclosures in these financial statements relating to asset lives and the judgments surrounding them to determine if they are in accordance with IFRSs.</li> </ul>

### Other Information

Management is responsible for the other information. The other information comprises annual report, Board of Directors' report, Corporate governance report and Management Discussion and Analysis report but does not include the financial statements and auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the relevant disclosure requirements of the Capital Market Authority and the Commercial Companies Law of the Sultanate of Oman, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## Independent Auditor's Report (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide the those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Independent Auditor's Report (continued)**

### **Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements of the Company for the year ended 31 December 2023 comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of the Sultanate of Oman, 2019, and disclosure requirements issued by the Capital Market Authority.

**Nasser Al Mugheiry**  
**Licence No. L2054901**  
**ABU TIMAM**  
*(Chartered Certified Accountants)*

**12-FEB-2024**

**Statement of financial position***as at 31 December 2023*

	Notes	31 December 2023 RO '000	31 December 2022 RO '000
<b>ASSETS</b>			
<b>Non-current assets:</b>			
Property, plant and equipment	5	<u>66,102</u>	<u>68,069</u>
<b>Current assets:</b>			
Inventories	6	3,204	3,403
Trade and other receivables	7	1,300	23,648
Cash and bank balances	8	<u>508</u>	<u>1,522</u>
<b>Total current assets</b>		<u>5,012</u>	<u>28,573</u>
<b>Total assets</b>		<u><b>71,114</b></u>	<u><b>96,642</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity:</b>			
Share capital	9	7,039	7,039
Legal reserve	10	1,709	1,515
Retained earnings		<u>2,941</u>	<u>3,133</u>
<b>Total equity</b>		<u><b>11,689</b></u>	<u><b>11,687</b></u>
<b>Non-current liabilities:</b>			
Senior facility loan	11(a)	49,232	52,590
Provision for asset retirement obligation	13	192	183
Lease liability	14	97	100
Deferred tax liability	20(c)	4,007	3,672
Employees' end of service benefits		<u>10</u>	<u>3</u>
<b>Total non-current liabilities</b>		<u><b>53,538</b></u>	<u><b>56,548</b></u>
<b>Current liabilities:</b>			
Senior facility loan	11(a)	3,458	3,249
Lease liability	14	3	3
Trade and other payables	12	926	20,655
Short term loan facility	11(b)	<u>1,500</u>	<u>4,500</u>
<b>Total current liabilities</b>		<u><b>5,887</b></u>	<u><b>28,407</b></u>
<b>Total liabilities</b>		<u><b>59,425</b></u>	<u><b>84,955</b></u>
<b>Total equity and liabilities</b>		<u><b>71,114</b></u>	<u><b>96,642</b></u>
<b>Net assets per share</b>	24	<u><b>0.166</b></u>	<u><b>0.166</b></u>

These financial statements on pages 6 to 45 were approved by the Board of Directors on 12 February 2024 and were signed on its behalf by:

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

The accompanying notes on pages 10 to 45 form an integral part of these financial statements.

The report of the Auditor is set forth on page 1.



**Statement of profit or loss and other comprehensive income***for the year ended 31 December 2023*

	Notes	Year ended 31 December 2023 RO '000	Year ended 31 December 2022 RO '000
Revenue	15	18,731	18,474
Operating costs	16	(12,259)	(11,311)
<b>Gross profit</b>		<b>6,472</b>	<b>7,163</b>
General and administrative expenses	17	(1,110)	(1,016)
Finance costs	18	(3,082)	(3,027)
<b>Profit before tax</b>		<b>2,280</b>	<b>3,120</b>
Tax expense	20(a)	(335)	(473)
<b>Profit and total comprehensive income for the year</b>		<b>1,945</b>	<b>2,647</b>
<b>Basic and diluted earnings per share for the year</b>	23	<b>0.028</b>	<b>0.038</b>

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**Statement of changes in equity***for the year ended 31 December 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 year	-	-	2,647	2,647
Transfer to legal reserve (note 10)	-	265	(265)	-
Dividends paid (note 27)	-	-	(2,097)	(2,097)
At 31 December 2022	<b>7,039</b>	<b>1,515</b>	<b>3,133</b>	<b>11,687</b>
At 1 January 2023	<b>7,039</b>	<b>1,515</b>	<b>3,133</b>	<b>11,687</b>
Profit and total comprehensive income for the year	-	-	<b>1,945</b>	<b>1,945</b>
Transfer to legal reserve (note 10)	-	<b>194</b>	<b>(194)</b>	-
Dividends paid (note 27)	-	-	<b>(1,943)</b>	<b>(1,943)</b>
At 31 December 2023	<b>7,039</b>	<b>1,709</b>	<b>2,941</b>	<b>11,689</b>

The accompanying notes on pages 10 to 45 form an integral part of these financial statements.

The report of the Auditor is set forth on page 1.

**Statement of cash flows***for the year ended 31 December 2023*

	Notes	<b>Year ended 31 December 2023 RO ‘000</b>	<b>Year ended 31 December 2022 RO ‘000</b>
<b>Cash flows from operating activities:</b>			
Profit before tax		<b>2,280</b>	3,120
<b>Adjustments for:</b>			
Finance costs	18	<b>3,075</b>	3,020
Provision for slow moving inventories	6	<b>15</b>	15
Provision for employees’ end of service benefits		<b>6</b>	1
Finance cost on lease liability		<b>7</b>	7
Depreciation of property, plant and equipment	5	<b>2,007</b>	1,997
<b>Operating cash flows before working capital changes</b>		<b>7,390</b>	8,160
Inventories		<b>184</b>	(37)
Trade and other receivables		<b>22,348</b>	(4,597)
Trade and other payables		<b>(19,698)</b>	2,962
<b>Net cash generated from operating activities</b>		<b>10,224</b>	6,488
<b>Cash flows from investing activities:</b>			
Additions to property, plant and equipment	5	<b>(40)</b>	(31)
<b>Net cash used in investing activities</b>		<b>(40)</b>	(31)
<b>Cash flows from financing activities:</b>			
Proceeds from short term loan facility	11(b)	<b>3,500</b>	10,500
Repayment of short term loan facility		<b>(6,500)</b>	(8,500)
Repayment of senior facility loan		<b>(3,249)</b>	(3,620)
Repayment of lease liability		<b>(10)</b>	(10)
Dividends paid	27	<b>(1,943)</b>	(2,097)
Finance costs paid		<b>(2,996)</b>	(2,915)
<b>Net cash used in financing activities</b>		<b>(11,198)</b>	(6,642)
<b>Net decrease in cash and cash equivalents</b>		<b>(1,014)</b>	(185)
Cash and cash equivalents at the beginning of the year		<b>1,522</b>	1,707
<b>Cash and cash equivalents at the end of the year</b>	8	<b>508</b>	1,522

The accompanying notes on pages 10 to 45 form an integral part of these financial statements.

The report of the Auditor is set forth on page 1.

## 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 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 Al Maha Petroleum Products Marketing Company SAOG.
- An electrical connection agreement with 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 Bank Muscat SAOG as the lead banker to fund the costs of the Project.

*\*\*Effective from 1 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 **IGC** per the MEM transfer decision.*

## Notes

*(forming part of the financial statements)*

### 3. New or revised Standard or Interpretations

#### 3.1 New Standards adopted as at 1 January 2023

Some accounting pronouncements which 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 year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

### 4. Material 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 material 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. Material 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 from 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 historic 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. Material 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 the 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, 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 cash-generating units.

## Notes

*(forming part of the financial statements)*

### 4. Material 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. Material accounting policies (continued)

#### 4.8 Leases (continued)

##### **Right-of-use asset**

The right-of-use asset comprise 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 lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost 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 do 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. Material 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 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 has 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. Material 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 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 represents 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 represents the portion of lifetime expected credit losses that is 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 relate to the Company's core operations.

## Notes

*(forming part of the financial statements)*

### 4. Material 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 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 significant increase in credit risk before the amount becomes past due.

## Notes

*(forming part of the financial statements)*

### 4. Material 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. Material 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 has 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. Material 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. Material 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, 2023 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 2023, as amended. Employees are entitled to end of service benefits calculated at the rate of 30 days basic salary for each year of continuous service. 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. Material 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. Material 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 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 is 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 Ministry of Housing and Urban Planning, 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. Material 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. Material 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 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 MEM 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 MEM and OPWP in respect of this matter. The Company has received the 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.

##### Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on 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.

## Notes

*(forming part of the financial statements)*

### 4. Material accounting policies (continued)

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

##### Estimation uncertainty (continued)

###### Income tax

Uncertainties exist with respect to 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	Capital work- in-progress RO '000	Total RO '000
<b>Cost:</b>								
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	-	-	-	16	-	-	24	40
<b>At 31 December 2023</b>	<b>58,498</b>	<b>20,716</b>	<b>32</b>	<b>78</b>	<b>44</b>	<b>113</b>	<b>24</b>	<b>79,505</b>
<b>Depreciation:</b>								
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 year	1,463	518	1	19	-	6	-	2,007
<b>At 31 December 2023</b>	<b>9,697</b>	<b>3,559</b>	<b>32</b>	<b>45</b>	<b>44</b>	<b>26</b>	<b>-</b>	<b>13,403</b>
<b>Net book value:</b>								
<b>At 31 December 2023</b>	<b>48,801</b>	<b>17,157</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>87</b>	<b>24</b>	<b>66,102</b>
At 31 December 2022	50,264	17,675	1	36	-	93	-	68,069

The Company's immovable assets are mortgaged against senior facility loan (note 11).

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

The depreciation charged for the year is allocated as follows:

	Year ended 31 December 2023 RO '000	Year ended 31 December 2022 RO '000
Operating costs (note 16)	1,981	1,981
General and administrative expenses (note 17)	26	16
	<b>2,007</b>	<b>1,997</b>

## Notes

(forming part of the financial statements)

### 6. Inventories

	31 December 2023 RO '000	31 December 2022 RO '000
Stores and spares	1,473	1,342
Fuel and lube oil	1,768	2,083
	<u>3,241</u>	<u>3,425</u>
Less: Provision for slow moving inventories	(37)	(22)
	<u>3,204</u>	<u>3,403</u>

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

	31 December 2023 RO '000	31 December 2022 RO '000
As at 1 January	22	7
Charge during the year	15	15
As at 31 December	<u>37</u>	<u>22</u>

### 7. Trade and other receivables

	31 December 2023 RO '000	31 December 2022 RO '000
Trade receivables (i)	933	925
Other receivables (ii)	238	22,592
Prepaid expenses	129	131
	<u>1,300</u>	<u>23,648</u>

- (i) The Company has only one customer, OPWP, which is included in the trade receivables balance as at the reporting date.
- (ii) Other receivables include RO 125 thousand (2022: RO 22,337 thousand) receivables from Integrated Gas Company SAOC for incremental fuel oil costs due to shortage of the supply (note 19).

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

	31 December 2023 RO '000	31 December 2022 RO '000
Cash at bank	506	1,520
Cash in hand	2	2
	<u>508</u>	<u>1,522</u>

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

	<b>31 December 2023 RO ‘000</b>	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)	<u><b>20,000</b></u>	<u>20,000</u>
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)	<u><b>7,039</b></u>	<u>7,039</u>

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 number of shares held by them during 2023 and 2022 are as follows:

	<b>31 December Number of shares held (‘000)</b>	<b>Percentage of shareholding</b>
Oman Oil Facilities Development Company LLC	<b>29,564</b>	<b>42%</b>
LX International Corp.	<u><b>12,670</b></u>	<u><b>18%</b></u>

### 10. Legal reserve

In accordance with the Commercial Companies Law of Sultanate of Oman, 2019, annual appropriations of 10% of the profit for the year 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. During the year, RO 194 thousand (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

	31 December 2023 RO '000	31 December 2022 RO '000
As at 31 December	52,690	55,839
Less: Current portion	(3,458)	(3,249)
<b>Non-current portion</b>	<b>49,232</b>	<b>52,590</b>

The senior facility loan is denominated in Rials Omani and carries interest rate of 5.25% per annum (2022: 5.25% per annum). The loan is to be repaid in half yearly instalments commencing on 30 June 2017, with the last instalment 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 (note 5).
- 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's, 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 year, the Company has obtained a short-term loan facility of RO 3.5 million (2022: RO 10.50 million) from a commercial bank and repaid RO 4.50 million of the outstanding balance at the year ended 2022 and RO 2.00 million repaid of the short term facility made in 2023, repaying a total of RO 6.50 million (2022: RO 8.50 million). During the year, the short-term facilities carried an interest rate of 3.75 % per annum (2022: 3.5% per annum). Net balance at the end of the year is RO 1.50 million (2022: RO 4.50 million).

## 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:

<b>Borrowings</b>	<b>As at 1 January RO'000</b>	<b>Proceeds / (repayments) during the year RO'000</b>	<b>Non-cash changes RO'000</b>	<b>As at 31 December RO'000</b>
<b>31 December 2023</b>				
Short term loan facility	4,500	(3,000)	-	1,500
Senior facility loan	55,839	(3,249)	100	52,690
	<u>60,339</u>	<u>(6,249)</u>	<u>100</u>	<u>54,190</u>
<b>31 December 2022</b>				
Short term loan facility	2,500	2,000	-	4,500
Senior facility loan	59,393	(3,620)	66	55,839
	<u>61,893</u>	<u>(1,620)</u>	<u>66</u>	<u>60,339</u>

### 12. Trade and other payables

	<b>31 December 2023 RO '000</b>	<b>31 December 2022 RO '000</b>
Trade payables (i)	10	19,324
Accrued expenses and provisions	916	1,331
	<u>926</u>	<u>20,655</u>

- (i) Trade payables include RO Nil (2022: RO 15,018 thousand) payable to Integrated Gas Company SAOC for supply of gas (note 19).

### 13. Provision for asset retirement obligation

Under the Usufruct Agreement with the Ministry of Housing and Urban Planning, 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:

	<b>31 December 2023 RO '000</b>	<b>31 December 2022 RO '000</b>
As at 1 January	183	174
Unwinding of discount	9	9
As at 31 December	<u>192</u>	<u>183</u>

## Notes

(forming part of the financial statements)

### 14. Lease liability

	31 December 2023 RO '000	31 December 2022 RO '000
Gross lease liability related to right-of-use asset	175	185
Future finance charges on finance leases	(75)	(82)
Present value of lease liability	<u>100</u>	<u>103</u>

The maturity of lease liability is as follows:

Not later than 1 year	3	3
Later than 1 year	97	100
	<u>100</u>	<u>103</u>

### 15. Revenue

	Year ended 31 December 2023 RO '000	Year ended 31 December 2022 RO '000
<b>Revenue from contract with customer</b>		
Capacity charges	11,036	11,094
Energy charges	2,311	2,133
Other charges	5,384	5,247
	<u>18,731</u>	<u>18,474</u>

### 16. Operating costs

	Year ended 31 December 2023 RO '000	Year ended 31 December 2022 RO '000
Fuel cost	5,673	4,847
Operating and maintenance expenses	3,882	3,749
Depreciation expense (note 5)	1,981	1,981
Connection fees	278	278
Insurance costs	273	269
Other expenses	172	187
	<u>12,259</u>	<u>11,311</u>

## Notes

(forming part of the financial statements)

### 17. General and administrative expenses

	Year ended 31 December 2023 RO '000	Year ended 31 December 2022 RO '000
Staff costs	579	499
Office expenses	201	239
Directors' remuneration and sitting fees (note 19)	225	160
Other receivable written-off	-	49
Professional charges	67	39
Depreciation expense (note 5)	26	16
Other expenses	12	14
	<b>1,110</b>	<b>1,016</b>

### 18. Finance costs

	Year ended 31 December 2023 RO '000	Year ended 31 December 2022 RO '000
Interest on senior facility loan	2,989	2,873
Interest on short term loan facility	70	130
Other finance charges	23	24
	<b>3,082</b>	<b>3,027</b>

### 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.

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**

	<b>31 December 2023 RO '000</b>	31 December 2022 RO '000
Trade receivable due from state-controlled entity (note 7)	<b>933</b>	925
Other receivable due from government (note 7)	<b>125</b>	22,338
Due to government (note 12)	<b>-</b>	15,018

#### Transactions

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

	<b>Year ended 31 December 2023 RO '000</b>	Year ended 31 December 2022 RO '000
<b>b) Transactions with entities related to the major shareholder</b>		
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
<b>c) Transactions with government and state-controlled entities</b>		
Purchase of gas from Integrated Gas Company SAOC	<b>4,807</b>	2,818
Fuel incremental cost charge to Integrated Gas Company SAOC	<b>699</b>	8,815
Revenue from Oman Power and Water Procurement Company SAOC	<b>18,731</b>	18,474
Connection charges to Rural Areas Electricity Company SAOC	<b>278</b>	278
<b>d) Directors' remuneration and sitting fees</b>	<b>225</b>	160
<b>e) Key management remuneration</b>	<b>294</b>	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 year, 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 been made in these financial statements in view of cumulative taxable losses incurred by the Company as at 31 December 2023. The Company has recognized deferred tax asset 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 31 December 2023 in the amount of RO 3.235 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 have been calculated and dealt with in the statement of profit or loss and other comprehensive income.

**a) The taxation charge for the year is comprised of:**

	<b>Year ended 31 December 2023 RO '000</b>	<b>Year ended 31 December 2022 RO '000</b>
Deferred tax expense	<u>335</u>	<u>473</u>

**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 year. The reconciliation of the accounting profit with the taxation charge in the financial statements is as follows:

	<b>Year ended 31 December 2023 RO '000</b>	<b>Year ended 31 December 2022 RO '000</b>
Profit before tax	<u>2,280</u>	<u>3,120</u>
Taxation @ 15%	342	468
<b>Add: Tax effect of:</b>		
Change in recognised temporary differences	14	(26)
Tax loss carried forward for set off against future taxable net profits	52	(55)
Effects of adjustments made in the prior year assessments	<u>(73)</u>	<u>86</u>
Tax expense	<u>335</u>	<u>473</u>

## Notes

(forming part of the financial statements)

### 20. Taxation (continued)

#### c) Deferred tax liability

	As at 1 January RO '000	Recognised during the year RO '000	As at 31 December RO '000
<b>2023</b>			
<b><i>Taxable temporary differences</i></b>			
Effect of accelerated tax depreciation	(4,281)	(288)	(4,569)
Right-of-use asset	(14)	1	(13)
<b><i>Deductible temporary differences</i></b>			
Provision for asset retirement	27	2	29
Provision for obsolete inventories	3	2	5
Lease liability	15	-	15
Tax losses	578	(52)	526
	<u>(3,672)</u>	<u>(335)</u>	<u>(4,007)</u>
<b>2022</b>			
<b><i>Taxable temporary differences</i></b>			
Effect of accelerated tax depreciation	(3,749)	(532)	(4,281)
Right-of-use asset	(16)	2	(14)
<b><i>Deductible temporary differences</i></b>			
Provision for assets retirement	26	1	27
Provision for obsolete inventories	-	3	3
Lease liability	17	(2)	15
Tax losses	523	55	578
	<u>(3,199)</u>	<u>(473)</u>	<u>(3,672)</u>

#### d) Tax assessment status

As of 31 December 2023, the Company's tax assessments for the period from 2014 to 2019 have been completed by the Omani taxation authorities. For the remaining years, the Management of the Company believe that additional taxes, if any in respect of open tax years, would not be significant to the Company's financial position as at 31 December 2023.

### 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)

	31 December 2023 RO '000	31 December 2022 RO '000
Due within one year	1,120	1,120
Due after one year but within five years	513	1,633
	<u>1,633</u>	<u>2,753</u>

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:

	31 December 2023 RO '000	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	1,534	1,972
	<u>3,725</u>	<u>4,163</u>

### 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 programme focuses on the unpredictability of financial markets and seeks to minimise 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 optimising the return.

#### Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.



## Notes

(forming part of the financial statements)

## 22. Financial risk management (continued)

### Market risk (continued)

#### Price risk (continued)

As the Company has no significant exposure to investments, it does not have the risk of fluctuation in prices. The management consider that sensitivity analysis is not necessary due to the Company's limited exposure to price risk.

#### 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:

	31 December 2023 RO '000	31 December 2022 RO '000
Borrowings (senior and short-term loan facilities)	<u>54,190</u>	<u>60,339</u>

#### 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 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 4.23) 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:

	External credit rating	12-month or lifetime ECL	Gross carrying amount RO'000	Loss allowance RO'000	Net carrying amount RO'000
<b>31 December 2023</b>					
Trade and other receivables	Ba1	Lifetime	1,058	-	1,058
Cash at bank	Ba1	12 months	506	-	506
			<b>1,564</b>	<b>-</b>	<b>1,564</b>
<b>31 December 2022</b>					
Trade and other receivables	Ba3	Lifetime	23,263	-	23,263
Cash at bank	Ba3	12 months	1,520	-	1,520
			<b>24,783</b>	<b>-</b>	<b>24,783</b>

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 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:

	Carrying amount RO'000	Not due RO'000	Past due		Total RO'000
			Up to 90 days RO'000	Over 90 days RO'000	
<b>Gross carrying amount:</b>					
<b>31 December 2023</b>					
Trade and other receivables	1,058	939	119	-	1,058
Cash at bank	506	506	-	-	506
	<u>1,564</u>	<u>1,445</u>	<u>119</u>	<u>-</u>	<u>1,564</u>
<b>31 December 2022</b>					
Trade and other receivables	23,263	925	2,453	19,885	23,263
Cash at bank	1,520	1,520	-	-	1,520
	<u>24,783</u>	<u>2,445</u>	<u>2,453</u>	<u>19,885</u>	<u>24,783</u>

#### 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 have assessed that there is no significant impairment, and hence have not recorded any loss allowances on these balances.

## Notes

(forming part of the financial statements)

## 22. Financial risk management (continued)

### Credit risk (continued)

#### Bank balances (continued)

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 appropriate credit rating.

#### 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
<b>31 December 2023</b>					
Trade and other payables	926	-	-	-	926
Senior facility loan	-	6,207	24,326	38,978	69,511
Short term loan facility	1,500	-	-	-	1,500
Lease liability	-	10	41	124	175
	<u>2,426</u>	<u>6,217</u>	<u>24,367</u>	<u>39,102</u>	<u>72,112</u>
<b>31 December 2022</b>					
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
	<u>24,155</u>	<u>7,174</u>	<u>24,601</u>	<u>45,085</u>	<u>101,015</u>

### Categories of financial instruments

	<b>31 December 2023 RO '000</b>	31 December 2022 RO '000
<i>Financial assets (at amortised cost)</i>		
Cash and bank balances	508	1,522
Trade and other receivables	1,171	23,517
	<u>1,679</u>	<u>25,039</u>
<i>Financial liabilities (at amortised cost)</i>		
Senior facility loan	52,690	55,839
Short term loan facility	1,500	4,500
Lease liability	100	103
Trade and other payables	926	20,655
	<u>55,216</u>	<u>81,097</u>

### 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 future development of the business. The capital structure of the Company comprises share capital, reserves and retained earnings. Debt comprises of loan facilities from bank, and lease liability. The Company is not subject to external 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 the 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 year, there is 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:

	<b>31 December 2023 RO '000</b>	31 December 2022 RO '000
Debt (senior and short term loan facilities)	<b>54,190</b>	60,339
Cash and bank balances	<b>(508)</b>	(1,522)
Net debt	<b>53,682</b>	58,817
Equity	<b>11,689</b>	11,687
Net debt to equity ratio	<b>459%</b>	503%

### 23. Basic and diluted earnings per share

	<b>31 December 2023</b>	31 December 2022
Net profit attributable to ordinary Shareholders of the Company for basic and diluted earnings per share (RO '000)	<b>1,945</b>	2,647
Weighted average number of shares (in '000s)	<b>70,390</b>	70,390
Earnings per share (RO)	<b>0.028</b>	0.038

There is no difference between basic and diluted earnings per share because the Company has not issued any instruments which 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 year.

	<b>31 December 2023</b>	31 December 2022
Net assets (RO in '000)	<b>11,689</b>	11,687
Number of shares outstanding at year end ('000s)	<b>70,390</b>	70,390
Net assets per share (RO)	<b>0.166</b>	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 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 note 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 following is the total of future minimum lease receipts expected to be received under the PPA:

	<b>31 December 2023 RO '000</b>	31 December 2022 RO '000
Due within one year	<b>11,290</b>	11,170
Due after one year but within five years	<b>46,201</b>	45,768
Due after five years	<b>36,146</b>	47,869
	<b>93,637</b>	104,807

**Notes**

*(forming part of the financial statements)*

**27. Dividends**

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

On 14 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 20 September 2022. The dividend was approved by the Shareholders in the Annual General Meeting held on 10 March 2022.

On 7 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 21 March 2023. The dividend was approved by the shareholders in an Annual General Meeting held on 6 March 2023.

On 12 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 18 September 2023. The dividend was approved by the shareholders in an Annual General Meeting held on 6 March 2023.

On 12 February 2024, the Board of Directors proposed a final cash dividend for the year 2023 of Baizas 13.8 per share amounting to RO 0.971 million. The proposal shall be presented to the annual general meeting on 6 March 2024 for approval.

**28. Comparative figures**

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

**29. Approval of the financial statements**

The financial statements were approved by the Board of Directors and authorised to issue on 12 February 2024.