

ANNUAL  
REPORT **2023**



**ENERGIZING  
OMAN'S  
FUTURE**



**HIS MAJESTY  
SULTAN HAITHAM BIN TARIK**





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# BOARD OF DIRECTORS AND KEY EXECUTIVE OFFICERS

Board of Directors	Position
Mr. Axel De Ghellinck	Chairperson
Mr. Ravinder Soin	Deputy Chairperson
Mr. Anwar Said Abdullah Al Housni	Member
Mr. Mahmood Hamed Al Charibi	Member
Mr. Bipin Dharamsey Nensey	Member
Mr. Ernesto Javier Parra Bertolotto	Member
Mr. Kazuichi Ikeda	Member
Ms. Maria Del Carmen Vidal	Member
Mr. Muneer Abdullah Khamis Al-Balushi	Member
Mr. Ashok Kumar Saproo	Member
Mr. Kazumasa Fujita	Member
Key Executive Officers	Position
Mr. Abdullah Mohammed Salim Al Rawahi	Chief Executive Officer
Mr. Preetam Saraf	Chief Financial Officer



# BOARD OF DIRECTORS' REPORT



## Dear Shareholders,

On behalf of the Board of Directors of Al Suwadi Power Company SAOG (the "Company"), I have the pleasure to present the Annual Report of the Company for the year ended 31 December 2023.

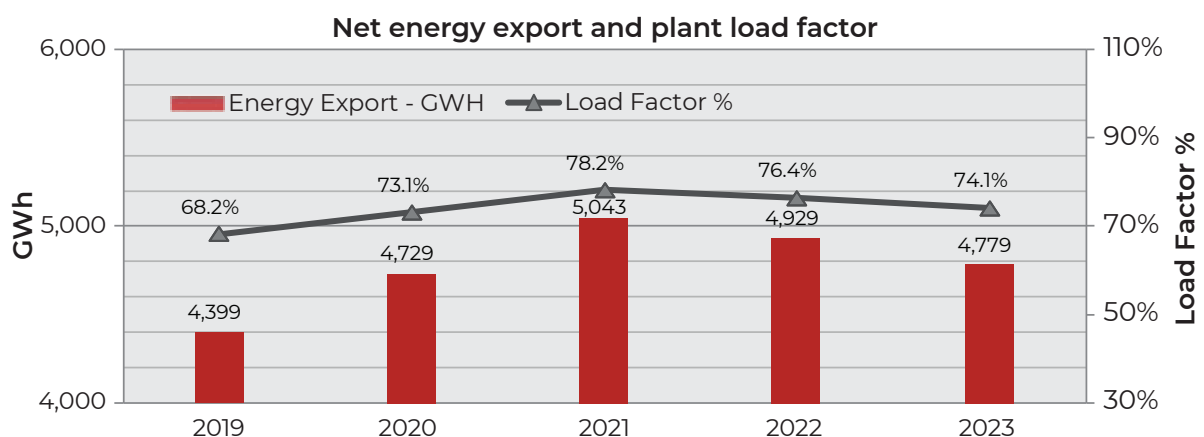
## Corporate Governance

The Company has complied with the Code of Corporate Governance and applicable circulars issued from time to time by the Capital Market Authority (CMA).

## Operational Results

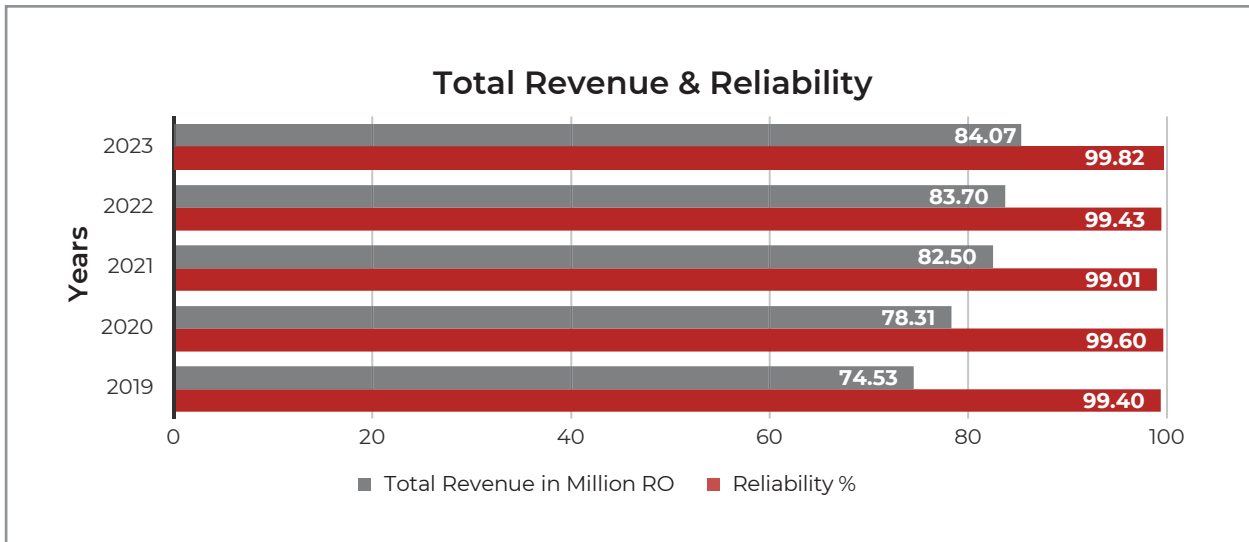
The operational performance of the plant during the year was excellent.

The consistently high plant's reliability and technologically superior fuel-efficient operations of the plant continues to place it at the higher end of the merit order list for dispatch and, as such, the plant continues to be dispatched at a high plant load. Following graph highlights the consistent high plant load and the energy generated by the Company over the last five years:



## BOARD OF DIRECTORS' REPORT

The Company has seen growth in its revenue over the past years. Revenue includes capacity income and energy income. The following graph depicts the growth in the gross revenue and good reliability highlighting the Company's sustained importance in the Oman's power grid:



Due to the plant's inherent deficiency, the Company does not fully recover the fuel gas cost expended to generate power. During the year, the Company continued to experience thermal inefficiency at high generation levels as also at operating configurations that are inherently unfavorable and together, these lead to heat rate loss suffered by the Company. The Company continues to make efforts to address the high heat rate loss.

The operating equipment and the balance of plant equipment were serviced as per the agreed annual maintenance program. Consistent level of high plant availability is a testament of efficient and timely plant upkeep and periodic maintenance as per the equipment suppliers' manual and 'condition-based' monitoring.

The plant operated for 4564 days without any lost time accident. This was the result of sustained focus on excellence in Health, Safety, Environment and Quality Management at the plant. For this excellent performance, we acknowledge the efforts of the dedicated and diligent team of STOMO.

The Company duly met all the stringent environment permit conditions promulgated by Ministry of Environment and Climate Affairs. The cyber security for the plant has also been strengthened in association with STOMO. The Company has strived to adhere to the cyber security regulations issued by the Authority for Public Services Regulation and other regulations promulgated by the CMA.



## Financial Results

The following graph depicts the Company's financial performance as compared to the previous year:



The net income for 2023 was remarkably 12.5% higher than 2022. Revenue growth was predominantly due to annual gas price increase, lower forced outages and indexation partly offset by lower plant load factor. The operating costs decreased due to the lower plant load factor and lower O&M fees due to extended hot gas path inspection of the gas turbine during the previous year. The increased other income in 2023 was due to a higher income tax reimbursement receivable from OPWP on account of change in the income tax rate from 12% to 15%, which the Company was entitled to under the Buyer Risk event clause embedded in the Power Purchase Agreement (PPA). On a positive note, the reduced finance cost on account of scheduled repayment of project loans and higher interest income delivered higher net profit.

During 2023, OPWP duly settled all invoices including payments for gas charges.

The Company has duly met all its commitments under the term loan agreements. During the year, the Company successfully transitioned from LIBOR to the Secured Overnight Financing Rate (SOFR) without any impact on the financial statements.

The Company could not declare any dividend in 2023 due to the activation of Cash Sweep Mechanism from 30 April 2023 as previously disclosed by the Company.

The share price stood at 21 Baizas per share at the close of 2023.

## Corporate Social Responsibility

The Company takes its role as a responsible corporate citizen seriously. During the year, the Company completed the pending CSR initiatives which were commenced in 2022: (i) commissioned PV solar system at Omamah Bint Al Harith School of Ministry of Education at Wilayat of Nakhal and (ii) Ministry of Education's program to enhance student's knowledge and skills about the peaceful application of nuclear technology.

Within its CSR initiative for 2023, the Company contributed 20% of its CSR budget to Oman Charitable Organisation based on the Ministerial Decision No. (205/2021) issued by Ministry of Commerce, Industry and Investment Promotion. The Company is simultaneously working on several projects (i) Street Lighting Project in collaboration with other Power and Desalination

plants in Wilayat Barka for improving street lighting utilizing solar power and LED lights(ii) Aquaponics farming system in collaboration with Al Batinah Power company SAOG and SMN Power holding SAOG to implement an Aquaponics farming system for the Maoula bin shams basic education school situated in the South Al Batinah governate (iii) Installation of Solar Panels to operate the Aquaponic systems (iv) Provide three-dimensional printers to students of Grade 10 in government schools under the MOE program. All these projects are expected to be commissioned in 2024 and the entire allocated amount will be utilized in the same year.

Totally, RO 20,215 was spent in 2023 towards the CSR activity of the Company, and the balance will be spent in 2024.

## Medium term Outlook

### Refinancing and removal of Cash sweep

Following the conclusion of the financial year 2023, the company successfully completed the refinancing of its Commercial loan facility on 31 January 2024 thereby eliminating the Cash Sweep mechanism which was active from 30 April 2023. As a result of this refinancing, the Company will be able to make future dividend distributions subject to the availability of cash and fulfillment of other covenants agreed within the Finance Documents.

### Others

OPWP launched the Spot Market project in 2015. The Company has participated in the trial run of spot market operation. Effective January 2022, the spot market has gone 'live' and the Company has been successfully participating on a daily basis in offering our bid. All costs incurred by the Company for participating in the spot market process is being claimed from OPWP under the Change of Law protection agreed within the PPA. The Company's Power Purchase Agreement (PPA) with OPWP expires in March 2028. Consequently, as the Company's tariff is already agreed in the PPA, the spot market process will have no impact on the revenue stream of our Company until the expiry of the PPA.

The Company continuously endeavors to identify and implement areas of improvement in plant operations. All reasonable measures have been taken by the management to ensure that we maintain excellent plant's operational performance in the coming years. The financial performance of the Company is mainly derived from plant's availability and reliability and as such, plant's operation and maintenance will continue to be accorded highest priority and consideration.

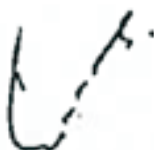
The Company and STOMO have strived to steadily increase the Omanisation in the staff members while ensuring smooth and reliable operation of the plant.

On behalf of the Board of Directors, I wish to express gratitude to OPWP, the Authority for Public Services Regulation, the Capital Market Authority and other governmental and non-governmental bodies for their guidance and support. I would also like to thank all personnel associated with the operation of Al Suwadi Power plant and the staff of the Company for their hard work and dedication, and also to those others such as our contractors, whose expertise has assisted us in achieving these excellent results.

Finally, on behalf of the Board of Directors, I heartily extend our best wishes to His Majesty Sultan Haitham Bin Tariq Bin Taimur Al Said. We thank the Government of Oman for creating an environment that allows us to participate effectively in the growth of the Sultanate's economy. We commit our efforts to the building of a strong Oman.



Chairperson



Director



CEO

# PROFILE OF MAJOR SHAREHOLDERS

## Kahrabel FZE

Kahrabel FZE oversees and manages the development, construction and operation of the electricity and water production business of ENGIE group in MENA region. It is an entity 100% owned by International Power S.A., which is ultimately owned indirectly by ENGIE group. Engie is a global reference in low-carbon energy and services, committed to accelerate the transition towards a carbon-neutral world, through reduced energy consumption and more environmentally-friendly solutions. As of 2022, Engie had 96,454 employees, and revenues of 93.9 billion Euros. The Group is listed on the Paris and Brussels stock exchanges (ENGI) and is represented in the main financial indices (CAC 40, Euronext 100, FTSE Eurotop 100, MSCI Europe) and non-financial indices (DJSI World, DJSI Europe, Euronext Vigeo Eiris - Eurozone 120/ Europe 120/ France 20, MSCI EMU ESG, MSCI Europe ESG, Euro Stoxx 50 ESG, Stoxx Europe 600 ESG, and Stoxx Global 1800 ESG).

## Middle East Investment LLC

Middle East Investment LLC is a subsidiary of Suhail Bahwan Group, which is one of the foremost & most reputed business house in the Sultanate of Oman.

Middle East Investment LLC is mainly engaged in investment & trading in quoted & un-quoted equity and debt securities.

MEI has grown to become a reputed Omani Investment Company. An achievement resulting from unwavering commitment to Sultanate of Oman, the professionalism of the Group's employees, a keen sense of social responsibility with a strong awareness of its operating environment and the exceptional vision and close adherence to basic values. MEI's portfolios focuses on investing in banking, power, telecom, consumer & pharmaceutical sectors that provide the opportunity to create and capture value in a risk averse manner. The Company professionally managed investment stakes consist of local and international diversified portfolios of securities, debts and direct investment.

## Sojitz Global Investment B.V. (SGI)

Sojitz Global Investment B.V. (SGI) is a wholly owned subsidiary of Sojitz, which is an investment and trading corporation based in Tokyo, Japan, and listed on the Tokyo Stock Exchange.

Sojitz employs more than 20,000 people worldwide (as of September 2023) and achieved revenues of JPY 2.5 trillion in the fiscal year ended in March 2023 (IFRS basis).

Sojitz was established through the merger of Nichimen Corporation (established in 1892) and Nissho Iwai Corporation (established in 1896) in 2004. Sojitz conducts its operations in around 50 countries through over 400 consolidated subsidiaries and affiliated companies in Japan and overseas. Sojitz's business activities are wide-ranging, covering machinery, energy and metal, chemicals and consumer lifestyle. Sojitz's strength lies not only in developing financial schemes, but also in conducting accurate analysis of markets through its overseas networks and determining the commercial viability of businesses using accumulated expertise in various fields. Sojitz has used these skills to pursue opportunities in IPP/IWPP businesses as a developer, investor, finance arranger and/or project coordinator. Sojitz has been involved in IPP projects worldwide including Oman, Saudi Arabia, USA, Indonesia, Vietnam, Mexico and Japan.

Specifically in the Gulf region, Sojitz has long been actively involved in power and water business including EPC projects such as Ghubrah Phase 1, 2, 3/4 and 5, IPP projects such as PP11 IPP (1,729 MW) in Saudi Arabia and Barka-3 (744 MW, CCGT) / Sohar-2 (744MW, CCGT) in Oman and IWPP project such as Mirfa (1,600MW/ 52.5 MIGD).

Further information about Sojitz is available at: <http://www.sojitz.com/en/>

### **SEP International Netherlands B.V. (SEPI)**

SEPI is a wholly owned subsidiary of Shikoku Electric Power Co., Inc. (YONDEN) for investing to and managing IPP/IWPP projects outside Japan. YONDEN holds shares in Barka-3 & Sohar-2 IPP (each 744MW, GTCC) in Oman, Ras Laffan C IWPP (2,730MW, GTCC & 63MIGD) in Qatar, Sharjah Hamriyah IPP (1,800MW, GTCC) in U.A.E., Riyadh PPI1 IPP (1,730MW, GTCC) in Saudi Arabia, other than IPP projects including thermal and photovoltaic power in U.S.A., Chile, Vietnam and Myanmar.

YONDEN, listed on the Tokyo Stock Exchange, is one of 10 major electric power utilities and YONDEN Group carries out the integrated process of generating, transmitting, distributing, and selling electricity to approx. 4 million people in Shikoku region, Japan. YONDEN employs approx. 2,200 people and has achieved consolidated operating revenues of USD 7.3 billion from the electricity sales of 32.8 TWh in the fiscal year ended March 31, 2023. Since its establishment in 1951, YONDEN has contributed to regional development through the stable supply of low-cost, high-quality electricity by establishing a balanced energy mix that combines nuclear, coal, oil, gas, hydro, and solar power, totaling approx. 5,280MW (net and gross) in generating capacity at 63 power stations.

Especially in the thermal power field, approx. 400 engineers engage in engineering, construction, operation and maintenance of thermal power plants whose generating capacity is approx. 3,235 MW with their comprehensive experiences, skills and know-how obtained for 70+ years.

Further information about YONDEN is available at: <http://www.yonden.co.jp/english/index.html>

### **Public Authority for Social Insurance (PASI)**

PASI is a public authority established in Oman enjoying administrative and financial independence pursuant to Royal Decree 72/91 issued on 2nd July 1991. PASI manages a defined benefit pension scheme for Omani nationals employed in the private sector through prudent, wise and long-term investment strategies. Currently the scheme members exceed 203,000 active participants.

PASI invests actively in the local and international capital markets. Locally, PASI has been a pioneer in participating in power, utility companies and major real estate projects. Internationally, PASI's investments cover both traditional (such as fixed income and equities) and alternative assets (such as private equity, infrastructure & real estate).

Further information about PASI is available at: [www.pasi.gov.om](http://www.pasi.gov.om)

### **Civil Service Employees Pension Fund (CSEPF)**

The Civil Service Employees Pension Fund (CSEPF) was established simultaneously with the introduction of the Law of Pensions and End of Service Benefits for Omani Nationals employed in the Government sector in the beginning of 1986.

The Fund is an independent government unit which has a juristic personality, an administrative and financial independence.

Further information about CSEPF is available at: [www.Civilpension.gov.om](http://www.Civilpension.gov.om)

### **Ministry of Defence Pension Fund (MODPF)**

The Ministry of Defence Pension Fund is a public legal entity in the Sultanate of Oman duly organized under, and registered pursuant to, Sultani Decree 87/93 issued on 29th December 1993. The Ministry of Defence Pension Fund is one of the largest pension funds in Oman and is a major investor in the local capital markets and also invests in Regional and International Markets, both in equities and bonds. It is also a major participant in project investments and Real Estate investments. The Fund is represented on the boards of several prominent Corporates in Oman.

# CORPORATE SOCIAL RESPONSIBILITY REPORT

The Company strives to have a distinctive imprint in the field of Corporate Social Responsibility, as it focuses on areas that serve the community, have significant impacts, and intersect with the government's vision. Therefore, the Company focused last year on initiatives that serve education and at the same time contribute to raising awareness of preserving the environment and using modern technologies and renewable energy.

## I. Corporate Social Responsibility (CSR) activities commenced in 2022 and completed in 2023:

### A. Solar Power initiative

Al Suwadi Power Company SAOG in joint and active cooperation with Al Batinah Power Company SAOG commissioned PV solar system at Omamah Bint Al Harith School of Ministry of Education at Wilayat of Nakhal. This solar rooftop project will provide power of 79 kwp using photovoltaic technology.



The project aims to deliver a practical educational message to our students about the importance of renewable energy and its contribution to preserving the environment, in addition to the economic and environmental benefits.

The share of the total project cost to be contributed by our Company amounts to RO 15,000. Amount of RO 4,500 was spent in 2022 and the balance amount of RO 10,500 was spent in 2023 with full commissioning of the solar facility.

### B. Education Program

#### Funding Ministry of Education program on nuclear technology

The Company signed an agreement with Ministry of Education on 11th April 2022 to fund Ministry's program to enhance student's knowledge and skills about the peaceful application of nuclear technology. With cooperation from International Atomic Energy Agency (IAEA), Ministry of Education is teaching nuclear science and technology to school students and presenting them in an innovative and unconventional manner.

The share of the total project cost contributed by our Company amounts to RO 7,430. Amount of RO 3,715 was spent in 2022 and the balance amount of RO 3,715 was spent in 2023 with completion of the Nuclear science course.

# CORPORATE SOCIAL RESPONSIBILITY REPORT

## II. Corporate Social Responsibility (CSR) activities for 2023:

The last annual general meeting of the Company held in March 2023 approved a budget of RO 30,000 for the Company's CSR activities.

During the previous years, the Company under Environment and Social initiatives, assisted in setting up Solar power facilities at government schools, providing computer tablets for on-line education, supplying Medical equipment to Health centres and Polyclinics, funding Ministry of Education for Renewable Energy and nuclear technology programs . All the solar power facilities installed by the Company have delivered promised power and have been appreciated by the Ministry of Education.

For the year 2023, the Company continued its CSR initiative towards supporting Oman Charitable Organisation, Street lighting project, Aquaponics farming system with solar panels and three-dimensional printers for government schools in line with our approved CSR charter. The total budget of RO 30,000 has been fully committed to various projects as detailed below.

**A. Oman Charitable Organization:** Based on the Ministerial Decision No. (205/2021) issued by Ministry of Commerce, Industry and Investment Promotion, the Company contributed RO 6,000 being 20% of its CSR budget for 2023 for the benefit of Oman Charitable Organization.

This comes with the aim of supporting the Oman Charitable Authority through commercial institutions and companies operating in various economic activities to enable the Authority to play its role in providing charitable work to the deserving community groups.

**B. Street Lighting Project:** In collaboration with other Power and Desalination plants in Barka , this CSR initiative focuses on improving street lighting. The project aims to install streetlights along the main road leading to the plants, benefiting nearby residences. Simultaneously, it addresses the significant safety concerns faced by people using the road commuting in the evening darkness, where the risk of encountering camels crossing the road is high. The committed budget for this initiative is RO 7,308. With the facility expected to be commissioned in 2024, the entire allocated amount will be utilized in the same year.

**C. Aquaponics farming system:** In collaboration with Al Batinah Power company SAOG and SMN Power holding SAOG, this CSR initiative focuses on implementing an Aquaponics farming system for the Maoula bin shams basic education school situated in the South Al Batinah governate. The project involves the creation of a fish farming pond to raise fishes, with the waste generated from these fishes utilized for the development and maintenance of a greenhouse. A fish manure analyzer will be employed to convert ammonia into nitrate fertilizer, facilitating plant growth. The aim of this project is to encourage the students to be involved more with the nature and understand the relationship between them, and the new technologies which are utilized in this system. The contract for this initiative was finalized and awarded based on the recommendation of the Ministry of Education. The entire allocated amount of RO 3337.50 will be utilized in 2024, and the project is scheduled for completion in the same year.

**D. Installation of Solar Panels to operate the Aquaponic systems:** This solar rooftop project will provide electricity to the Aquaponics farming system. This solar facility is expected to be commissioned in 2024 and the entire allocated amount of RO 1662.50 will be utilized in the same year. The aim of this project is to deliver a message to the students on the importance of renewable energy and its contribution to preserve the environment.

**E. Three-dimensional (3D) printers for Government schools:** Under the MOE program, 3D printers will be provided to the students of Grade 10 in 19 government schools. These printers will allow students to use them to print various forms three-dimensional modeling unit during the information technology class. The entire allocated amount of RO 11,500 will be utilized in 2024.

Totally, RO 20,215 was spent in 2023 towards the CSR activity of the Company, and the balance will be spent in 2024.

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT



# MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management of Al Suwadi Power Company SAOG (the “Company”) is pleased to present its report on the Company’s business structure, opportunities and challenges, operational and financial performance, risks and concerns, outlook and other matters of importance to the shareholders.

## Industry structure and development

In 2004, the ‘Sector Law’ came into force which provides the framework for the industry structure of electricity and related water in Oman. It led to the setting up of an independent regulatory agency, the Authority for Public Services Regulation (APSR) and a single procurement company, Oman Power and Water Procurement Company SAOC (OPWP).

OPWP is responsible for ensuring that there is sufficient electricity and water production capacity available at the lowest cost to meet growing demands in Oman. OPWP undertakes long-term generation planning and identifies new projects to be developed by private sector entities, in order to meet the future power generation and water desalination requirements of Oman.

The Oman’s electricity and water sector are partly government-owned and partly privatized. OPWP’s portfolio of contracted power capacity on fuel gas and renewables comprises of long-term contracts with several plants in operation.

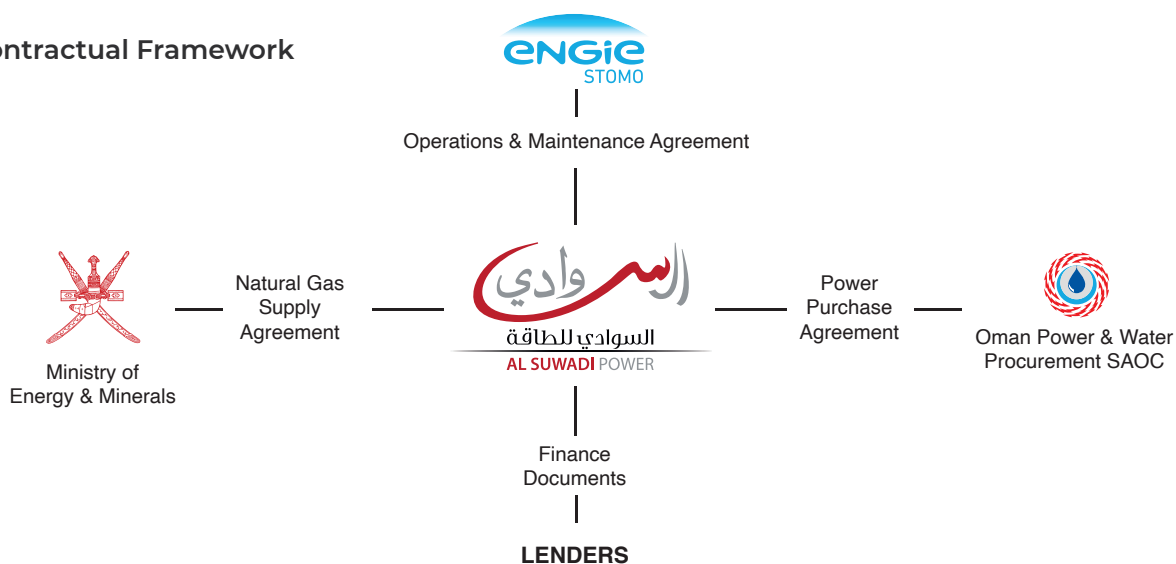
The Company has complied with the OPWP’s Spot Market Rules during the market trial run in 2021 and is currently, with effect from 1 January 2022, participating daily in the live spot market operations conducted by the Market Operator as per Spot Market Rules. As reported in the earlier years’ report, the generation license has been modified by APSR to include obligations related to the spot market and the Company has made every effort to ensure its due compliance.

The Company has a Power Purchase Agreement (PPA) with OPWP which expires in March 2028. Although the Company is participating, on a daily basis, in the ‘spot market’ process, there is no financial risk to the Company’s revenue as it gets paid as per the tariff agreed within the existing PPA until it’s expiry. With this spot market arrangement, OPWP expects that there will be dispatch efficiency by increasing transparency, better fuel efficiency, efficient asset utilization and clarity in respect of post PPA term revenue opportunities for generators thereby enhancing transparency in respect of the PPAs that are due to expire.

## Opportunities and Challenges

The Company has a well-established contractual framework ensuring stable and predictable cash flows.

### Contractual Framework





The Power Purchase Agreement (PPA) with OPWP is resilient to potential increase in gas prices and power demand until March 2028. OPWP is the sole purchaser of all electricity output from the power plant (“the Plant”) and the Company is fully dependent on timely payments by OPWP.

The Natural Gas Sales Agreement (NGSA) executed with the Integrated Gas Company SAOC (erstwhile Ministry of Energy and Minerals and Ministry of Oil and Gas) secures the availability of fuel (natural gas) back to back with the PPA term. Effective January 2015, the gas price of US\$3/MMBtu with an annual escalation clause of 3% was notified and for the year 2023 it was fixed at US\$ 3.80/MMBtu. However, as the gas cost is pass-through element under the PPA until 2028, the Company has limited financial impact from annual increase in the gas price.

The Company has entered into financing agreements with a consortium of international banks and export credit agencies. The future interest rates volatility is adequately hedged by entering into interest rate swap agreements thus improving the predictability of cash flows available to distribute dividends to shareholders. As regards the future obligations of the Euro-denominated Operation and Maintenance fees, a suitable Euro currency hedge has been put in place to protect the Company from unforeseen vagaries in Euro value vis-a-vis Omani Rial.

The technological risk is considered low as the Plant uses proven technology from renowned international suppliers (mainly Siemens).

Suez-Tractebel Operation and Maintenance Oman LLC (STOMO) is contracted to operate and maintain the Plant for the term of the PPA. STOMO is an experienced and skilled operator with competent O&M expertise in Oman thus largely mitigating the operational risk. The operations and maintenance standards of the Plant are based on international best practices, in accordance with ENGIE’s policies and principles which in turn are derived from its experience in operating numerous power generation plants worldwide.

Finally, the Company continues to benefit from the extensive experience of its main shareholders in ownership and operation of power projects in the country and worldwide.

## Discussion on operational performance

### Health and Safety

Health, safety and environmental performance are given utmost importance within the Company and also encompasses STOMO, various contractors and sub-contractors, in order to achieve the goals, set by the top management: zero harm and zero environmental incidents.

The overall HSE performance in 2023 was excellent with no lost time accident (LTA) reported. The Company takes pride to inform that the Plant has completed 4564 days without an LTA.

The Plant continues to maintain major certifications like ISO 14001:2015 (Environment Management System) and ISO 45001:2018 (Occupational Health & Safety) awarded by recognized external auditors. NEBOSH and IOSH trainings have been imparted to the staff.

Many other proactive actions, as detailed below, undertaken by the Company and STOMO have led to such excellent accomplishment of HSE objectives:

- Frequent management reviews and safety walks
- Introduction of proactive key performance indicators (KPI)
- Introduction of the behavioral based program called “fresh eyes”
- Implementation of INTELEX – a safety incidents management system
- Behavioral Attitude Recommendation Standards (BARS) is a corporate initiative for enhancing behavioral safety introduced by Engie as part of wider loss control and risk management approach.
- Management Safety Moments.
- Implementation of GRI4- Promotion of a fair health & safety culture.

- Defensive Driving Training.
- Safety Rules training from Engie related to Permit to Work (PTW).

Every small incident or a near miss is taken very seriously, analyzed and actions are proactively implemented and shared internally and with the Board members so as to benefit from their experience and network to ensure best practice.

### Human Resources – training and career development

Training values at the plant are established by the STOMO. These are primarily aimed to ensure that the employees perform tasks in the most efficient and safe manner. The Company and STOMO are committed to empower qualified Omani Nationals to acquire better-quality engineering and related skills and take up higher responsibilities in operating and maintaining the Plant. To this end, since inception, the strategy of the Company and STOMO has been to train and develop qualified Omani staff to take up additional responsibilities in the due course. Annual performance review of each employee includes assessment of their career growth. STOMO has been successful in identifying candidates, especially young Omani graduates, with high potentials to take them through a higher level of specialized educational and practical training and peer guidance to scale the echelons of senior management, reaching the highest position in a power company. The Company is proud to report that the plant management is totally and admirably performed by qualified and experienced Omani nationals.

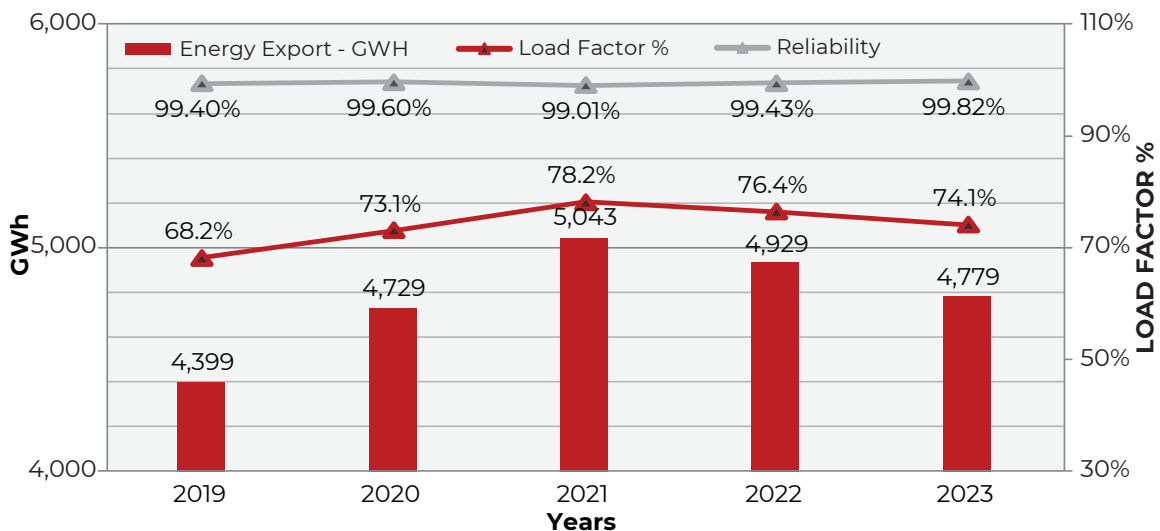
Credible and forward-looking human resources policies have been established and suitable training programs have been designed that map career graph for young Omani Nationals to achieve their potentials and grow professionally and take up senior positions.

### Capacity

The capacity of a plant is defined as the total electrical power (MW), which can be delivered by the plant at reference site conditions (RSC). The tariff structure agreed within the PPA and the operating cost structure within the Operation and Maintenance Agreement (OMA) with STOMO focuses on a fundamental feature that the profitability of the Company is mainly derived from Plant's reliability. The reliability of the plant is its ability to deliver the declared capacity, as per the PPA. Increase in power generation has no impact on the Company's profits, except for the cost/revenue impact from thermal efficiency.

The Capacity revenue is closely associated with Plant's reliability, among other parameters like contracted capacity and indexation mechanism provided within the PPA.

**Reliability, plant load factor and Net energy export**



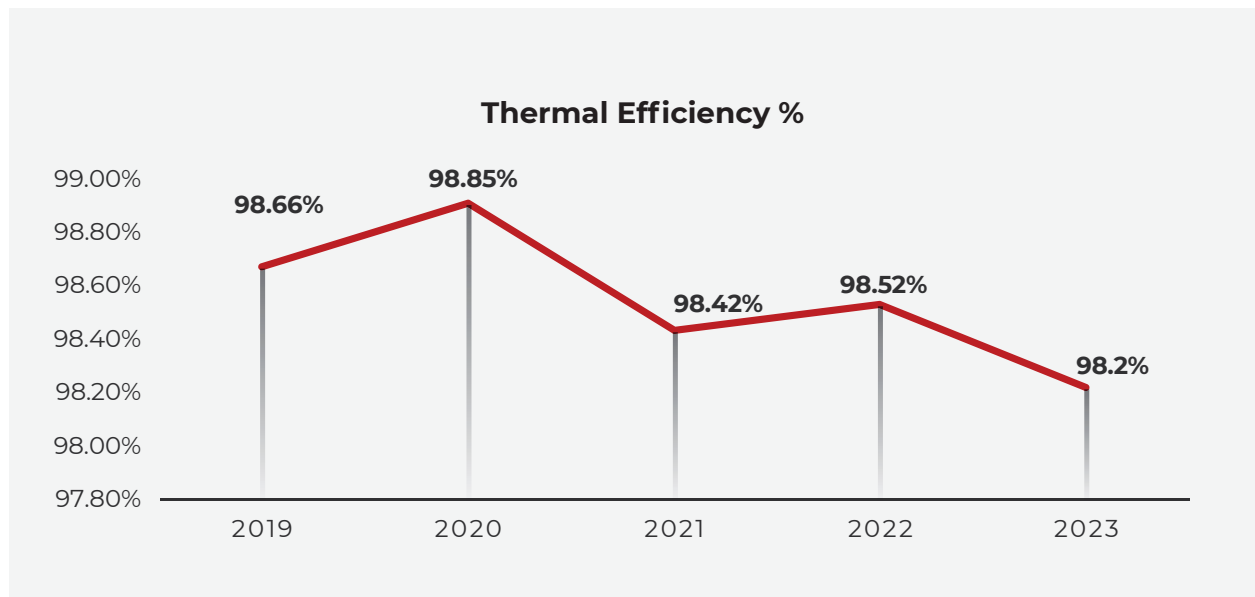
The high ranking of our plant in the merit order among power plants in Oman, superior degree of plant's operational reliability and furthermore, due to its nearness to the capital city of Muscat, the level of plant's load factor has been consistently high over the years. The above graph brings out the three factors of plant's reliability, high plant load and energy export over the last five years.

The plant has seen consistent high level of energy export with 2023 generation at 4,779 GWh which is slightly lower than the 2022 generation due to lower dispatches received from the offtaker.

The thermal efficiency of the plant over the last 5 years has not been satisfactory. The thermal efficiency of the power plant is measured in terms of the amount of heat required to produce one unit of power. The plant suffers from negative thermal efficiency, i.e., heat rate loss, when it operates at very high plant load and at plant's unfavorable operating configurations. Undoubtedly, the decline in the thermal efficiency has seen financial impact over the past years and is a matter of concern. Unfortunately, our efforts in resolving this has not succeeded.

The company persists in its endeavors to mitigate the substantial heat rate loss by scrutinizing plant data and focusing on each system individually to identify potential opportunities for enhancement.

### Maintenance



Maintenance of the Plant by the O&M operator, STOMO, was undertaken in accordance with the standard operations and maintenance processes recommended by the Original Equipment Manufacturers (OEM) and on 'condition-based' monitoring as per best industry practices. During 2023, all operating equipment and the balance of plant equipment were serviced as per the agreed annual maintenance program. Consistent level of high plant availability is a testament of efficient and timely plant upkeep and periodic maintenance as per the equipment suppliers' manual and condition-based monitoring.

### Warranty

Only two warranty items remain open with EPC Contractor and the approximate cost impact from such deficiencies has been agreed and accordingly, an amount of warranty bond has been accepted with validity until 31st December 2025. A road map for closure of the open warranty claims is under discussion with Siemens, EPC Contractor.

### Discussion on financial performance

### Financial Highlights

Figures in RO millions		2023	2022	% change
Revenues	1	<b>84.072</b>	83.704	0.4%
Gross Profit		<b>23.439</b>	22.898	2.4%
Finance Costs (net)		<b>-6.081</b>	-6.995	13.1%
Net Profit	2	<b>14.54</b>	12.92	12.5%
Net Profit before Finance costs	3	<b>20.62</b>	19.92	3.5%
Total Assets	4	<b>250.82</b>	255.72	-1.9%
Capital (Paid-up)	5	<b>71.44</b>	71.44	0.0%
Shareholders' Fund (Net Assets)	6	<b>130.271</b>	115.736	12.6%
Term Loans <sup>^</sup>	7	<b>80.801</b>	99.773	-19.0%
Weighted average number of shares	8	<b>714.41</b>	714.41	0.00%
Ordinary Dividends	9	<b>0.00</b>	5.36	-100%
<b>Key Financial Indicators:</b>				
Net Profit Margin	2/1	<b>17%</b>	15%	n/a
Return on Capital (Paid-up)	2/5	<b>20%</b>	18%	n/a
Return on Capital Employed	3/(6+7)	<b>10%</b>	9%	n/a
Debt Equity ratio	7:6	<b>0.62</b>	0.86	n/a
Net assets per share (Baizas)	6/8	<b>182.35</b>	162.00	12.6%
Basic earnings per share (Baizas)	2/8	<b>20.35</b>	18.09	12.5%
Dividends per share (Baizas)	9/8	<b>0.00</b>	7.50	-100%

<sup>^</sup> Excluding unamortised transaction cost

### Analysis of Profit & Loss

The increase in revenue was mainly due to the annual escalation in gas prices, lower forced outages and better tariff indexation. The operating costs decreased due to the lower plant load factor and lower O&M fees due to extended hot gas path inspection of the gas turbine during the previous year. This decrease was partly offset by annual escalation in gas prices and higher indexation in O&M fees.

The net financial results for 2023 were 12.5% higher than 2022 due to an excellent all-round performance in areas of Operations, Maintenance and Finance.

General and administrative expenses for 2023 were well controlled and lower by 2.2% than 2022 due to lower employee costs, and lower public company related costs as no dividends were distributed in 2023.

Steady reduction in the finance cost due to scheduled loan repayments and lower amortization of deferred finance costs has contributed to significant improvement in the net profit compared to year 2022. Consequently, the net profit margin, return on capital, net assets per share and basic earnings per share have been better as compared to last year.

The Company could not declare any dividend in 2023 due to the activation of Cash Sweep Mechanism from 30 April 2023 as previously disclosed by the Company.

The share price stood at 21 Baizas per share at the close of year 2023.

#### **Tax Matters**

The tax assessments of the company until year 2019 is successfully concluded.

#### **Analysis of Balance Sheet**

Total Assets of the Company stood at RO 250.82 million as at December 2023 as compared to RO 255.72 million last year, the reduction mainly due to depreciation charge for the year 2023. Trade Receivables predominantly are amount due from OPWP relating to the monthly invoiced gas consumption. As explained earlier, the invoice for gas consumption is pass-through income and when received, is finally paid to the gas supplier, Integrated Gas Company SAOC (IGC).

Cash and cash equivalents were very healthy amounting to RO 6.958 million as at December 2023 as compared to RO 1.865 million at December 2022.

The Shareholders Funds (Net Assets) stood at RO 130.271 million as at December 2023 as compared to RO 115.736 million as at December 2022, the 12.6% increase mainly due to the decent accretion to the retained earnings. The Term Loans (including non-current and current balances) have reduced to RO 80.801 million as a result of scheduled loan repayments in accordance with the terms agreed within the Finance Documents. Consequently, the Debt-Equity ratio has seen an improvement as compared to the last year.

Trade and other payables mainly consist of the outstanding gas invoices payable to IGC.

#### **Dividend Distribution**

The Company's dividend policy of distributing available cash is conditional upon fulfillment of covenants agreed within the Finance Documents which include making adequate provisions for forecasted loan repayments and operating expenses. Further to the previous disclosures made by the Company, the Company could not distribute any dividend during 2023 due to the Cash Sweep mechanism active from 30 April 2023.

## Risks and Concerns

### Loss of Availability due to Mechanical Breakdown

The principal risk to the Company is the Plant being unavailable due to mechanical breakdown. In order to mitigate this risk, the Company ensures and monitors that STOMO operates and maintains the Plant in line with the Company's policies, principles, directives and best practices in the industry and as per maintenance schedule prescribed by the OEMs.

### Loss of Availability due to Accidental Damage

In accordance with industry best practices, the Company ensures that adequate insurance policies are in place to protect the business against any property damage and loss of income arising from accidental damage.

### OPWP Payments

During 2023, OPWP duly settled all invoices including payments for gas charges.

### Outlook

Following the conclusion of the financial year 2023, the company successfully completed the refinancing of its Commercial loan facility on 31 January 2024 thereby eliminating the Cash Sweep mechanism which was active from 30 April 2023. As a result of this refinancing, the Company will be able to make future dividend distributions subject to the availability of cash and fulfillment of other covenants agreed within the Finance Documents.

The Company is currently participating in the spot market which has gone 'live' since Jan 2022. However, as the PPA with OPWP expires only in March 2028, the Company's participation in the Spot Market has no impact on its revenue as the Company still gets paid as per the tariff agreed within the PPA.

Recognizing that the long-term sustainability of the Company's financial results depends upon its efficient operational base, the management will continue to focus on ensuring high levels of Plant availability and improving fuel efficiency whilst closely controlling operational and overhead costs.

The Company conducts no other business in the Sultanate of Oman or outside and has no subsidiaries.

### Internal control systems and their adequacy

The management is fully aware of the importance of a strong internal control system. The Company has a full-time in-house head of internal audit unit (HIAU) whose engagement complies with the CMA Regulations. The internal auditor's assignment includes analysis of the business risks and review of the internal controls under the supervision of the Audit Committee of the Board. The management continues to evaluate all business processes along with related policies and procedures and also implements the recommendations of the internal auditor to further augment the overall internal controls environment of the Company.

The internal auditor executes all the functions as prescribed under the Code of Corporate Governance in a professional manner and submits regular reports to the Audit Committee as per the approved annual internal audit plan.

As required by the Article 173 of the CMA Executive Regulations 27/2021, a reputed international firm of auditors, BDO LLC, was engaged to perform External Quality Assessment of Internal Audit Unit of the Company. The auditors have conducted a thorough review and have concluded as follows:

*"It is our conclusion that Internal Audit Department generally conforms with the IIA's Standards for the Professional Practice of Internal Auditing and the IIA Code of Ethics and Article 173 of the CMA Executive Regulations 27/2021.*

This statement is in accordance with the requirements stated in Standard 1321 of IPPF and Article 173 of CMA Executive Regulations 27/2021. The phrase "generally conforms" means there may be opportunities for improvement, but these should not represent situations where the internal audit activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives."

### **Gratitude and Conclusion**

The management acknowledges and appreciates the commitment and diligence of all the employees of the Company while assuring them of their career advancement and continued welfare.





# CORPORATE GOVERNANCE REPORT





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**Private and confidential**  
Our ref.: aud/mc/sm/14386/24

# Agreed-upon procedures on Code of Corporate Governance ("the Code") of Al Suwadi Power Company SAOG

## To the Board of Directors of Al Suwadi Power Company SAOG

### Purpose of this Agreed-Up Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting Al Suwadi Power Company SAOG for submission of agreed upon procedures report on the compliance with the Code of Corporate Governance (the "Code") to Capital Market Authority ("CMA") to assist in compliance of requirements prescribed in the CMA Circular No. E/10/2016 dated 1 December 2016 (together the "Governance Code") and may not be suitable for another purpose. This report is intended solely for Al Suwadi Power Company SAOG and the intended users and should not be used by, or distributed to, any other parties.

### Responsibilities of the Al Suwadi Power Company SAOG

Al Suwadi Power Company SAOG has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

Al Suwadi Power Company SAOG (also the Responsible Party) is responsible for the subject matter on which the agreed-upon procedures are performed.

### Practitioners' Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Up Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with Al Suwadi Power Company SAOG, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.



**Al Suwadi Power Company SAOG**  
Agreed-upon procedures on Code of Corporate Governance  
31 December 2023

### Practitioners' Responsibilities (continued)

#### Professional Ethics and Quality Control

We have complied with the relevant ethical requirements including independence requirements of International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethical Standards Board for Accountants.

Our firm applies International Standard on Quality Management (ISQM) 1, Quality Management for Firms that perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Procedures and Findings

We have performed the procedures described below, which were agreed upon with Al Suwadi Power Company SAOG in the terms of engagement dated 8 August 2023, on the compliance with the Code:

S. No	Procedures	Findings
(a)	We checked that the Corporate Governance Report (the report) issued by the Board of Directors includes as a minimum, all items suggested by CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in the Annexure 3.	No exceptions noted.
(b)	We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2023.  With respect to procedure above, we inquired from and obtained written representation from management and those charged with governance for non-compliance with the Code for the year ended 31 December 2023.	No non-compliance with the Code noted during the year.

This report relates only to the items specified above and does not extend to the Company's financial statements taken as a whole.



# CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) of Al Suwadi Power Company SAOG (the “Company”) hereby presents its Corporate Governance Report for the year ended 31 December 2023 in accordance with the Code of Corporate Governance of Public Listed Companies (the “Code”), clarifications and notifications issued by Capital Market Authority (the “CMA”) from time to time.

## **Company's philosophy**

The Company follows the principles of good Corporate Governance and has implemented all guidelines issued by the CMA. Effective Corporate Governance assures the shareholders that there is a well performing management in place which supports the highest standards towards transparency, accountability, continuous improvement of business processes, disclosure, displaying the highest ethical standards, observing compliance with laws, permits and regulations and business propriety with the aim of enhancing long term shareholders value and the interest of all stakeholders. Towards this, the Company has put in place effective policies, procedures and systems to ensure fair and timely release of material information about the Company to the stakeholders. All the policies and procedures within the Company have been appropriately revised and implemented to ensure their compliance with the new/amended Laws and Regulations.

An Audit Committee and a Nomination & Remuneration Committee are fully operational in line with the provisions of the Code. The Company is being managed with due diligence and care, and in the best interest of all shareholders.

In accordance with the CMA rules and guidelines on disclosure, the Company's Statutory Auditors, KPMG, have issued a separate Report on the Company's Governance Report for the year ended 31 December 2023.

## **Board of Directors**

In compliance with the Company's Articles of Association, the Board is constituted of 11 directors. During the Annual General Meeting (the “AGM”) of the shareholders of the Company held on 14 March 2022, the current Board of Directors was elected for a term of 3 years.

a) Composition, category and attendance of Directors in the year 2023:

All directors are non-executive in accordance with the requirement of the Code.

Details of the Board of Directors meetings held during 2023 and the attendance of the members:

Name of Directors	Category of Directors <sup>^</sup>	Attendance						
		Board Meetings					AGM	
		16 Feb	27 Apr	26 Jul	25 Oct	Total	16 <sup>th</sup> March 2023	
Incumbent as of Dec 31, 2023	Mr. Axel de Ghellinck (Chairperson)	Non-independent	√	Proxy	√	√	4	√
	Mr. Ravinder Soin (Deputy Chairperson)	Independent	√	√	√	√	4	√
	Mr. Anwar Al Housni	Independent	x	√	√	√	3	√
	Mr. Ashok Kumar Saproo	Independent	√	√	√	√	4	√
	Mr. Mahmood Hamed Al Gharibi	Non-independent	√	√	√	√	4	√
	Mr. Bipin Dharamsey Nensey	Independent	√	√	√	√	4	√
	Mr. Ernesto Javier Parra	Non-independent	Proxy	√	Proxy	√	4	x
	Mr. Kazuichi Ikeda	Non-independent	√	√	√	√	4	x
	Ms. Maria Del Carmen Vidal	Non-independent	√	√	Proxy	√	4	√
	Mr. Muneer Al-Balushi	Independent	√	√	√	√	4	√
	Mr. Kazumasa Fujita	Non-independent	n/a	√	√	√	3	n/a
Retired/ Resigned	Mr. Makoto Imabayashi	Non-Independent	√	n/a	n/a	n/a	1	√

<sup>^</sup> The category of incumbent directors is based on elections held during the AGM of 14 March 2022.

√: attend, x : absent, n/a : not in seat

- b) Directors holding directorship/chairmanship in other joint stock companies in Oman as of December 31, 2023

Name of Director	Name of Companies and Position Held
Mr. Bipin Dharamsey Nensey	<ul style="list-style-type: none"> <li>■ Muscat Insurance Company SAOG – Director</li> <li>■ Sohar International Bank SAOG - Director</li> </ul>
Mr. Ravinder Soin	<ul style="list-style-type: none"> <li>■ Myan Gulf Oman Desalination Company SAOC-Director</li> </ul>
Mr. Mahmood Hamed Al Gharibi	<ul style="list-style-type: none"> <li>■ Al Mutawer Hotels &amp; Resorts / Tourism activity S.A.O.C- Director</li> <li>■ Iskan Oman Investment Company SAOC- Director</li> </ul>

The profile of Directors and key executive officers is included as an Annexure to the Corporate Governance Report.

### Audit Committee

- a) Brief description of terms of reference

The primary function of Audit Committee is to provide independent assistance to the Board in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community and other stakeholders relating to:

- (i) The integrity of the Company's financial statements and accounting and financial reporting processes;
- (ii) The effectiveness of the Company's risk management and internal control systems;
- (iii) The performance of the Company's internal audit function;
- (iv) The qualifications and independence of the external auditors; and
- (v) The Company's compliance with ethical, legal and regulatory requirements including the changes to the Laws and Regulations, as amended and promulgated by Capital Market Authority.

Consistent with this function, the Audit Committee encourages continuous improvement of, and promote adherence to, the Company's policies, procedures, and practices for corporate accountability, transparency and integrity.

In fulfilling its role, it is the responsibility of the Audit Committee to maintain free and open communication with the external auditors, the internal auditor and the management of the Company and to determine that all parties are aware of their responsibilities.

- b) Composition, position and attendance in the year 2023

The Audit Committee is comprised of majority of independent directors as required by the Code.

Details of the Audit Committee meetings held during 2023 and the attendance of the members.

Name of Committee Members	Position	Attendance					
		15 Feb	26 Apr	25 Jul	24 Oct	Total	
Incumbent as of Dec 31, 2023	Mr. Bipin Dharamsey Nensey	Chairperson	√	√	√	√	4
	Mr. Ravinder Soin	Member	√	√	√	√	4
	Mr. Kazuichi Ikeda	Member	√	√	√	√	4

√ : attend, x : absent, n/a : not in seat

## Nomination & Remuneration Committee

### a) Brief description of terms of reference

The primary function of Nomination & Remuneration Committee of the Board is to:

- (i) Assist the general meeting in the nomination of proficient and high caliber directors;
- (ii) Prepare job descriptions of the directors including the Chairperson of the Board;
- (iii) Develop succession plan for the Board or at least the Chairperson and executive management; and
- (iv) Propose proper remuneration and incentives policy to attract competent executive management.

The Committee meets at least twice a year.

### b) Composition, position and attendance in 2023

Details of the Nomination and Remuneration Committee meetings held during 2023 and the attendance of the members:

Name of NRC Members		Position	Attendance		
			15 Feb	24 Oct	Total
Incumbent as of Dec 31, 2023	Ms. Maria Del Carmen Vidal	Chairperson	√	√	2
	Mr. Ashok Kumar Sapru	Member	√	√	2
	Mr. Kazuichi Ikeda	Member	√	√	2

√ : attend, x : absent, n/a : not in seat

## Appraisal of the performance of the Board

Performance appraisal of the Board of Directors is conducted once during its 3 years' term.

The primary objective of the appraisal will be to consider the composition, structure, dynamics, relationships and performance of the Board in accordance with the appraisal criteria approved by the shareholders.

The appraisal of the performance of the current Board will be conducted in the year 2024.

## Process of nomination of the directors

The election of the Board is governed by the Company's Articles of Association. The Company ensures that the election of the Board is held in accordance with the Commercial Companies Law, Regulations and Rules issued by the Capital Market Authority.

In accordance with the requirement of the Code and the Articles of Association of the Company, the following shall be observed on the formation of the Board:

- (i) Eleven directors to be elected by the shareholders in general meeting for a term of 3 years;
- (ii) All directors shall be non-executive directors;
- (iii) All directors shall be natural persons;
- (iv) At least one third of the directors shall be independent;
- (v) The members of the Board of Directors are elected from amongst the shareholders or non-shareholders.
- (vi) No director shall be a member of the Board of more than four joint stock companies or chairperson of more than two joint stock companies. Pursuant to Article 203 of the Commercial Companies Law, a member of the board of directors shall not participate in the management of any other Company which carries out similar business.

## Remuneration matters

### a) Sitting fees to members of the Board and its sub-committees

As approved by the shareholders, the sitting fees of RO 400 for the members of the Board and RO 200 for the members of the Audit Committee and Nomination & Remuneration Committee is paid. The sitting fee is payable to the members of the Board, the Audit Committee and the Nomination & Remuneration Committee who attend the meeting either in person or by video conference.

The sitting fees for the year 2023 paid/payable to the directors for attending Board, Audit Committee and Nomination & Remuneration Committee meetings amounted to RO 15,600 and RO 2,400 and RO 1,200 respectively.

### b) Remuneration to Board members

Following approval by the shareholders in the AGM held on 16th March 2023, the Company paid total remuneration of RO 16,800 to the Board members in respect of the year 2022.

For the year 2023, the Board proposes to similarly pay remuneration to the Board members, equal to actual sitting fees paid during the year 2023, for their contribution in achieving excellent operational and financial results. The proposed remuneration of RO 15,600 has been accrued in the financial statements for year ended 31 December 2023, however, the same shall be paid upon its approval by the shareholders in the AGM scheduled to be held on 14 March 2024.

### c) Other payments to directors

There was no other payment to the directors besides the sitting fees and remuneration.

### d) Top 5 officers

The Company paid to its top 5 officers an aggregate amount of RO 339,786 which includes secondment fee, salaries, allowances, performance-based bonuses and other benefits. The remuneration paid is commensurate with their qualification, role, responsibility and performance.

The performance-based bonus for staff members is based on the following criteria:

- a. At the beginning of the year, benchmark objectives, which include among other parameters, financial performance of the Company, Health, Safety and Environment targets, for each staff member are set.
- b. At the end of the year, the performance and actual results against each of these objectives are evaluated and most importantly, any extraordinary contribution by the staff member leading to Company's improved performance is duly noted and acknowledged.
- c. Based on the final score and a transparent process of evaluation, a bonus is worked out and disbursed.

Employees' notice period and severance fees are specified in the standard employment contract entered into by the Company with the staff. Generally, the employment contract carries one month notice period. Severance fee is payable to an employee if the employee is terminated with less than agreed notice period.

## Details of non-compliance by the Company

There were no penalties imposed on the Company by the Capital Market Authority ("CMA"), Muscat Stock Exchange ("MSX") or any other statutory authority on any matter related to capital markets in the year 2023.



### Means of communication with the shareholders and investors

The Company communicates with the shareholders and investors mainly through the MSX website and the Company's website (www.alsuwadipower.com) in both English and Arabic. Material information is disclosed immediately, and financial information such as initial quarterly and annual un-audited financial results, un-audited interim financial statements, and annual report including audited financial statements and Management Discussion & Analysis Report are disclosed within the regulatory deadlines. The Company's executive management is also available to meet its shareholders and analysts as and when required. Based on the CMA Decision No. E/109/2022 dated 13 July 2022, the Company held live interactive session with investors and analysts post disclosure of its six months financial statements. To comply with the requirements of MSX of appointing an Investors Relation Officer (IRO), the Company has appointed its CFO as the IRO.

### Market price data

a) High/Low share price and performance comparison during each month in year 2023:

Month	Price (Baizas)				MSX Index (Service sector)	
	High	Low	Closing	Change from 1 <sup>st</sup> January 2023	Closing	Change from 1 <sup>st</sup> January 2023
January	37	28	36	28.57%	1681.775	3.88%
February	36	32	32	14.29%	1714.044	5.88%
March	34	29	30	7.14%	1706.639	5.42%
April	32	30	30	7.14%	1747.183	7.92%
May	32	27	29	3.57%	1701.639	5.11%
June	29	27	28	0.00%	1695.267	4.72%
July	29	27	28	0.00%	1672.633	3.32%
August	28	25	25	-10.71%	1662.957	2.72%
September	25	18	18	-35.71%	1629.494	0.66%
October	24	19	22	-21.43%	1590.895	-1.73%
November	24	20	22	-21.43%	1594.162	-1.53%
December	22	20	21	-25.00%	1565.551	-3.29%

b) Distribution of the shareholding as of December 31, 2023:

Category	Number of shareholders	Number of shares held	Share capital %
5% and above	7	584,855,528	81.87%
1% to 5%	2	16,994,356	2.38%
Less than 1 %	2,578	112,556,456	15.75%
Total	2,587	714,406,340	100.0%

There are no outstanding securities or any convertible instruments issued by the Company.

### Professional profile of the statutory auditor


The shareholders of the Company appointed KPMG as its auditors for 2023. KPMG LLC in Oman was established in 1973 and is part of KPMG Lower Gulf Limited. KPMG in Oman employs more than 160 people, amongst whom are five partners and five directors, including Omani nationals. KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. It operates in 143 countries and territories and have 273,000 people working in member firms around the world. KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms. During the year 2023, an amount of RO 20,476 (excluding VAT) was accrued in the financial statements for services rendered to the Company by KPMG (RO 17,490 for audit services and RO 2,986 for other services).

### Acknowledgement by the Board of Directors

1. The Board of Directors accepts the responsibility for accurately preparing accounts and financial statements and confirms that the financial statements for the year 2023 have been prepared in accordance with the applicable International Financial Reporting Standards.
2. The Board of Directors, through the Audit Committee, has reviewed the Company's system of internal controls and assures efficiency and adequacy of the internal control systems including financial management and its related operations, obligation management and risk management.
3. The Company has robust business model and contractual framework as explained in detail in the financial statements and, as such, the Board of Directors confirms that they believe there are no material matters which may affect the continuation of the Company and its ability to continue its operations during the next financial year.



Chairperson



Director

## Brief Profiles of Directors

<b>Name</b>	<b>: Mr. Axel De Ghellinck</b>
Year of Joining	: 2021
Education	: Masters in Business Administration cum Intercultural Management from Brussels
Experience	: Mr. De Ghellinck has more than 24 years of experience with 19 years in power industry in the field of accountancy, financial management, acquisition, investment and financial advisory. Mr. De Ghellinck joined SUEZ Tractebel (Engie group) in 2004. Mr. De Ghellinck has experience in various roles at Engie including Chief Financial Officer - India, Head corporate finance for North America, Latin America & Africa, Senior Advisor at AIFA (Acquisition, Investment & Financial Advisory) GDF SUEZ, Latin America, and Business Controller at SUEZ Tractebel in Brussels. Mr. De Ghellinck is currently Chief Financial Officer, Other GCC and Pakistan, part of Thermal and Supply Global Business Unit at Engie.
<b>Name</b>	<b>: Mr. Ravinder Soin</b>
Year of Joining	: 2018
Education	: Fellow Member of the Institute of Chartered Accountants of India & Associate Member of the Institute of Cost Accountants of India
Experience	: Mr. Ravinder has 31 Years of professional experience in manufacturing, trading, fabrication, real estate & other service industries. He is presently working as General Manager-Credit & Collection at Suhail Bahwan Group. During his 25 years with Suhail Bahwan Group, he has worked closely on various policy matters, establishing & strengthening controls, facilitating investment & business decisions. His areas of specialization are risk assessment & management, finance, costing, taxation, auditing, budgeting, management reporting & investment analysis.
<b>Name</b>	<b>: Mr. Mahmood Hamed Al-Gharibi</b>
Year of Joining	: 2020
Education	: Bachelor Degree in Finance from Sultan Qaboos University.
Experience	: Mr. Al-Gharibi is a Senior Investment Accountant at the Investment Department of the Public Authority for Social Insurance with over 15 years of experience in the field of Finance and Investment Operations and reporting for all PASI investment activity.

**Name : Mr. Ashok Kumar Saproo**

Year of Joining : 2018

Education : Bachelor's Degree ( Honours ) in Civil Engineering from Birla Institute of Technology & Science, Pilani ( India )

Experience : Mr. Saproo has more than 42 years of experience in Construction Industry and Real Estate Development. He is very senior level professional and has successfully handled large size township real estate development projects; state of art Commercial building, Hotels and Mall projects; specialized projects like IT parks/ Warehouses/ Automated car parks; Interiors for Offices/ High end offices/ Villas etc from concept to completion.

He has joined Suhail Bahwan Group in the year 2012 and is currently heading Projects & Interior Design Department. Prior to joining Suhail Bahwan Group, he has worked with reputed companies like Hyundai Engg and Construction company, Xansa India Limited, Reliance Industries Ltd, Unitech Ltd, Prestige estates Projects ltd at senior level for design development and project execution.

**Name : Mr. Bipin Dharamsey Nensey**

Year of Joining : 2018

Education : Bachelor's Degree in Commerce from Mumbai University (India) 1977.  
Management Executive Certification from Indian School of Business (ISB) Hyderabad (India) in the Year 2003

Experience : Mr. Nensey is a Director of Sohar International Bank SAOG since 2018. He served as a Director of Oman International Bank from 1999 to 2002 and as Deputy Chairman of Oman International Bank (HSBC Bank Oman) from 2002-2012. Mr. Nensey serves as Director of Muscat Insurance Company SAOG since 2021 and as Deputy Chairman of Muscat Insurance Company SAOG from 2000 to 2021, and as a Director of Dharamsey Nensey since 1977.

**Name : Mr. Kazumasa Fujita**

Year of Joining : 2023

Education : BA Faculty of Engineering, Kobe University, Japan

Experience : Mr. Fujita has approx. 30 years of experience in plant projects and urban development.

He is currently engaged in development of new IPP/IWP/IWPP projects and asset management for Sojitz Group in the Middle East and Africa.

<b>Name</b>	<b>: Mr. Kazuichi Ikeda</b>
Year of Joining	: 2021 (rejoined- was previously a director for several years)
Education	: Master degree in Electrical Engineering from Osaka University (Japan)
Experience	: Mr. Ikeda is Director, General Manager of SEP International Netherlands B.V.[SEPI] (DMCC Branch) – Dubai. In this role, he is responsible for asset management of IPP/IWPP projects invested in the Middle East region as well as new project development.  Mr. Ikeda started his career in YONDEN, parent company of SEPI, in 1995 as an electrical engineer and has been involved in construction, maintenance and performance management of various thermal power plants in Japan for more than 9 years. He has been engaged in international IPP/IWPP business for 15+ years, out of which he was deputed to Ras Laffan C IWPP project in Qatar for 2.5 years as one of the management members in charge of the maintenance of the whole plant (2,730 MW– Power & 63MIGD – Water). He was assigned the current role at SEPI from 2022.

<b>Name</b>	<b>: Mr. Ernesto Parra</b>
Year of Joining	: 2022
Education	: Bachelor's Degree in Project Leadership and Management from Chile
Experience	: Mr. Ernesto is a Mechanical Engineer who joined the ENGIE group in 2000, and since then he has taken different roles in O&M of power generation plant, assets management, technical support and project management. He is currently the COO of the T&S at Engie for GCC fleet.

<b>Name</b>	<b>: Mrs. Maria del Carmen Vidal Martínez</b>
Year of Joining	: 2019
Education	: Ms. Sc. Industrial Engineering, Escuela Técnica Superior de Ingenieros Industriales, Madrid, Spain.
Experience	: Mrs. Vidal has a diversified experience in automotive, construction and energy industries. On the later she has been with ENGIE located in Dubai since 2009, where she is the Chief Procurement Officer, responsible for the Procurement performance and governance, always working closely with technical and financial departments of all the entities in which ENGIE is a stakeholder. Mrs. Vidal has worked in several countries in Europe and she has been for the last 19 years in the Middle East.

**Name : Mr. Muneer Abdullah Khamis Al-Balushi**

Year of Joining : 2019

Education : Bachelor degree (HONS) in Accounting in 2008  
Higher National Diploma (HND) in Accounting in 2004.

Experience : Mr. Muneer has more than 15 years experience in collection contribution and pension in Civil service employee pension fund. Mr. Muneer held below mentioned positions:

- Director of Civil service employees pension fund – Al Bathinah south governorate department (from 2017 till today).
- Head of the Unified law of social insurance in contribution department (from 2012 to 2016).
- Contributions specialist in contribution department (from 2008 to 2011).
- Accounts assistant in Mezoon travel LLC, Al Zawawi group (from 2006 to 2008).

**Name : Mr. Anwar Said Al Housni**

Year of Joining : 2022

Education : Masters in International Commercial Law

Experience : 21 years' experience at Ministry of Defense

### Brief Profiles of Key Executive Officers

The senior management team has been empowered by the Board of Directors for the day-to-day operations of the Company.

<b>Name</b>	<b>: Mr. Abdullah Al Rawahi</b>
Position	: Chief Executive Officer
Year of Joining	: 2022
Education	: Masters in industrial engineering & B.Sc in Mechanical Engineering from Sultan Qaboos University
Experience	: Mr. Abdullah has more than 29 years of professional experience in power and desalination plants. He has earlier worked with Al Kamil Power Company SAOG as Chief Executive Office since January 2017. Before becoming a CEO, he held various positions such as Site Manager, and other positions in different Power and desalinations plants.
<b>Name</b>	<b>: Mr. Preetam Saraf</b>
Position	: Chief Financial Officer
Year of Joining	: 2019
Education	: Member of Institute of Chartered Accountants of India with post graduate diploma (equivalent to MBA) in Finance and a Bachelor degree in Commerce.
Experience	: Mr. Saraf has more than 25 years of professional experience including 16 years in power sector. He started his career with Indian Oil dealing in oil refinery sector where he spent 6 years. Before joining Al Suwadi Power Company, he was working for 11 years with Tata Power, the largest integrated power utility in India, and was actively associated in setting up of greenfield power projects and installing systems and procedures in the organisation. He worked with Tata Power in various capacities including site-finance head of their power plants, coal mines, and in the last assignment as Head Subsidiaries Finance and Performance analysis.

# AUDITED FINANCIAL STATEMENTS









KPMG LLC  
Children's Public Library Building  
4th Floor, Shatti Al Qurum  
P O Box 641, PC 112  
Sultanate of Oman  
Tel. +968 24 749600, www.kpmg.com/om

**Private and confidential**

Our ref: aud/mc/sm/14391/24

# Agreed-upon Procedures Report on submission of financial information using XBRL

## To the Board of Directors of Al Suwadi Power Company SAOG

### Purpose of this Agreed-Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting Al Suwadi Power Company SAOG ("the Company") for submission of statement of financial position, the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 December 2023, and notes, comprising a summary of significant accounting policies and other explanatory information (collectively referred to as the "Statements") to Capital Market Authority ("CMA") using eXtensible Business Reporting Language (XBRL) and may not be suitable for another purpose. This report is intended solely for Al Suwadi Power Company SAOG and CMA and should not be used by, or distributed to, any other parties.

### Responsibilities of the Al Suwadi Power Company SAOG

Al Suwadi Power Company SAOG has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

Al Suwadi Power Company SAOG (also the Responsible Party) is responsible for the subject matter on which the agreed-upon procedures are performed.

### Practitioners' Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with Al Suwadi Power Company SAOG, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed upon procedures.



### Practitioners' Responsibilities (continued)

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

#### Professional Ethics and Quality Control

We have complied with the relevant ethical requirements including independence requirements of International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethical Standards Board for Accountants.

Our firm applies International Standard on Quality Management (ISQM) 1, Quality Management for Firms that perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Procedures and Findings

We have performed the procedures described below, which were agreed upon with Al Suwadi Power Company SAOG in the terms of engagement dated 22 December 2023, on the statements:

S. No	Procedures	Findings
(a)	<p>We traced the numbers mentioned in the Statements below to the audited financial statements of the Company as at and for the period ended 31 December 2023 on which an unmodified opinion was issued on 15 February 2024 or if numbers were not directly traceable to the audited financial statements, traced to the authorised management account of the Company for the period ended 31 December 2023 which formed the basis of preparation of its audited financial statements, and in accordance with CMA's guidelines:-</p> <ul style="list-style-type: none"> <li>• Statement of financial position, current, non-current;</li> <li>• Subclassifications of Assets, Liabilities and Equity, Current, Non-current</li> <li>• Income statement – Nature of expenses;</li> <li>• Analysis of income and expenses, nature of expenses;</li> <li>• Statement of comprehensive income – Net of tax</li> <li>• Statement of cash flows, indirect method</li> <li>• Statement of changes in equity;</li> </ul>	No exceptions noted.
(b)	We traced the explanatory notes mentioned in the Statements to the audited financial statements of the company for the period ended 31 December 2023.	No exceptions noted
(c)	We recalculated to check the arithmetical accuracy of any amounts mentioned in the Statements.	No exceptions noted



**Procedures and Findings (continued)**

S. No	Procedures	Findings
(d)	We have compared the wordings of each section of the auditors' report as mentioned in the Statements to the auditors' report on the financial statements of the Company for the year ended 31 December 2023.	No exceptions noted
(e)	We have not performed any procedures on comparative information.	No exceptions noted

This report relates only to the balances and items specified above and does not extend to the Company's financial statements taken as a whole.

*KPMG*  
KPMG LLC  
15 February 2024  
Muscat, Oman





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## Independent Auditors' Report

### To the Shareholders of Al Suwadi Power Company SAOG

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the financial statements of Al Suwadi Power Company SAOG ("the Company"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

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

##### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with 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.

##### 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.

*Continued on page 1(b)*



Continued from page 1(a)

**Key Audit Matters (continued)**

**Impairment testing of non-financial assets**

See Note 3, 8 and 9 to the financial statements.

<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>As at 31 December 2023 the Company has non-financial assets with impairment indicators amounting to RO 233.4 million. Non-financial assets comprising the carrying value of property, plant and equipment and right of use assets minus the related lease liability, are considered as one cash generating unit (CGU). Where a review for impairment is conducted, the recoverable amount is determined based on the higher of 'value in use' or 'fair value less costs of disposal'.</p> <p>The impairment testing of the non-financial assets of the Company is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgment required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the CGU, which is based on higher of the value in use or fair value less costs of disposal, has been derived from discounted forecast cash flow model (value in use). These models use several key assumptions, including estimates of future fixed and variable income, operating costs and the weighted-average cost of capital (discount rate).</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>• Evaluating the design and implementation of key internal controls around the impairment assessment;</li> <li>• Involving our own valuation specialist to assist in evaluating the appropriateness of the discount rate;</li> <li>• Evaluating the appropriateness of the assumptions applied to key inputs such as estimate of future fixed and variable income, operating costs which included comparing these inputs with our own assessments based on our knowledge of the client and the industry;</li> <li>• Testing the mathematical accuracy of the discounted cash flow model;</li> <li>• Performing our own sensitivity analysis, which included assessing the effect of reasonably possible reductions in forecast cash flows to evaluate the impact on the currently estimated headroom for the non-financial assets; and</li> <li>• Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements.</li> </ul>

**Other Information**

Management is responsible for the other information. The other information comprises the Board of Directors' report, Corporate social responsibility report, Management discussion and analysis report and Corporate governance report included in the annual report, but does not include the financial statements and our auditors' report thereon.

Continued on page 1(c)



Continued from page 1(b)

#### Other Information (continued)

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 IFRS Accounting Standards, and their preparation in compliance with the relevant disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of 2019, 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.

#### Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Continued on page 1(d)



Continued from page 1(c)

### Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

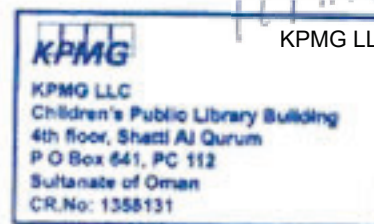
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation 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.

### Report on Other Legal and Regulatory Requirements

Further, we report that financial statements of the Company as at and for the year ended 31 December 2023, comply, in all material respects, with the:

- relevant disclosure requirements of the Capital Market Authority; and
- applicable provisions of the Commercial Companies Law of 2019.

Mobeen Chaudhri  
15 February 2024





## STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023		2022	
		RO'000	USD'000	RO'000	USD'000
Revenues		84,072	218,652	83,704	217,696
Direct costs	4	(60,633)	(157,696)	(60,806)	(158,142)
<b>GROSS PROFIT</b>		<b>23,439</b>	<b>60,956</b>	22,898	59,554
Other income		561	1,459	136	355
General and administrative expenses	5	(818)	(2,128)	(836)	(2,177)
<b>OPERATING PROFIT</b>		<b>23,182</b>	<b>60,287</b>	22,198	57,732
Finance costs	6 (a)	(6,295)	(16,369)	(7,071)	(18,390)
Finance income	6 (b)	214	557	76	197
<b>PROFIT BEFORE TAX</b>		<b>17,101</b>	<b>44,475</b>	15,203	39,539
Tax expense	7	(2,566)	(6,672)	(2,281)	(5,933)
<b>PROFIT FOR THE YEAR</b>		<b>14,535</b>	<b>37,803</b>	12,922	33,606
Earnings per share					
Basic and diluted earnings per share (Baizas / cents)	22	20.35	52.92	18.09	47.04

The attached notes 1 to 24 form part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

Note	2023	2023	2022	2022
	RO'000	USD'000	RO'000	USD'000
<b>PROFIT FOR THE YEAR</b>	<b>14,535</b>	<b>37,803</b>	12,922	33,606
Other comprehensive (loss) / income items that may be reclassified to profit or loss in subsequent periods (net of tax):				
Cash flow hedges - effective portion of changes in fair value (net of tax)	(160)	(422)	6,534	16,996
Other comprehensive (loss) / income for the year, net of tax	(160)	(422)	6,534	16,996
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>14,375</b>	<b>37,381</b>	19,456	50,602

# STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 RO'000	2023 USD'000	2022 RO'000	2022 USD'000
<b>ASSETS</b>					
Non-current assets					
Property, plant and equipment	8	233,547	607,405	241,559	628,241
Right-of-use assets	9 (a)	648	1,682	793	2,060
Derivative instruments	14	1,542	4,010	2,570	6,683
		<u>235,737</u>	<u>613,097</u>	<u>244,922</u>	<u>636,984</u>
<b>Current assets</b>					
Inventories	3.3 (e)	2,672	6,951	2,688	6,993
Trade and other receivables	10	5,456	14,192	6,249	16,251
Cash and cash equivalents	11	6,958	18,095	1,865	4,852
		<u>15,086</u>	<u>39,238</u>	<u>10,802</u>	<u>28,096</u>
<b>TOTAL ASSETS</b>		<u>250,823</u>	<u>652,335</u>	<u>255,724</u>	<u>665,080</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	13 a	71,441	185,801	71,441	185,801
Legal reserve	13 b	11,331	29,467	9,877	25,687
Retained earnings		47,499	123,536	34,418	89,513
<b>Equity before hedging reserve</b>		<u>130,271</u>	<u>338,804</u>	<u>115,736</u>	<u>301,001</u>
Hedging reserve	14	283	733	443	1,155
<b>Total equity</b>		<u>130,554</u>	<u>339,537</u>	<u>116,179</u>	<u>302,156</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Term loans	15 (a)	60,969	158,570	79,311	206,269
Lease liabilities	9 (b)	663	1,724	817	2,124
Derivative instruments	14	1,210	3,147	2,048	5,325
Deferred tax liability	7 (c)	26,993	70,208	26,817	69,746
Asset retirement obligation	12	391	1,018	371	966
		<u>90,226</u>	<u>234,667</u>	<u>109,364</u>	<u>284,430</u>
<b>Current liabilities</b>					
Current tax liabilities	7 d	2,360	6,137	683	1,776
Trade and other payables	16	8,511	22,132	10,383	27,004
Lease liabilities - current	9 (b)	153	399	144	374
Short term borrowings	15 (b)	100	260	-	-
Term loans - current	15 (a)	18,919	49,203	18,971	49,340
		<u>30,043</u>	<u>78,131</u>	<u>30,181</u>	<u>78,494</u>
<b>Total liabilities</b>		<u>120,269</u>	<u>312,798</u>	<u>139,545</u>	<u>362,924</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>250,823</u>	<u>652,335</u>	<u>255,724</u>	<u>665,080</u>
Net assets per share (Baizas / cents) - adjusted	21	<u>182.35</u>	<u>474.25</u>	162.00	421.33

The financial statements were authorised for issue and approved by the Board of Directors on 15 February 2024 and were signed on their behalf by:



Chairperson



Director

The attached notes 1 to 24 form part of these financial statements.

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 RO'000	2023 USD'000	2022 RO'000	2022 USD'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before tax		17,101	44,475	15,203	39,539
Adjustments for:					
Depreciation on property, plant and equipment	4 & 5	8,025	20,871	8,012	20,838
Depreciation on right of use assets	9 (a)	145	378	145	376
Finance costs	6 (a)	6,295	16,369	7,071	18,390
Finance income	6 (b)	(214)	(557)	(76)	(197)
Gain on disposal of property, plant and equipment		-	-	(4)	(12)
Cash from operations before working capital changes		31,352	81,536	30,351	78,934
Changes in:					
Inventories		16	42	(59)	(155)
Trade and other receivables		798	2,073	27,554	71,665
Trade and other payables		(1,753)	(4,563)	(24,915)	(64,790)
Cash generated from operating activities		30,413	79,088	32,931	85,654
Income tax paid		(683)	(1,776)	-	-
Net cash flows generated from operating activities		29,730	77,312	32,931	85,654
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received		209	544	76	198
Acquisition of property, plant and equipment	8	(14)	(39)	(194)	(505)
Proceeds from sale of property, plant and equipments		-	-	15	40
Net cash flows used in investing activities		195	505	(103)	(267)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Repayment of term loans	15 (a)	(18,972)	(49,340)	(18,782)	(48,849)
Finance costs paid		(5,786)	(15,044)	(6,570)	(17,088)
Proceeds of short term borrowings	15 (b)	25,633	66,666	38,385	99,831
Repayments of short term borrowings	15 (b)	(25,533)	(66,406)	(39,835)	(103,602)
Short term deposit - net movement		-	-	884	2,300
Payment for deferred finance costs		(29)	(75)	-	-
Lease payments - Principal		(145)	(375)	(134)	(350)
Dividends paid	13 (d)	-	-	(5,356)	(13,935)
Net cash flows used in financing activities		(24,832)	(64,574)	(31,408)	(81,693)
Net changes in cash and cash equivalents		5,093	13,243	1,420	3,694
Cash and cash equivalents at 1 January	11	1,865	4,852	445	1,158
<b>Cash and cash equivalents at 31 December</b>	11	<b>6,958</b>	<b>18,095</b>	1,865	4,852

The attached notes 1 to 24 form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Notes	Share capital RO'000	Legal reserve RO'000	Retained earnings RO'000	Hedging reserve RO'000	Total RO'000
Balance at 1 January 2022		71,441	8,585	28,144	(6,091)	102,079
<i>Total comprehensive income for the year</i>						
Profit for the year		-	-	12,922	-	12,922
Other comprehensive income, net of income tax						
Cash flow hedges - effective portion of changes in fair value	14	-	-	-	6,534	6,534
<i>Total comprehensive income</i>		-	-	12,922	6,534	19,456
Transfer to legal reserve		-	1,292	(1,292)	-	-
<i>Transaction with owners of the Company</i>						
Dividends	13 (d)	-	-	(5,356)	-	(5,356)
Balance at 31 December 2022		71,441	9,877	34,418	443	116,179
<b>Balance at 1 January 2023</b>		<b>71,441</b>	<b>9,877</b>	<b>34,418</b>	<b>443</b>	<b>116,179</b>
<i>Total comprehensive income for the year</i>						
Profit for the year		-	-	14,535	-	14,535
Other comprehensive (loss), net of income tax						
Cash flow hedges - effective portion of changes in fair value	14	-	-	-	(160)	(160)
<i>Total comprehensive income</i>		-	-	14,535	(160)	14,375
Transfer to legal reserve		-	1,454	(1,454)	-	-
<b>Balance at 31 December 2023</b>		<b>71,441</b>	<b>11,331</b>	<b>47,499</b>	<b>283</b>	<b>130,554</b>

## STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2023

	Notes	Share capital USD'000	Legal reserve USD'000	Retained earnings USD'000	Hedging reserve USD'000	Total USD'000
Balance at 1 January 2022		185,801	22,326	73,203	(15,841)	265,489
<i>Total comprehensive income for the year</i>						
Profit for the year		-	-	33,606	-	33,606
<i>Other comprehensive income, net of income tax</i>						
Cash flow hedges - effective portion of changes in fair value	14	-	-	-	16,996	16,996
<i>Total comprehensive income</i>		-	-	33,606	16,996	50,602
Transfer to legal reserve		-	3,361	(3,361)	-	-
<i>Transaction with owners of the Company</i>						
Dividends	13 (d)	-	-	(13,935)	-	(13,935)
Balance at 31 December 2022		185,801	25,687	89,513	1,155	302,156
<b>Balance at 1 January 2023</b>		<b>185,801</b>	<b>25,687</b>	<b>89,513</b>	<b>1,155</b>	<b>302,156</b>
<i>Total comprehensive income for the year</i>						
Profit for the year		-	-	37,803	-	37,803
<i>Other comprehensive (loss), net of income tax</i>						
Cash flow hedges - effective portion of changes in fair value	14	-	-	-	(422)	(422)
<i>Total comprehensive income</i>		-	-	37,803	(422)	37,381
Transfer to legal reserve		-	3,780	(3,780)	-	-
<b>Balance at 31 December 2023</b>		<b>185,801</b>	<b>29,467</b>	<b>123,536</b>	<b>733</b>	<b>339,537</b>

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

## 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Suwadi Power Company (the “Company”) was registered as a closed Omani Joint Stock company (“SAOC”) on 2 August 2010 under the Commercial Companies Law of Oman. Subsequently, the Company was converted to a Public Joint Stock Company (“SAOG”) and was listed on the Muscat Securities Market on 23 June 2014. The registered address of the Company is PO Box 39, Postal Code 103, Sultanate of Oman.

The Company’s objectives are to develop, finance, design, construct, operate, maintain, insure and own a power generating facility (the Barka 3 Power Plant with a capacity of about 750MW, “The Plant”), and associated gas interconnection facilities and other relevant infrastructure; to make available the demonstrated power capacity; and to sell the electrical energy generated to Oman Power and Water Procurement Company SAOC. Accordingly, the Plant is considered and managed as one reportable segment. Commercial Operation of the Plant was achieved by the Company on 4 April 2013.

### 1.1 GOING CONCERN ASSUMPTION

As at 31 December 2023, the current liabilities of the Company exceeded its current assets by RO 14.96 million (31 December 2022: RO 19.38 million), however, the Company has generated positive cashflows from its operations during current and prior years, and has been settling its obligations. The Company’s management is confident that it will be able to generate sufficient cash flows from its operations during the next 12 months to settle its obligations as and when due. Accordingly, the management believe that the Company will continue to operate as a going concern for the foreseeable future and these financial statements are prepared on a going concern basis.

## 2 SIGNIFICANT AGREEMENTS

### Project documents

- (i) Power Purchase Agreement (“PPA”) dated 10 August 2010 with OPWP for a period of 15 years from the scheduled Commercial Operation Date (“COD”).
- (ii) Natural Gas Sales Agreement (“NGSA”) dated 31 August 2010 with the Integrated Gas Company SAOC (IGC) [formerly Ministry of Oil and Gas (“MOG”) & Ministry of Energy & Minerals (MEM)] for the purchase of natural gas for a period of 15 years from the scheduled COD. During 2023 the NGSA agreement has been novated to IGC by MEM.
- (iii) Usufruct Agreement relating to the Barka site dated 15 August 2010 with the Government of the Sultanate of Oman represented by the Ministry of Housing for grant of Usufruct rights over the plant site for 25 years from its effective date.
- (iv) Operation & Maintenance Agreement (“O&M Agreement”) with Suez Tractebel Operation and Maintenance Oman LLC (“STOMO”) dated 24 September 2010 for a period of 15 years from scheduled COD. Kahrabel FZE owns 70% shareholding of STOMO which is ultimately controlled by Engie S.A.
- (v) Electrical Connection Agreement dated December 2011 with Oman Electricity Transmission Company SAOC for connection of the Company’s equipment to the transmission system.

### Finance documents

- (vi) Common Terms Agreement (“CTA”) and Facility Agreements dated 16 September 2010 for long term loans with international and local banks.
- (vii) First Amendment Agreement to the Common Terms Agreement and Facility Agreements dated 29 September 2010.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 2 SIGNIFICANT AGREEMENTS *(continued)*

### Finance documents *(continued)*

- (viii) Amendment Agreement to the Common Terms Agreement and Facility Agreement dated 24 July 2023 for replacement of LIBOR with an interest rate based on Compounded Secured Overnight Financing Rate (SOFR).
- (ix) Hedging Agreements for interest rate swap with Credit Agricole Corporate & Investment Bank (dated 5 October 2010), KfW IPEX Bank GMBH (dated 6 October 2010), HSBC Bank Middle East Limited (6 October 2010) and Standard Chartered Bank (dated 7 October 2010 and reprofiled on 19 December 2011).
- (x) Hedging Agreements for currency swap with Standard Chartered Bank dated 12 October 2010 and Credit Agricole Corporate & Investment Bank dated 3 September 2019, 9 August 2021 and 22 November 2022.
- (xi) Revolving Working Capital Facility Agreement dated 5 June 2012 with Bank Muscat SAOG for purpose of availing short term loans upto Omani Rial 8.84 million.

### Security documents

- (xii) Intercreditor Deed dated 16 September 2010 with The Export-Import Bank of Korea, Credit Agricole Corporate & Investment Bank (as the "Global Facility Agent" and "Offshore Security Trustee"), Bank Muscat SAOG (as the "Onshore Account Bank") and Others.
- (xiii) Offshore Deed of Charge and Assignment dated 16 September 2010 with Credit Agricole Corporate & Investment Bank as "Offshore Security Trustee" for the Finance Parties.
- (xiv) Deed of Assignment of Re-insurance dated 16 September 2010 with Credit Agricole Corporate and Investment Bank as "Offshore Security Trustee"; and Oman United Insurance Company SAOG as "Insurer".
- (xv) Sale and Purchase Agreement dated 16 September 2010 with Bank Muscat SAOG as the "Onshore Security Agent".
- (xvi) Agreement for Security over Omani Shares dated 16 September 2010 between the Company as "the Company", the Founding Shareholders as the "Chargors", Bank Muscat SAOG as the "Onshore Security Agent"; and Credit Agricole Corporate & Investment Bank as the "Global Facility Agent".
- (xvii) Commercial Mortgage over Company's Assets (including receipt) dated 21 September 2010 between the Company as "Mortgagor" and Bank Muscat SAOG as "Mortgagee".
- (xviii) Legal Mortgage dated 21 September 2010 between the Company as "Mortgagor" and Bank Muscat SAOG as "Mortgagee".
- (xix) Direct Agreements entered into by Lenders Agent in respect of PPA, NGSA, EPC Contract and O&M Agreement.

## 3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

### 3.1 BASIS OF PREPARATION

#### a) *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as issued by the International Accounting Standards Board ("IASB"), and the applicable requirements of the Commercial Companies Law of 2019 and Ministerial Decision 27/2021 issuing Commercial Companies Regulation and the applicable regulations of Capital Market Authority of the Sultanate of Oman.



# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.1 BASIS OF PREPARATION *(continued)*

#### b) *Basis of measurement*

These financial statements are prepared on historical cost basis except derivatives financial instruments which are measured at fair value.

#### c) *Presentation and functional currency*

These financial statements are presented in United States Dollars ("USD"), which is the Company's functional currency, and also in Rial Omani ("RO") for local regulatory requirements. The Omani Rial amounts, which are presented in these financial statements are for the convenience of the reader and have been translated from the USD amounts at an exchange rate of USD 1 = RO 0.3845. All amounts have been rounded to the nearest thousand (RO '000 and USD '000) except where otherwise stated.

#### d) *Use of estimates and judgments*

The preparation of the financial statements in conformity with IFRSs requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in impairment of property, plant and equipment, financial valuation of derivative financial instruments, asset retirement obligation and impairment of financial assets.

Measurement of fair value

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The management team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Accounting Standards, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Company's audit committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.1 BASIS OF PREPARATION *(continued)*

#### d) *Use of estimates and judgments (continued)*

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 14 for hedging reserve.

#### **Assumptions and estimation uncertainties**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### **Judgments**

Significant judgement in determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or to terminate (e.g., a change in business strategy, construction of significant leasehold improvements or significant customization to the leased asset).

#### *Lease classification*

The Company has entered into the Power Purchase Agreement (“PPA”) with Oman Power and Water Procurement Company SAOC (“OPWP”) to generate electricity and make available the power capacity from its Plant.

Management believes that IFRIC 12 is not applicable to the arrangement as the residual interest is controlled 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 15 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 spot market for power sector.

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 Leases. 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.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.1 BASIS OF PREPARATION *(continued)*

#### d) *Use of estimates and judgments (continued)*

##### **Assumptions and estimation uncertainties *(continued)***

*Judgments (continued)*

*Lease classification (continued)*

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

Based on management assessment, there is no indicator of impairment of plant as at the reporting date.

##### **Significant Estimates**

*Useful lives of plant*

The Company's management determines the estimated useful lives of its plant for calculating depreciation. This judgement is made after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

*Leases – Estimating the incremental borrowing rate*

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 fund 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.

*Impairment of plant*

The carrying amounts of the Company's plant is reviewed at each reporting date to determine whether there is any indication of impairment. When making the impairment assessment, the management has taken into account both internal and external factors including recent economic and regulatory development in the Sultanate of Oman.

*Asset retirement obligation*

Asset retirement obligation costs are based on management's technical assessment of the probable future costs to be incurred in respect of the decommissioning of the plant facilities. The Company estimates that the costs would be incurred after the useful life of the plant and calculates the provision using the DCF method.

### 3.2 CHANGES IN MATERIAL ACCOUNTING POLICIES

- a) The Company has adopted disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.2 CHANGES IN MATERIAL ACCOUNTING POLICIES *(continued)*

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in 3.3 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

#### *b) New and revised IFRS issued but not yet effective*

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, have become effective from 1 January 2024:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective from 1 January 2024)

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 January 2024.

- Lease liability in a sale and leaseback - Amendment to IFRS 16 (not applicable to the Company - Effective from 1 January 2024)
- Supplier finance arrangements - Amendment to IAS 7 and IFRS 7 (not applicable to the Company - Effective from 1 January 2024)
- Lack of exchangeability - Amendment to IAS 21 (effective from 1 January 2025)
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 (Available for optional adoption / effective date deferred indefinitely)
- Non-current liabilities with covenants - Amendments to IAS 1 (effective from 1 January 2024)
- Classification of liabilities as current or non-current amendments to IFRS 16 (effective from 1 January 2024)

The above amendments are not expected to have a significant impact on the Company's financial statements.

#### *c) New and amended standards and interpretations*

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023.

- Definition of Accounting Estimates - Amendments to IAS 8
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12
- IFRS 17 Insurance Contracts (not applicable to the Company)
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The above standards did not have a significant impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.3 MATERIAL ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

In addition, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in Note 3.3 in certain instances (refer note 3.2 for further information).

#### a) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

#### a. Right of use assets

The Company recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date and an estimate if costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

	Years
Site rent	40
Connection equipment	15

Lease costs for the year ended 31 December 2023 relating to the right-of-use assets amounting to RO 0.14 million (2022: RO 0.14 million) are included under depreciation expenses.

The right-of-use assets are also subject to impairment. Based on management assessment, there is no indicator of impairment of right-of-use assets as at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

a) *Leases (continued)*

b. Lease liabilities

At the commencement date of the lease, lease liability is measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. a change in future payments resulting from a change in index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

c. Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

#### a) *Leases (continued)*

Company as a lessor *(continued)*

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

The Company recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'other revenue'.

#### b) *Foreign currency transactions*

Transactions in foreign currencies are initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Foreign exchange gains and losses are recognised in the statement of profit or loss.

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

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in statement of other comprehensive income or statement of profit or loss are also recognised in statement of other comprehensive income or statement of profit or loss, respectively).

#### c) *Financial Instruments*

IFRS 9 Financial Instruments has principle-based requirements for the classification of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. The classification of financial assets under IFRS 9 is generally based on the business model in which the financial asset is managed and contractual cash flows characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade receivables and debt securities are recognised when they are originated. The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- 1) Trade and other receivables;
- 2) Cash and cash equivalents;
- 3) Short term deposits;
- 4) Amounts due from related parties;
- 5) Term loans;
- 6) Short term borrowings;
- 7) Trade and other payables;
- 8) Lease liabilities; and
- 9) Derivatives.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

c) *Financial Instruments (continued)*

Recognition and Initial measurement

*Financial assets*

On initial recognition, a financial asset (unless it is trade receivable without a significant financing components) is classified as measured at amortised cost; fair value through other comprehensive income – debt instruments; fair value through other comprehensive income – equity instruments; or fair value through profit or loss account. A trade receivable without a significant financing component is initially measured at the transaction price.

*Financial assets at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss account:

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

*Financial assets at fair value through other comprehensive income*

On Initial recognition if an equity investment that is not held for trading, the companies may irrevocably elect to prevent subsequent changes in the investments fair value through other comprehensive income. This election is made on an investment-by-investment basis.

Debt instruments where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

*Financial assets at fair value through profit or loss account*

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss account.

Financial assets, at initial recognition, may be designated at fair value through profit or loss, if the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis.

*Financial liabilities*

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

Financial liabilities, at initial recognition, may be designated at fair value through profit or loss if the following criteria are met:

- (i) The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;



# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

#### c) *Financial Instruments (continued)*

##### *Financial liabilities (continued)*

- (ii) The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or
- (iii) The financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities at fair value through profit or loss account are measured at fair value and net gains and losses, including any interest expense, are recognised in the profit or loss account.

Subsequent measurement of financial assets

##### *Financial assets*

##### *Financial assets carried at amortised cost*

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

##### *Financial assets carried at fair value through other comprehensive income (FVTOCI)*

#### i) *Debt instruments at FVTOCI*

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the profit or loss account. Other net gains and losses are recognised in the statement of other comprehensive income. On derecognition, gains and losses accumulated in the statement of other comprehensive income are reclassified to the profit or loss account.

#### ii) *Equity instruments at FVTOCI*

These assets are subsequently measured at fair value. Dividends are recognised as income in the profit or loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in the statement of other comprehensive income and are never reclassified to the profit or loss account.

#### iii) *Financial assets carried at fair value through profit or loss (FVTPL)*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the profit or loss account. However, see note 'Derivative financial instruments and hedging accounting' for derivatives designated as hedging instruments.

Subsequent measurement of financial liabilities

The Company categorises its financial liabilities into two measurement categories: FVTPL and amortised cost.

The Company designates a financial liability as measured at FVTPL when it meets the definition of held for trading or when they are designated as such on initial recognition using the fair value option.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

#### c) *Financial Instruments (continued)*

##### *Subsequent measurement of financial liabilities (continued)*

Gains and losses on financial liabilities designated as at FVTPL are split into the amount of change in fair value attributable to changes in credit risk of the liability, presented in other comprehensive income, and the remaining amount in profit or loss.

The Company recognises the full amount of change in the fair value in profit or loss only if the presentation of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. That determination is made at initial recognition and is not reassessed.

Cumulative gains or losses presented in other comprehensive income is subsequently transferred within equity.

Financial liabilities not held at FVTPL are subsequently measured at amortised cost using the effective interest method.

The Company's financial liabilities include accounts payable, due to related parties, fair value of derivatives, short term borrowings and term loans.

Except for fair value of derivatives which is measured at fair value, all other financial liabilities of the Company are measured at amortised cost.

##### *Derecognition of financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- (i) The rights to receive cash flows from the asset have expired; or
- (ii) The Company retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- (iii) The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in the statement of other comprehensive income is recognised in the profit or loss account.

Any cumulative gain/loss recognised in the statement of other comprehensive income in respect of equity instrument designated as fair value through other comprehensive is not recognised in the profit or loss account on derecognition of such instrument. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES *(continued)*

### 3.3 MATERIAL ACCOUNTING POLICIES *(continued)*

#### c) *Financial Instruments (continued)*

##### *Derecognition of financial assets (continued)*

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

##### *Derecognition of financial liabilities*

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss account.

##### *Interest rate benchmark reform*

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Company updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss account.

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Company applied the policies on accounting for modifications to the additional changes.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### c) *Financial Instruments (continued)*

##### *Impairment of financial assets*

The Company recognises the loss allowances for 'expected credit loss' ('ECL') on all financial assets at amortised costs. The Company also recognises ECLs on lease receivables, which are part of trade and other receivables.

The Company measures loss allowances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since the initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECL are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from possible default events within the 12 months after the reporting date

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

##### *Measurement of ECLs*

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

##### *Credit-impaired financial assets*

The Company assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer, default or delinquency by an issuer, indications that an issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets such as adverse changes in the payment status of issuers. or economic conditions that correlate with defaults in the Company.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### c) *Financial Instruments (continued)*

##### *Derivative financial instruments and hedge accounting*

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

A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

- (i) there is formal designation and documentation of the hedging relationship at the inception of hedge;
- (ii) There is an economic relationship between the hedged item and hedging instrument;
- (iii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- (iv) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedge item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

As part of risk management strategies, the Company uses derivative financial instruments, such as interest rate swaps, to hedge interest rate sensitivities. These derivative financial instruments qualify for hedge accounting and are designated as cash flow hedges. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Company adjusts the effective portion of cash flow hedge reserve in equity to the lower of the following:

- (a) the cumulative gain or loss on the hedging instrument from inception of the hedge; and
- (b) the cumulative change in fair value of the hedged item from inception of the hedge.

##### *Effectiveness testing, rebalancing and discontinuation*

The Company performs prospective assessment of effectiveness of its cash flow hedges at each reporting date. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and any remaining gain or loss is hedge ineffectiveness which is recognised in profit or loss.

When the Company discontinues hedge accounting for a cash flow hedge, the amount that has been accumulated in the cash flow hedge reserve remains in equity if the hedged future cash flows are still expected to occur, until such cash flows occur. If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified to profit or loss.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### c) *Financial Instruments (continued)*

##### *Effectiveness testing, rebalancing and discontinuation (continued)*

The Company discontinues hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after any rebalancing). This includes instances when the hedging instrument expires or is sold, terminated or exercised.

##### *Offsetting of financial instruments*

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

##### *Presentation of expected credit losses*

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and is charged to the statement of profit or loss.

##### *Write - off*

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or portion thereof. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### d) *Property, plant and equipment*

##### *(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, 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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and the difference is recognised in the statement of profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

##### *(ii) Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### c) *Financial Instruments (continued)*

##### (iii) *Depreciation*

Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of the asset less its residual value.

The management assigns useful lives and residual values to the items of Property, plant and equipment based on intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual lives or residual values differing from the initial estimates. The management has reviewed the residual values and useful lives of the major items of Property, plant and equipment and have determined that no adjustment is necessary.

The estimated useful lives for current and comparative periods are as follows:

	Years
Property ,plant and equipment	40
Technical spares	25
Other assets	3

##### (iv) *Capital work in progress*

Capital work in progress is measured at cost and is not depreciated until it is transferred into one of the fixed asset categories, which occurs when the asset is ready for intended use.

##### (v) *Asset retirement obligation*

A liability for future asset retirement obligation is recognized based on the obligation to restore the site in the future. The liability is measured at the present value of the estimated future cash outflows to be incurred on the basis of current technology. The liability includes all costs associated with site restoration, including plant closure and monitoring costs.

#### e) *Inventories*

Inventories comprises of fuel oil and spares which are stated at the lower of cost and net realizable value. The cost of fuel oil is determined on the weighted average cost basis and includes expenditure incurred in acquiring and bringing them to their existing location and condition. Obsolete inventory items are written down to their estimated net realizable value.

#### f) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at hand, bank balances and short term deposits with an original maturity of three months or less.

#### g) *Impairment of non-financial assets*

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) *Impairment of non-financial assets (continued)*

The recoverable amount of the cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the plant.

The management determines whether there are any indications of impairment to carrying value of property, plant and equipment on an annual basis because of the difference between the duration of the contracted cash flows and accounting depreciation of assets. This requires an estimation of the value in use of the cash generating unit. Estimating the value in use requires the Company to make an estimate of the residual value of the cash generating unit at the end of the term of the PPA considering the expected future cash flows for the period beyond the term of the PPA and also a suitable discount rate in order to calculate the present value of those cash flows.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' 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.

h) *Financial liabilities*

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

i) *Provisions*

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

j) *Finance charges*

Interest expense and similar charges are expensed in the statement of profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to prepare for its intended use or sale. Finance income is recognised as it accrues in the statement of profit or loss.

k) *Deferred financing cost*

The qualifying transaction cost of obtaining long-term financing is deferred and amortised over the period of the long term loan using the effective interest rate method. Deferred financing costs less accumulated amortisation are offset against the drawn amount of the term loans. The amortization of the deferred financing costs was capitalized during construction period of the plant except during the early power period during which an amount proportionate to that period was charged to the statement of profit or loss. Subsequent to the COD, the amortization of the deferred financing costs is charged to the statement of profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### l) Revenue

Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard establishes a five step model to account for revenue arising from contracts with customers. The Company's contract with its sole customer also contains a lease, which is scoped out of IFRS 15.

The Company recognized revenue in accordance with PPA as defined in note 1 of the financial statements. The contract consists of two revenue streams, which are:

- 1) Capacity charge
  - a) Investment charge,
  - b) Fixed operation and maintenance charge
- 2) Variable charge (i.e. energy and fuel charge)

#### 1) Capacity charge

Capacity charge include investment charge and fixed O&M charge. Capacity charge compensates the Company for capital and related costs of the Plant. Capacity charge is paid on the basis of Demonstrated Power Capacity made available to the Buyer by the Company, in accordance with contractual terms stipulated in PPA agreement. Investment charge is treated as operating lease and recognised on a straight line basis over the lease term under IFRS 16.

#### 2) Variable charge - IFRS 15

Types of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Energy and fuel charge based on electrical energy output. The Company's performance obligation is the supply of power.	Energy and fuel charge are recognised when electrical energy is delivered and control of electrical energy have been transferred to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the electrical energy delivered. Invoicing is as per transaction price (tariff) based on contracts and output of electrical energy. Invoices are generated at the end of the month. The payment terms are for less than a month and accordingly, transaction price does not contain any significant financing component.	The electrical energy and fuel charges components are linked to the actual energy delivered and will be recognised at a point in time for each kWh delivered. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

#### m) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### m) *Taxation (continued)*

Current tax:

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax:

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is 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. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Temporary differences in relation to right-of-use-assets and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognising the deferred tax.

Deferred tax assets and liabilities are offset if only certain criteria are met.

#### n) *Dividend*

The Board of Directors takes into account appropriate parameters including the requirements of the Commercial Companies Law while recommending the dividend. The Company recognises a liability to pay a dividend when it is approved by Board of Directors upto the cap which is approved by the shareholders at the annual general meeting. A corresponding amount is recognised directly in equity.

#### o) *Directors' sitting fees and remuneration*

Directors' sitting fees and remuneration are approved by the shareholders in the ordinary annual general meeting of the Company and are recognised as an expense in the statement of profit or loss.

#### p) *Earnings per share*

The Company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### a) *Fair value*

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The fair value of a liability reflects its non-performance risk.

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

#### *Determination of fair value*

#### i) *Derivative financial instruments*

Fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using yield curves of the respective currencies.

The fair value of interest rate swaps is based on estimated future cash flows based on the terms and maturity of each contract and using market interest rates.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and counterparty when appropriate.

#### ii) *Non-derivative financial liabilities*

Fair value, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

r) *Current versus non-current classification*

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

An asset as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

## 4 DIRECT COSTS

	2023	2023	2022	2022
	RO'000	USD'000	RO'000	USD'000
Fuel gas	44,215	114,994	44,286	115,177
Depreciation on property, plant and equipment (note 8)	8,019	20,856	8,007	20,824
Operation and maintenance ("O&M") fees (note 17)	7,390	19,221	7,200	18,725
Insurance	665	1,729	648	1,685
Depreciation on right of use assets [note 9(a)]	145	378	145	376
Fuel oil	67	174	116	301
Grid connection fee	14	38	16	42
Custom duties (note 17)	5	12	43	113
Other O&M expenses	113	294	345	899
	<b>60,633</b>	<b>157,696</b>	<b>60,806</b>	<b>158,142</b>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

### 5 GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2023	2022	2022
	RO'000	USD'000	RO'000	USD'000
Secondment fees (note 17)	264	687	260	675
Employee related costs	187	486	205	534
Public company related costs	86	225	95	247
Agency fees	58	152	55	142
Directors' remuneration and sitting fees (note 17)	35	91	37	97
Corporate social responsibility	20	53	16	41
Office rent	19	49	18	47
Audit fees	17	45	16	42
Depreciation on property, plant and equipment (note 8)	6	15	5	14
Other expenses (note 5.1)	126	325	129	338
	<b>818</b>	<b>2,128</b>	<b>836</b>	<b>2,177</b>

5.1 Other expenses include provision against non-audit fees from external auditor of OMR 2,986 (USD 7,766) [2022: OMR 4,455 (USD 11,586)]

	2023	2023	2022	2022
	RO'000	USD'000	RO'000	USD'000
<b>6 (a) FINANCE COSTS</b>				
Interest on term loans and swap interests	5,325	13,848	6,045	15,721
Amortisation of deferred finance costs [note 15(a)]	607	1,579	740	1,924
Debt Service Reserve Account ("DSRA") LC cost (note 17)	187	487	189	493
Exchange loss	58	150	26	67
Interest on lease liabilities [note 9(b)]	53	137	62	161
Interest on short term borrowings	45	116	63	165
Asset retirement obligation - unwinding of discount (note 12)	20	52	22	58
Reversal due to remeasurement of asset retirement obligation (note 12)	-	-	(76)	(199)
	<b>6,295</b>	<b>16,369</b>	<b>7,071</b>	<b>18,390</b>
<b>6 (b) FINANCE INCOME</b>				
Interest income	214	557	76	197
	<b>214</b>	<b>557</b>	<b>76</b>	<b>197</b>

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 7 TAXATION

(a) Tax expense recognised in the statement of profit or loss:

	2023 RO'000	2023 USD'000	2022 RO'000	2022 USD'000
Current tax expense	2,360	6,137	683	1,776
Deferred tax expense relating to temporary differences	206	535	1,598	4,157
	<b>2,566</b>	<b>6,672</b>	<b>2,281</b>	<b>5,933</b>

The Company is subject to income tax at the rate of 15% (2022:15%) of taxable income in accordance with the Income Tax Law of the Sultanate of Oman. Current tax is calculated on taxable income after adjusting carried forward tax loss from previous year. The deferred tax on all temporary differences have been calculated and dealt with in the statement of profit and loss.

(b) Reconciliation

The following is a reconciliation of income tax on the accounting profit with the tax expenses at the applicable tax of 15% (2022:15%):

	2023 RO'000	2023 USD'000	2022 RO'000	2022 USD'000
Profit before tax	17,101	44,475	15,203	39,539
Income tax as per applicable tax rate	2,565	6,670	2,280	5,931
Non-deductible expenses	1	2	1	2
<b>Deferred tax expense for the year</b>	<b>2,566</b>	<b>6,672</b>	<b>2,281</b>	<b>5,933</b>

The Company's effective tax rate for the year ended 31 December 2023 was 15.00% (31 December 2022: 14.64%).

(c) Deferred tax liability

	At 1 Jan 2023 RO'000	Recognised during the year RO'000	At 31 Dec 2023 RO'000
<b>Deferred tax (liability)/asset recognised in statement of profit and loss</b>			
Property, plant and equipment	(26,819)	(209)	(27,028)
Provision for right-of-use assets	(118)	22	(96)
Provision for lease liabilities	144	(22)	122
Provision for asset retirement obligation	55	3	58
	<b>(26,738)</b>	<b>(206)</b>	<b>(26,944)</b>
<b>Deferred tax asset directly recognised in statement of comprehensive income</b>			
Derivative (interest rate and forex swap) (note 14)	(79)	30	(49)
<b>Deferred tax liability</b>	<b>(26,817)</b>	<b>(176)</b>	<b>(26,993)</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

### 7 TAXATION (Continued)

(c) Deferred tax liability (continued)

	At 1 Jan 2023 USD'000	Recognised during the year USD'000	At 31 Dec 2023 USD'000
<b>Deferred tax (liability)/asset recognised in statement of profit and loss</b>			
Property, plant and equipment	(69,753)	(544)	(70,297)
Provision for right-of-use assets	(309)	57	(252)
Provision for lease liabilities	374	(56)	318
Provision for asset retirement obligation	145	8	153
	<u>(69,543)</u>	<u>(535)</u>	<u>(70,078)</u>
<b>Deferred tax asset directly recognised in statement of comprehensive income</b>			
Derivative (interest rate and forex swap) (note 14)	(203)	73	(130)
<b>Deferred tax liability</b>	<u>(69,746)</u>	<u>(462)</u>	<u>(70,208)</u>
	As at 1 Jan 2022 RO'000	Recognised during the year RO'000	As at 31 Dec 2022 RO'000
<b>Deferred tax (liability)/asset recognised in statement of profit and loss</b>			
Property, plant and equipment	(26,362)	(457)	(26,819)
Provision for right-of-use assets	(140)	22	(118)
Provision for lease liabilities	164	(20)	144
Provision for asset retirement obligation	63	(8)	55
Taxable losses carried forward	<u>1,135</u>	<u>(1,135)</u>	<u>-</u>
<b>Deferred tax asset directly recognised in statement of comprehensive income</b>			
Derivative (interest rate and forex swap) (note 14)	1,075	(1,154)	(79)
<b>Deferred tax liability</b>	<u>(24,065)</u>	<u>(2,752)</u>	<u>(26,817)</u>
	As at 1 Jan 2022 USD'000	Recognised during the year USD'000	As at 31 Dec 2022 USD'000
<b>Deferred tax (liability)/asset recognised in statement of profit and loss</b>			
Property, plant and equipment	(68,564)	(1,189)	(69,753)
Provision for right-of-use assets	(366)	57	(309)
Provision for lease liabilities	427	(53)	374
Provision for asset retirement obligation	166	(21)	145
Taxable losses carried forward	<u>2,951</u>	<u>(2,951)</u>	<u>-</u>
<b>Deferred tax asset directly recognised in statement of comprehensive income</b>			
Derivative (interest rate and forex swap) (note 14)	2,795	(2,998)	(203)
<b>Deferred tax liability</b>	<u>(62,591)</u>	<u>(7,155)</u>	<u>(69,746)</u>

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 7 TAXATION (Continued)

(d) Current tax liabilities included in the statement of financial position as:

	2023 RO'000	2023 USD'000	2022 RO'000	2022 USD'000
Opening balance	683	1,776	-	-
Current tax expense	2,360	6,137	683	1,776
Income tax paid	(683)	(1,776)	-	-
Current tax liabilities	2,360	6,137	683	1,776

(e) Deferred tax asset has been recognised directly in other comprehensive income in respect of the changes in fair values of interest rate swaps and forward rate contracts (note 14).

(f) Tax assessments including and up to the tax years 2019 have been completed by the Tax Authority. The tax returns from 2020 to 2022 have not yet been assessed by the Tax Authority. The management is of the opinion that the final tax liability once assessed for the open tax years would not be material to the Company's financial position as at 31 December 2023.

## 8 PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment	Technical spares	Other assets	Capital work-in- progress	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Cost					
1 January 2023	318,320	1,724	111	153	320,308
Additions during the year	10	4	-	-	14
Disposal during the year	-	-	(7)	-	(7)
Transfer during the year	152	-	-	(153)	(1)
31 December 2023	318,482	1,728	104	-	320,314
Depreciation					
1 January 2023	78,028	621	100	-	78,749
Charge for the year	7,948	71	6	-	8,025
Disposal during the year	-	-	(7)	-	(7)
31 December 2023	85,976	692	99	-	86,767
Carrying amount					
31 December 2023	232,506	1,036	5	-	233,547



## NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

### 8 PROPERTY, PLANT AND EQUIPMENT (continued)

	Property, plant and equipment RO'000	Technical spares RO'000	Other assets RO'000	Capital work-in- progress RO'000	Total RO'000
Cost					
1 January 2022	318,101	1,736	106	188	320,131
Additions during the year	61	3	7	123	194
Disposal during the year	-	(15)	(2)	-	(17)
Transfer during the year	158	-	-	(158)	-
31 December 2022	<u>318,320</u>	<u>1,724</u>	<u>111</u>	<u>153</u>	<u>320,308</u>
Depreciation					
1 January 2022	70,091	555	97	-	70,743
Charge for the year	7,937	70	5	-	8,012
Disposal during the year	-	(4)	(2)	-	(6)
31 December 2022	<u>78,028</u>	<u>621</u>	<u>100</u>	<u>-</u>	<u>78,749</u>
Carrying amount					
31 December 2022	<u>240,292</u>	<u>1,103</u>	<u>11</u>	<u>153</u>	<u>241,559</u>

	Property, plant and equipment USD'000	Technical spares USD'000	Other assets USD'000	Capital work-in- progress USD'000	Total USD'000
Cost					
1 January 2023	827,880	4,485	286	398	833,049
Additions during the year	27	11	1	-	39
Disposal during the year	-	-	(17)	-	(17)
Transfer during the year	394	-	-	(398)	(4)
31 December 2023	<u>828,301</u>	<u>4,496</u>	<u>270</u>	<u>-</u>	<u>833,067</u>
Depreciation					
1 January 2023	202,932	1,613	263	-	204,808
Charge for the year	20,672	184	15	-	20,871
Disposal during the year	-	-	(17)	-	(17)
31 December 2023	<u>223,604</u>	<u>1,797</u>	<u>261</u>	<u>-</u>	<u>225,662</u>
Carrying amount					
31 December 2023	<u>604,697</u>	<u>2,699</u>	<u>9</u>	<u>-</u>	<u>607,405</u>

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 8 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Property, plant and equipment USD'000	Technical spares USD'000	Other assets USD'000	Capital work-in- progress USD'000	Total USD'000
<b>Cost</b>					
1 January 2022	827,311	4,514	275	488	832,588
Additions during the year	159	9	17	320	505
Disposal during the year	-	(38)	(6)	-	(44)
Transfer during the year	410	-	-	(410)	-
31 December 2022	<u>827,880</u>	<u>4,485</u>	<u>286</u>	<u>398</u>	<u>833,049</u>
<b>Depreciation</b>					
1 January 2022	182,290	1,443	253	-	183,986
Charge for the year	20,642	182	14	-	20,838
Disposal during the year	-	(12)	(4)	-	(16)
31 December 2022	<u>202,932</u>	<u>1,613</u>	<u>263</u>	<u>-</u>	<u>204,808</u>
<b>Carrying value</b>					
31 December 2022	<u>624,948</u>	<u>2,872</u>	<u>23</u>	<u>398</u>	<u>628,241</u>

Depreciation charged for the year is allocated as follows:

	2023 RO'000	2023 USD'000	2022 RO'000	2022 USD'000
Direct costs (note 4)	8,019	20,856	8,007	20,824
General and administrative expenses (note 5)	6	15	5	14
	<u>8,025</u>	<u>20,871</u>	<u>8,012</u>	<u>20,838</u>

The term loan facilities are secured by comprehensive legal and commercial mortgages on all assets of the Company (note 15).

The Company's plant is constructed on land leased from the Ministry of Housing (note 2 and 9). The Company has leased out the entire property, plant and equipment under operating lease.

During 2023, the Company carried out an impairment testing for the plant using the discounted cash flow method in which the Company considered the present value of the net cash flows expected to be generated from the plant facility, taking into account the budgeted EBITDA growth rate and budgeted maintenance expenditure growth rate of 1.5%; the expected net cash flows are discounted using a risk-adjusted discount rate of 9.1%. Management has assessed that 10% increase/decrease in key assumptions including revenue, cost and discount rate would not result in an impairment loss.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

### 9a) RIGHT-OF-USE ASSETS

	Connection equipment RO'000	Site rent RO'000	Total RO'000
Cost			
1 January 2022	1,100	274	1,374
31 December 2022	1,100	274	1,374
1 January 2023	1,100	274	1,374
31 December 2023	1,100	274	1,374
Depreciation			
1 January 2022	412	24	436
Charge for the year	137	8	145
31 December 2022	549	32	581
1 January 2023	549	32	581
Charge for the year	137	8	145
31 December 2023	686	40	726
<b>Carrying amount</b>			
<b>31 December 2023</b>	<b>414</b>	<b>234</b>	<b>648</b>
31 December 2022	551	242	793
	Connection equipment USD'000	Site rent USD'000	Total USD'000
Cost			
1 January 2022	2,861	713	3,574
31 December 2022	2,861	713	3,574
1 January 2023	2,861	713	3,574
31 December 2023	2,861	713	3,574
Depreciation			
1 January 2022	1,075	63	1,138
Charge for the year	356	20	376
31 December 2022	1,431	83	1,514
1 January 2023	1,431	83	1,514
Charge for the year	358	20	378
31 December 2023	1,789	103	1,892
<b>Carrying amount</b>			
<b>31 December 2023</b>	<b>1,072</b>	<b>610</b>	<b>1,682</b>
31 December 2022	1,430	630	2,060

The above right-of-use assets are not part of the assets which are secured against the comprehensive legal and commercial mortgages for the term loan facilities (note 15).

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payment associated with these leases as an expense on a straight-line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 9b) LEASE LIABILITIES

Lease liabilities included in the statement of financial position as:

	<b>2023</b>	<b>2023</b>	2022	2022
	RO'000	USD'000	RO'000	USD'000
1 January	961	2,498	1,095	2,848
Interest on lease liabilities [note 6(a)]	53	137	62	161
Payments	(198)	(512)	(196)	(511)
31 December	<b>816</b>	<b>2,123</b>	961	2,498
	<b>2023</b>	<b>2023</b>	2022	2022
	RO'000	USD'000	RO'000	USD'000
Current lease liabilities	153	399	144	374
Non-current lease liabilities	663	1,724	817	2,124
	<b>816</b>	<b>2,123</b>	961	2,498
	<b>Contractual</b>	<b>Present</b>	<b>Contractual</b>	<b>Present</b>
	<b>undiscounted</b>	<b>value of lease</b>	<b>undiscounted</b>	<b>value of lease</b>
	<b>cash flows</b>	<b>payments</b>	<b>cash flows</b>	<b>payments</b>
	2023	2023	2023	2023
	RO'000	RO'000	USD'000	USD'000
Within one year	196	153	511	399
In 2 to 5 years	518	436	1,346	1,135
More than 5 years	417	227	1,085	589
Lease liabilities	<b>1,131</b>	<b>816</b>	<b>2,942</b>	<b>2,123</b>
	Contractual	Present	Contractual	Present
	undiscounted	value of lease	undiscounted	value of lease
	cash flows	payments	cash flows	payments
	2022	2022	2022	2022
	RO'000	RO'000	USD'000	USD'000
Within one year	196	144	511	374
In 2 to 5 years	697	585	1,812	1,522
More than 5 years	434	232	1,130	602
Lease liabilities	<b>1,327</b>	<b>961</b>	<b>3,453</b>	<b>2,498</b>

The Company has leased land for plant premises and lease term includes the renewal terms. The Company is restricted from assigning and subleasing the leased assets.

The following are the amounts recognised in statement of profit or loss:

	<b>2023</b>	<b>2023</b>	2022	2022
	RO'000	USD'000	RO'000	USD'000
Depreciation of rights-of-use assets [note 9(a)]	145	378	145	376
Interest on lease liabilities [note 6(a)]	53	137	62	161
Total amount recognised in profit or loss	<b>198</b>	<b>515</b>	207	537

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

### 10 TRADE AND OTHER RECEIVABLES

	2023		2022	
	RO'000	USD'000	RO'000	USD'000
Trade receivables	4,301	11,187	5,586	14,527
Other receivables	777	2,023	286	745
Prepayments	363	943	360	936
Accrued income	15	39	17	43
	<b>5,456</b>	<b>14,192</b>	<b>6,249</b>	<b>16,251</b>

Trade receivables are generated and related to Sultanate of Oman only.

### 11 CASH AND CASH EQUIVALENTS

	2023		2022	
	RO'000	USD'000	RO'000	USD'000
Cash in hand	1	2	1	3
Cash at bank	5,907	15,363	1,864	4,849
Short term deposits (less than 3 months)	1,050	2,730	-	-
	<b>6,958</b>	<b>18,095</b>	<b>1,865</b>	<b>4,852</b>

Bank balances and deposit accounts are placed with reputed financial institutions with currencies denominated in Rial Omani, USD and Euros. The management believes that the ECL is immaterial to the financial statements as a whole.

Short term deposits less than 3 months are denominated in USD are held with commercial banks with maturities ranging from one to 3 months from reporting date. Interest on deposit accrues on monthly basis.

### 12 ASSET RETIREMENT OBLIGATION

Under the Sub-Usufruct agreement, the Company has a legal obligation to remove the Plant at the end of its useful life and restore the land. The Company shall at its sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavation and return the surface to grade of the designated areas.

The fair value of Asset Retirement Obligation ("ARO") provision has been calculated using an expected present value technique. The technique reflects assumptions such as costs, plant useful life, inflation and discount rates that third parties would consider to assume for the settlement of the obligation.

The movement in ARO provision is as follows:

	2023		2022	
	RO'000	USD'000	RO'000	USD'000
At 1 January	371	966	425	1,107
Unwinding of discount during the year [note 6(a)]	20	52	22	58
Reversal due to revaluation [note 6(a)]	-	-	(76)	(199)
At 31 December	<b>391</b>	<b>1,018</b>	<b>371</b>	<b>966</b>

**12.1** In 2022, a study was carried out by an independent consultant to re-evaluate the asset retirement obligation provision. Based on the valuation report, the asset retirement obligation provision was reduced by OMR 76,423 (USD 198,758) and recorded as remeasurement of asset retirement obligation liability.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 13 EQUITY

### (a) Share Capital

The details of the shareholders are as follows:

	Nationality	No. of shares held of nominal value 100		Aggregate nominal value of shares held
		Bzs. Each	% of total	RO '000
31 December 2023				
Kahrabel FZE	UAE	213,607,492	29.90%	21,361
Middle East Investment LLC	Omani	102,160,110	14.30%	10,216
Civil Service Employees Pension Fund *	Omani	76,750,331	10.74%	7,675
Sojitz Global Investment B.V.	Netherlands	51,080,055	7.15%	5,108
SEP International Netherlands B.V.	Netherlands	51,080,055	7.15%	5,108
Public Authority for Social Insurance *	Omani	46,558,814	6.52%	4,656
Ministry of Defence Pension Fund *	Omani	43,618,671	6.11%	4,362
Shareholders with less than 5% shareholding		129,550,812	18.13%	12,955
		<b>714,406,340</b>	<b>100.00%</b>	<b>71,441</b>
Nominal value in USD '000				<b>185,801</b>

\* Based on the Royal Decree 50/2023, the assets and liabilities of (i) Civil Service Employees Pension Fund (ii) Public Authority for Social Insurance and (iii) Ministry of Defence Pension Fund will be transferred into Social Protection Fund owned by the Government effective 1 January 2024.

	Nationality	No. of shares held of nominal value 100		Aggregate nominal value of shares held
		Bzs. Each	% of total	RO '000
31 December 2022				
Kahrabel FZE	UAE	213,607,492	29.90%	21,361
Middle East Investment LLC	Omani	102,160,110	14.30%	10,216
Civil Service Employees Pension Fund	Omani	76,750,331	10.74%	7,675
Sojitz Global Investment B.V.	Netherlands	51,080,055	7.15%	5,108
SEP International Netherlands B.V.	Netherlands	51,080,055	7.15%	5,108
Public Authority for Social Insurance	Omani	46,558,814	6.52%	4,656
Ministry of Defence Pension Fund	Omani	43,618,671	6.11%	4,362
Shareholders with less than 5% shareholding		129,550,812	18.13%	12,955
		<b>714,406,340</b>	<b>100.00%</b>	<b>71,441</b>
Nominal value in USD '000				<b>185,801</b>

The Company has authorised, issued and paid-up share capital of RO 71,440,634 consisting of 714,406,340 shares of RO 0.1 each (2022: RO 71,440,634 consisting of 714,406,340 shares of RO 0.1 each).

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 general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

### (b) Legal reserve

Article 132 of the Commercial Companies Law requires that 10% of Company's net profits, after deduction of taxes for establishing a legal reserve until such legal reserve amounts to at least one-third of the Company's share capital. The reserve shall not be distributed to the shareholders as dividends except where the company reduces its share capital provided that the legal reserve shall not be less than one-third after the reduction.

During the year, the Company has transferred RO 1.45 million (USD 3.78 million) to legal reserve.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

### 13 EQUITY *(continued)*

(c) Hedging reserve

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (note 14).

(d) Dividend

The Company's dividend policy of distributing available cash is conditional upon fulfilment of covenants agreed within the Finance Documents which include making adequate provisions for forecasted loan repayments and operating expenses. Cash Sweep Mechanism was activated from 30 April 2023 impacting the ability of the Company to make dividend distributions during the year 2023. The Company has successfully achieved refinancing of its Commercial loan facility on 31 January 2024 thereby eliminating the Cash Sweep mechanism (note 24).

### 14 HEDGING RESERVE

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred

At 31 December, derivative instruments assets (liabilities) were as follows:

	2023 RO'000	2023 USD'000	2022 RO'000	2022 USD'000
<b>Interest rate swaps:</b>				
Term loans (note 15)				
KtW IPEX - Bank GmbH	330	858	558	1,450
Standard Chartered Bank	653	1,699	1,098	2,856
Credit Agricole Corporate & Investment Bank	314	816	516	1,341
HSBC Bank	245	637	398	1,036
Total fair value of interest rate swaps	1,542	4,010	2,570	6,683
Deferred tax (liability) asset	(231)	(602)	(386)	(1,002)
Fair value of interest rate swaps (net of tax)	1,311	3,408	2,184	5,681
<b>Currency swaps:</b>				
Standard Chartered Bank	(1,233)	(3,207)	(1,718)	(4,468)
Credit Agricole Corporate & Investment Bank	23	60	(330)	(857)
<b>Total fair value of currency swaps</b>	<b>(1,210)</b>	<b>(3,147)</b>	<b>(2,048)</b>	<b>(5,325)</b>
Deferred tax asset	182	472	307	799
<b>Fair value of currency swaps (net of tax)</b>	<b>(1,028)</b>	<b>(2,675)</b>	<b>(1,741)</b>	<b>(4,526)</b>
Total fair value of derivative instruments	332	863	522	1,358
Less: Deferred tax (liability) asset [note 7(c)]	(49)	(130)	(79)	(203)
<b>Total fair value of derivative instruments (net of tax)</b>	<b>283</b>	<b>733</b>	<b>443</b>	<b>1,155</b>
<i>Hedging reserve net of tax at the end of the year</i>	<b>283</b>	<b>733</b>	443	1,155
<i>Less: Hedging reserve net of tax at the beginning of the year</i>	443	1,155	(6,091)	(15,841)
<b>Effective portion of change in fair value of cash flow hedge for the year</b>	<b>(160)</b>	<b>(422)</b>	6,534	16,996

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 14 HEDGING RESERVE *(continued)*

- (a) The long term facilities (referred in note 15) [total drawdown of USD 534.09 million (RO 205.36 million) excluding Hermes Covered Fixed Facility of USD 120.00 million (RO 46.14 million)], the Company bear interest at USD Secured Overnight Financing Rate (SOFR) plus CAS plus applicable margins (2022: US LIBOR plus applicable margins).

The Company has fixed the rate of interest through Interest Rate Swap Agreements (“IRS”) entered into with HSBC Bank Middle East Limited, dated 6 October 2010, Standard Chartered Bank, dated 19 December 2011, KfW IPEX Bank GmbH, dated 6 October 2010 and Credit Agricole Corporate and Investment Bank dated 5 October 2010 respectively, for these facilities (excluding Hermes Covered Fixed Facility).

The facility hedged notional amounts stood at approximately USD 26.21 million (RO 10.08 million), USD 68.80 million (RO 26.45 million), USD 36.04 million (RO 13.86 million) and USD 32.76 million (RO 12.60 million) at fixed interest rates of 2.9613%, 2.935076%, 2.970094% and 2.938016% per annum respectively.

The interest rate swaps have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Company applies hedge accounting to remove the accounting mismatch between the hedging instrument and the hedged item since all critical terms matched during the period and the economic relationship was 100% effective. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans.

Hedge ineffectiveness for interest rate swaps may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

Derivatives are only used for economic hedging purposes and not as speculative investments.

- (b) The O&M Agreement includes an outflow of approximately Euro 35 million, payable in Euro.

The Company has entered into Forward Rate Agreements (“FRA”) with Standard Chartered Bank and three FRA with Credit Agricole Corporate and Investment Bank on 12 October 2010, 3 September 2019, 9 August 2021 and 22 November 2022 respectively to hedge against fluctuations in Euro/USD exchange rate. As per the FRAs, the Company shall pay a fixed USD amount at an exchange rate of 1.4318, 1.2155, 1.2128 and 1.1093 respectively and receive contractual Euro amounts at each maturity date.

## 15a) TERM LOANS

	2023	2023	2022	2022
	RO'000	USD'000	RO'000	USD'000
Term loans	80,801	210,148	99,773	259,488
Less: current portion	(18,919)	(49,203)	(18,971)	(49,340)
Non-current portion	61,882	160,945	80,802	210,148
Less: Unamortised deferred finance costs	(913)	(2,375)	(1,491)	(3,879)
	<b>60,969</b>	<b>158,570</b>	<b>79,311</b>	<b>206,269</b>

On 16 September 2010, the Company entered into a CTA, for credit facilities with a consortium of international banks, export credit agencies and a local bank, with Credit Agricole Corporate & Investment Bank as the Global Facility Agent, Offshore Security Trustee, Offshore Account Bank, KEXIM Facility Agent and Commercial Facility Agent; with Bank Muscat SAOG as Onshore Security Agent and Onshore Account Bank; and with KfW IPEX Bank GmbH as the Hermes Facility Agent.



## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

### 15a) TERM LOANS (Continued)

At 31 December, the outstanding USD term loan amounts were as follows:

	2023	2023	2022	2022
	RO'000	USD'000	RO'000	USD'000
Commercial Facility	39,624	103,053	40,427	105,141
Hermes Covered Variable Facility	15,243	39,644	21,968	57,135
KEXIM Direct Facility	10,863	28,253	15,656	40,719
Hermes Covered Fixed Facility	9,380	24,396	13,519	35,160
KEXIM Covered Facility	5,691	14,802	8,203	21,333
	<b>80,801</b>	<b>210,148</b>	<b>99,773</b>	<b>259,488</b>

#### Repayments

The aggregate amount of drawdown under the above facilities is repayable in half yearly instalments commencing from 31 October 2013, with the final instalment being due on 31 March 2027 except for Commercial Facility which has a final maturity date of 31 March 2028.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2023	2023	2022	2022
	RO'000	USD'000	RO'000	USD'000
Balance at 1 January	99,773	259,488	118,555	308,337
Repayments of borrowing	(18,972)	(49,340)	(18,782)	(48,849)
<b>Balance at 31 December</b>	<b>80,801</b>	<b>210,148</b>	<b>99,773</b>	<b>259,488</b>

Payment of finance costs

	2023	2023	2022	2022
	RO'000	USD'000	RO'000	USD'000
Balance at 1 January	938	2,439	1,123	2,920
Interest costs during the year	5,668	14,738	6,385	16,607
Finance costs paid	(5,786)	(15,044)	(6,570)	(17,088)
<b>Balance at 31 December</b>	<b>820</b>	<b>2,133</b>	<b>938</b>	<b>2,439</b>

Movement of unamortised deferred finance costs is as follows:

	2023	2023	2022	2022
	RO'000	USD'000	RO'000	USD'000
Balance at 1 January	1,491	3,879	2,231	5,803
Additions	29	75	-	-
Amortisation (note 6)	(607)	(1,579)	(740)	(1,924)
<b>Balance at 31 December</b>	<b>913</b>	<b>2,375</b>	<b>1,491</b>	<b>3,879</b>

#### Interest

- (i) Interest on Hermes Covered Fixed Facility is charged at a fixed rate of 3.60% per annum, including margin.
- (ii) Interest on the remaining facilities is charged at a floating rate of US SOFR plus CAS plus applicable margin (2022: US LIBOR plus applicable margin). The Company has entered into interest rate swap contracts to fix its obligations against unfavorable US SOFR rate (2022: US LIBOR rate) changes.

During the year, the margins ranged between 1.75% and 3.10% per annum (2022: ranged between 1.70% and 3.10% per annum) depending on the type of facility and the interest payment period.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 15a) TERM LOANS (Continued)

### *Other fees*

Under the terms of the above facilities, the Company is required to pay agency and other fees.

### *Securities*

The above facilities are secured by comprehensive legal and commercial mortgages on all the assets, of the Company.

### *Covenants*

The term loan facilities contain certain covenants pertaining to, amongst other things, liquidation and merger, entering into material new agreements, negative pledge on any of its present or future assets, rights, undertakings, revenue, property or shares other than Permitted Encumbrances, disposal of plant, granting of loan and guarantee, acquisition of capital assets, debt service coverage ratio, change of business, loan and guarantee, hedging agreement, etc, which the Company is required to comply. The Company is in compliance with the covenants.

## 15b) SHORT TERM BORROWINGS

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2023 RO'000	2023 USD'000	2022 RO'000	2022 USD'000
Balance at 1 January	-	-	1,450	3,771
Proceeds from borrowings	25,633	66,666	38,385	99,831
Repayments of borrowings	(25,533)	(66,406)	(39,835)	(103,602)
<b>Balance at 31 December</b>	<b>100</b>	<b>260</b>	-	-

The Company had availed short term borrowings for general working capital purposes at prevailing market rates from a commercial bank in Oman.

## 16 TRADE AND OTHER PAYABLES

	2023 RO'000	2023 USD'000	2022 RO'000	2022 USD'000
Fuel gas payable and accrual	6,397	16,637	7,512	19,536
Accrued finance cost	794	2,064	927	2,411
Due to related parties (note 17)	274	713	836	2,174
Other payables and accruals	1,046	2,718	1,108	2,883
	<b>8,511</b>	<b>22,132</b>	10,383	27,004

## NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

### 17 RELATED PARTY TRANSACTIONS

Related parties comprise the directors, key management personnel, business entities that have the ability to control or exercise significant influence over financial and operating decisions of the Company and entities over which certain shareholders are able to exercise significant influence.

Prices and terms of these transactions, which are entered into in the normal course of business, are on mutually agreed terms and conditions.

The Company had the following transactions with related parties during the year are as follows:

	2023 RO'000	2023 USD'000	2022 RO'000	2022 USD'000
<b>Group companies and other related parties:</b>				
Suez-Tractebel Operation & Maintenance Oman LLC (STOMO)	7,821	20,342	8,098	21,062
Al Batinah Power Company SAOG	295	767	248	647
Kahrabel Operations & Maintenance (Oman) LLC	154	402	148	386
International Power SA Dubai Branch	30	79	73	189
ENGIE Impact Belgium SA	-	-	1	2
<b>Entities exerting significant influence over the Company:</b>				
Middle East Investment LLC	161	419	159	416
ENGIE SA	86	224	87	227
Sojitz Corporation	21	54	21	54
Shikoku Electric Power Co., Inc.	21	54	21	54
Public Authority for Social Insurance	18	48	21	53
<b>Board of Directors - Sitting fees and remuneration:</b>				
Directors' (note 5)	35	91	37	97
	<b>8,642</b>	<b>22,480</b>	<b>8,914</b>	<b>23,187</b>

The nature of the above transactions recorded in the statement of profit or loss is as follows:

	2023 RO'000	2023 USD'000	2022 RO'000	2022 USD'000
Operation and maintenance ("O&M") fees from STOMO (note 4)	7,390	19,221	7,200	18,725
Sharing of costs	283	736	228	593
Secondment fees (note 5)	264	687	260	675
DSRA LC cost [note 6(a)]	187	487	189	493
Other O&M expenses	35	92	184	479
Directors' remuneration and sitting fees (note 5)	35	91	37	97
Professional fees	30	79	73	189
Backcharge of expenses	25	64	99	258
Plant, capital spares and technical spares	10	27	219	571
Custom duties (note 4)	5	12	43	113
Technical services	-	-	1	2
Others	378	984	381	992
	<b>8,642</b>	<b>22,480</b>	<b>8,914</b>	<b>23,187</b>

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 17 RELATED PARTY TRANSACTIONS (Continued)

Balances due to related parties recorded at statement of financial position (note 16) comprises of:

	2023 RO'000	2023 USD'000	2022 RO'000	2022 USD'000
<b>Entities under common control:</b>				
Suez-Tractebel Operation & Maintenance Oman LLC	169	440	700	1,820
Al Batinah Power Company SAOG	32	84	16	40
Kahrabel Operations & Maintenance (Oman) LLC	14	36	47	121
ENGIE SA	5	13	5	13
International Power SA Dubai Branch	-	-	30	78
<b>Entities exercising significant influence over the Company:</b>				
Public Authority for Social Insurance	17	43	1	3
Middle East Investment LLC	14	37	12	32
Shikoku Electric Power Co., Inc.	1	3	1	3
Sojitz Corporation	1	3	1	3
<b>Board of Directors - Sitting fees and remuneration:</b>				
Directors'	21	54	23	61
	<b>274</b>	<b>713</b>	<b>836</b>	<b>2,174</b>

At 31 December 2023, there was no net amounts due from related parties. (2022: nil)

### Key Management benefits

Key management personnel are those having authority for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise).

Total compensation paid to key management personnel for the year ended 31 December are as follows:

	2023 RO'000	2023 USD'000	2022 RO'000	2022 USD'000
Key Management benefits				
Short term benefits and allowances	264	687	260	675

## 18 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks arising from:

- Market risk
- Credit risk
- Liquidity risk

## NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

### 18 FINANCIAL RISK MANAGEMENT (continued)

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 establishing and overseeing 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.

#### (a) Market risk

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

##### Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company has borrowings which are interest bearing and exposed to changes in US SOFR rate (2022: US LIBOR rates). The Company has entered into interest rate swaps to hedge its US SOFR risk (2022: US LIBOR risk) exposure on its total loan facilities, excluding Hermes Covered Fixed Facility.

The Company does not account for any fixed rate financial liabilities at fair value through profit or loss and the Company does not designate hedging instruments under a fair value hedge accounting model. Therefore a change in interest rate at the reporting date would not affect the statement of profit or loss.

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

	Interest rate %	2023	2023	2022	2022
		RO'000	USD'000	RO'000	USD'000
Financial liabilities					
Term loans					
	US SOFR + CAS + margins				
- USD variable rate loans	(2022: LIBOR + margins)	71,421	185,752	86,254	224,328
- USD fixed rate loan *	3.60%	9,380	24,396	13,519	35,160
		<b>80,801</b>	<b>210,148</b>	99,773	259,488
Short term borrowings					
- Variable rate borrowings	Variable	100	260	-	-
		<b>80,901</b>	<b>210,408</b>	99,773	259,488

\* The USD fixed rate loan is not subject to interest rate risk

##### Cash flow sensitivity analysis for variable rate instruments

A 10% change in US SOFR rates (2022: US LIBOR rates) at the reporting date would have increased/ (decreased) statement of profit or loss and other comprehensive income by the amounts of USD 343,844 (RO 132,208) [2022: USD 61,779 (RO 23,754)] and equity by the amount of USD 292,267 (RO 112,377) [2022: USD 52,512 (RO 20,191)]. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 18 FINANCIAL RISK MANAGEMENT *(continued)*

### (a) Market risk *(Continued)*

#### *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 and the Company does not designate hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rate at the reporting date would not affect profit or loss.

Adoption of amendments to IFRS 9 and IFRS 7 Interest Rate Benchmark Reform

The United Kingdom Financial Conduct Authority (FCA), which regulates the London Interbank Offered Rate ('LIBOR') was effective till 30th June 2023 for overnight, 1, 3, 6 and 12 months tenors. From 1st July 2023, Secured Overnight Financing Rate (SOFR) is implemented which used as benchmark overnight interest rates. The Company completed its transition to SOFR on 31 July 2023.

As part of the Company's risk management strategy, the Company uses financial instruments to manage exposure arising from variation of interest rates that could affect profit or loss or other comprehensive income and applies hedge accounting to these instruments.

#### *Cash flow hedges*

At 31 December 2023, the Company held the following instruments to hedge exposures to change in foreign currency and interest rates.

	1-6 months	Maturity 6-12 Months	More than one year
Foreign currency risk			
Foreign exchange contracts			
Net exposure hedged (in thousands of euro)	3,363	3,376	21,379
Average EURO:USD forward contract rate	0.77	0.77	0.80
Interest rate risk			
Interest rate swaps			
Net exposure hedged (in thousands of USD)	6,237	41,326	116,243
Average fixed interest rate for notional values	2.95%	2.95%	2.95%

At 31 December 2022, the Company held the following instruments to hedge exposures to change in foreign currency and interest rates.

	1-6 months	Maturity 6-12 Months	More than one year
Foreign currency risk			
Foreign exchange contracts			
Net exposure hedged (in thousands of euro)	3,266	3,423	28,118
Average EURO:USD forward contract rate	0.75	0.77	0.79
Interest rate risk			
Interest rate swaps			
Net exposure hedged (in thousands of USD)	5,064	42,683	163,806
Average fixed interest rate for notional values	2.95%	2.95%	2.95%

## NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

### 18 FINANCIAL RISK MANAGEMENT (continued)

#### (a) Market risk (Continued)

Cash flow hedges (continued)

The amounts relating to items designated as hedging instruments and hedge effectiveness were as follows:

	2023			Line item in the statement of financial position where the hedging instrument is included
	Notional amount	Carrying amount		
		Assets	Liabilities	
<b>Foreign currency risk</b>				
Forward exchange contracts (in thousands of USD)	28,118	-	(3,147)	Derivative instrument under non-current liabilities
<b>Interest rate risk</b>				
Interest rate swaps (in thousands of USD)	163,806	4,010	-	Derivative instrument under non-current assets
	2022			Line item in the statement of financial position where the hedging instrument is included
	Notional amount	Carrying amount		
		Assets	Liabilities	
<b>Foreign currency risk</b>				
Forward exchange contracts (in thousands of USD)	34,807	-	(5,325)	Derivative instrument under non-current liabilities
<b>Interest rate risk</b>				
Interest rate swaps (in thousands of USD)	211,553	6,683	-	Derivative instrument under non-current liabilities

The following table provides a reconciliation by risk category components of hedging reserve under equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	2023	2023	2022	2022
	RO'000	USD'000	RO'000	USD'000
Balance at 1 January	443	1,155	(6,091)	(15,841)
<b>Cash flow hedges</b>				
Amount reclassified to profit or loss:				
- Foreign currency risk	586	1,525	752	1,957
- Interest rate risk	(1,780)	(4,630)	1,075	2,795
Changes in fair value:				
- Foreign currency risk	252	652	(713)	(1,852)
- Interest rate risk	753	1,957	6,573	17,095
Tax on movements on reserves during the year	29	74	(1,153)	(2,999)
Balance at 31 December	283	733	443	1,155

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 18 FINANCIAL RISK MANAGEMENT *(continued)*

### (a) Market risk *(Continued)*

#### *Currency risk*

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates. Most of the Company's transactions are in US Dollar and the management believes that the Company is not materially exposed to currency risk as the RO is effectively pegged to the USD and also as the revenues of the Company are protected against changes in the RO/USD exchange rate by a provision under its Power Purchase Agreement (PPA) with OPWP.

The price under the O&M Agreement includes an expected amount of approximately Euro 35 million, payable in Euro. The Company has entered into FRAs' to hedge against fluctuations in Euro/USD exchange rate (note 14(b)). The Euro amounts hedged cover 82% of the expected outflows for the period from January 2024 to December 2024, 80% for the period from January 2025 to December 2026 and 76% for the period from January 2027 to March 2028. Apart from above, the management considers that the Company is not exposed to significant foreign exchange risk because most other transactions and balances are either in RO or USD and RO is effectively pegged to the USD.

#### *Sensitivity analysis:*

A strengthening (weakening) of the Euro by 10% against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and decreased / (increased) equity and the statement of profit or loss and other comprehensive income by the amounts of USD 314,765 (RO 121,027) [2022: USD 580,809 (RO 223,321)]. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

### (b) 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 receivables from customers and cash balances held with banks. OPWP is the Company's sole customer and the Company analyses its credit risk with OPWP.

The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks and financial institutions.

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

	2023	2023	2022	2022
	RO'000	USD'000	RO'000	USD'000
Trade receivables (note 10)	4,301	11,187	5,586	14,527
Cash and cash equivalents (note 11)	6,957	18,093	1,864	4,849
Derivative instruments (note 14)	1,542	4,010	2,570	6,683
Other receivables (note 10)	777	2,023	286	745
Accrued income (note 10)	15	39	17	43
	<b>13,592</b>	<b>35,352</b>	<b>10,323</b>	<b>26,847</b>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

### 18 FINANCIAL RISK MANAGEMENT (continued)

#### (b) Credit risk (continued)

At 31 December, the age analysis of trade receivables is as follows:

	2023 RO'000	2023 Expected credit losses	2022 RO'000	2022 Expected credit losses
Not past due	4,301	-	5,586	-
Past due 0 < 3 months	-	-	-	-
Past due > 3 months and < 1 year	-	-	-	-
	<u>4,301</u>	<u>-</u>	<u>5,586</u>	<u>-</u>
Nominal value in USD '000	<u>11,187</u>	<u>-</u>	<u>14,527</u>	<u>-</u>

	Rating	2023 RO'000	2023 RO'000	2022 RO'000	2022 RO'000
<b>Bank balances:</b>					
Bank Muscat SAOG	P-3	4,171	10,848	1,572	4,089
Credit Agricole Corporate and Investment Bank	P-1	1,736	4,515	292	760
		<u>5,907</u>	<u>15,363</u>	<u>1,864</u>	<u>4,849</u>
<b>Short term deposit</b>					
Credit Agricole Corporate and Investment Bank	P-1	1,050	2,730	-	-

#### (c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always 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.

The Company limits its liquidity risk by ensuring that a working capital facility is available, when required.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 18 FINANCIAL RISK MANAGEMENT *(continued)*

### (c) Liquidity risk *(Continued)*

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

	Carrying amount RO'000	Contractual cash flow RO'000	Less than 1 year RO'000	Between 2 to 5 years RO'000	More than 5 years RO'000
<b>31 December 2023</b>					
<b>Derivatives</b>					
Derivative instruments	1,210	1,233	-	1,233	-
<b>Non-derivatives financial liabilities</b>					
Term loan	80,801	90,875	28,063	62,812	-
Lease liabilities	816	1,131	196	518	417
Short term borrowings	100	100	100	-	-
Trade and other payables	8,511	8,511	8,511	-	-
	<u>91,438</u>	<u>101,850</u>	<u>36,870</u>	<u>64,563</u>	<u>417</u>
	Carrying amount USD'000	Contractual cash flow USD'000	Less than 1 year USD'000	Between 2 to 5 years USD'000	More than 5 years USD'000
<b>31 December 2023</b>					
<b>Derivatives</b>					
Derivative instruments	3,147	3,208	-	3,208	-
<b>Non-derivatives financial liabilities</b>					
Term loan	210,148	236,345	72,986	163,359	-
Lease liabilities	2,123	2,942	511	1,346	1,085
Short term borrowings	260	260	260	-	-
Trade and other payables	22,132	22,132	22,132	-	-
	<u>237,810</u>	<u>264,887</u>	<u>95,889</u>	<u>167,913</u>	<u>1,085</u>
	Carrying amount RO'000	Contractual cash flow RO'000	Less than 1 year RO'000	Between 2 to 5 years RO'000	More than 5 years RO'000
<b>31 December 2022</b>					
<b>Derivatives</b>					
Derivative instruments	2,048	2,092	-	2,064	28
<b>Non-derivatives financial liabilities</b>					
Term loan	99,773	114,567	24,285	90,282	-
Lease liabilities	961	1,327	196	697	434
Trade and other payables	10,383	10,383	10,383	-	-
	<u>113,165</u>	<u>128,369</u>	<u>34,864</u>	<u>93,043</u>	<u>462</u>
	Carrying amount USD'000	Contractual cash flow USD'000	Less than 1 year USD'000	Between 2 to 5 years USD'000	More than 5 years USD'000
<b>31 December 2022</b>					
<b>Derivatives</b>					
Derivative instruments	5,325	5,440	-	5,368	72
<b>Non-derivatives financial liabilities</b>					
Term loan	259,488	297,962	63,159	234,803	-
Lease liabilities	2,498	3,453	511	1,812	1,130
Trade and other payables	27,004	27,004	27,004	-	-
	<u>294,315</u>	<u>333,859</u>	<u>90,674</u>	<u>241,983</u>	<u>1,202</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 18 FINANCIAL RISK MANAGEMENT *(continued)*

### (d) Fair value hierarchy

The management believes that the fair value of the financial assets and liabilities are not significantly different from their carrying amounts as shown in the financial statements at the reporting date.

There were no transfers between level 1 and level 2 during the year.

Measurement of fair values

Type	Valuation technique	Significant un-observable inputs
Derivative instrument (level 2)	Market comparison technique: fair value is calculated by the respective financial institutions	Not applicable

### Embedded derivatives

The following agreements contain embedded derivatives:

- The PPA between the Company and OPWP contains embedded derivatives in the pricing formula that adjusts the charge rates to reflect changes in USD / RO currency exchange rates and changes in US price index and the Oman price index.
- The O&M Agreement contains embedded derivatives in the pricing formula that adjust the payments to reflect changes in the relevant inflation indices.

These embedded derivatives are not separated from the host contract, the PPA and the O&M Agreement, and is not accounted for as a standalone derivative, as the management believes that the economic characteristics and risks associated with the embedded derivatives are closely related to those of the host contracts.

### Capital management

The Company aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2023.

## 19 COMMITMENTS

### (a) Operation and maintenance commitments

As per the O&M Agreement, STOMO is scheduled to operate and maintains the plant until 31 March 2028. Under the O&M Agreement, the Company has to pay the following operating fees :

- a fixed monthly fee; and
- a variable fee

All fees are subject to indexation based on Omani, Euro material and labour & US Producer Price indices.

# NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2023

## 19 COMMITMENTS *(continued)*

At 31 December, the expected minimum future payments under the O&M Agreement (excluding indexation) are as follows:

	2023		2022	
	RO'000	USD'000	RO'000	USD'000
Within one year	5,718	14,871	5,560	14,460
One to two years	5,643	14,676	5,529	14,381
Two to three years	5,711	14,853	5,548	14,429
Three to four years	5,626	14,633	5,462	14,205
Four to five years	1,392	3,619	5,435	14,134
After five years	-	-	1,382	3,594
	<b>24,090</b>	<b>62,652</b>	<b>28,916</b>	<b>75,203</b>

Euro/USD rate for converting Euro denominated O&M payments as at 31 December 2023 was 1.12 (31 December 2022: 1.08)

(b) As at 31 December 2023, the Company has outstanding purchase orders for USD 1,957,654 (RO 752,718) [2022: USD 276,031 (RO 106,134)].

## 20 OPERATING LEASE AGREEMENT FOR WHICH THE COMPANY ACTS AS A LESSOR

The Company has entered into a PPA with OPWP for a substantial element of the production of power with 100% "take-or-pay" clauses in favour of the Company.

The Management has determined that the take-or-pay arrangement with OPWP under the PPA is subject to IFRS - 16 Leases. The Management further determined that such an arrangement in substance represents an operating lease. The lease commenced on 3 April 2013. The following is the total of minimum lease receipts expected to be received under the PPA, excluding indexation:

	2023		2022	
	RO'000	USD'000	RO'000	USD'000
Within one year	30,242	78,652	30,204	78,553
One to two years	30,204	78,553	30,242	78,652
Two to three years	30,204	78,553	30,204	78,553
Three to four years	30,204	78,553	30,204	78,553
Four to five years	3,465	9,012	30,204	78,553
After five years	-	-	3,465	9,012
	<b>124,319</b>	<b>323,323</b>	<b>154,523</b>	<b>401,876</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

### 21 NET ASSET PER SHARE

Net assets per share is calculated by dividing the adjusted net assets attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2023 RO'000	2023 USD'000	2022 RO'000	2022 USD'000
Net assets - shareholder funds	130,271	338,804	115,736	301,001
Weighted average number of shares outstanding during the year	714,406	714,406	714,406	714,406
Net assets per share (Baizas / cents) - adjusted	182.35	474.25	162.00	421.33

The management believes that the hedging surplus of USD 0.73 million (RO 0.28 million) [2022: hedging deficit of USD 1.16 million (RO 0.44 million)] at the end of the reporting period represents the gain which the Company would accrue, if it opts to terminate its swap agreements on this date. However, under the terms of its financing agreements, the Company is not permitted to terminate the swap agreements. Accordingly the hedging surplus has been excluded from the Shareholder Funds.

### 22 EARNINGS PER SHARE

Basic earnings per share 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.

	2023 RO'000	2023 USD'000	2022 RO'000	2022 USD'000
Net profit for the year	14,535	37,803	12,922	33,606
Weighted average number of shares outstanding during the year	714,406	714,406	714,406	714,406
Basic and diluted earnings per share (Baizas / cents)	20.35	52.92	18.09	47.04

### 23 SEGMENTAL REPORTING

The Company has only one segment in accordance with IFRS 8. Segment information is, accordingly, presented in respect of the Company's business segments. The primary format, business segments, is based on the Company's management and internal reporting structure. All operation and revenue are generated and all non-current asset are situated in Sultanate of Oman.

### 24 SUBSEQUENT EVENT

After the end of the financial year 2023, the company successfully completed the refinancing of its Commercial loan facility on 31 January 2024 thereby eliminating the Cash Sweep activated from 30 April 2023. As a result of refinancing, the Company will be able to make future dividend distributions subject to the availability of cash and fulfillment of other covenants agreed within the Finance Documents which include making adequate provisions for forecasted loan repayments and operating expenses.



