شركة ظفار لتوليد الكهرباء
Dhofar Generating Company

Annual Report
2023

His Majesty
Sultan Haitham bin Tarik

Our Vision

To be the leading power generating company which meets the needs of all stakeholders by maintaining plant reliability, ensuring world class safety and environmental practices while meeting shareholder expectations on project economics.

Our Mission

Provide reliable power source for customers all the time

Maintain high safety standards for our staff, contractors, customers with quality and be environment friendly

Be the employer of choice within the power sector

Maintain expectation and growth

We do it best

Positioned to lead

Highest priority to HSE

World class operational performance

Best in class technology

Internationally reputed operator

with local experience

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Board of Directors

Ahmad Sulaiman
Chairman

Ahsen Saeed
Deputy Chairman

Parasram Borkar
Member

Said Safrar
Member (Independent)

Ahmed Saif Al Busaidi
Member (Independent)

Said BaOmar
Member (Independent)

Omar Al Hassan
Member

Senior Management Team

Amer Al Mashani
Chief Executive Officer

Ghulam Abbas
Finance Manager

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Board of Directors’ Report

Dear Shareholders,

The Board of Directors is pleased to present the performance of your company, Dhofar Generating Company SAOG ('DGC' or 'Company') for 2023.

Safety remains the core value of the Company. The Company has continued to maintain its safety track record and is very proud to announce that it has achieved its milestone of 8 years without LTI with more than two million safe man hours on 5 June 2023. Managing safety is never an easy task, and unless you have a fully committed team it is not possible to achieve such excellent results. During the past 8 years, the business has faced many challenges including abnormally heavy rainfall, cyclones coupled with the pandemic coronavirus. The team has never given safety a day off, always remaining proactively vigilant. The entire team under the guidance of the Board has worked hard to maintain the Company's safety principles and ambitions.

Good safety practices ultimately enable excellent plant performance which is evident in the extremely high reliability factors of the assets of more than 99.2%. The excellent operational performance has enabled the business to fulfil its financial obligations.

The directors convened all necessary meetings during the year, along with Audit Committee and Nomination and Remuneration Committee meetings, as required.

Strategic positioning

DGC is one of two independent power plants owners in the Dhofar region, with a 62% share in the southern power grid of the Sultanate of Oman. It owns and operates two power plants: a 273MW Open Cycle Gas Turbine ('OCGT') power plant ('Existing Plant') and a 445MW Combined Cycle Gas Turbine ('CCGT') Power Plant ('New Plant').

The Company has one customer, the Power and Water Procurement Company SAOC ("PWP"), and one supplier for the primary fuel (natural gas), the Integrated Gas Company SAOC. Plant operations and maintenance for both plants have been contracted to Dhofar O&M Company LLC and further sub-contracted to the First National Company for Operation and Maintenance Services LLC ('NOMAC Oman') with an agreement that is co-terminus with the Power Purchase Agreement ('PPA').

Operational performance

NOMAC Oman has demonstrated operational excellence during the year by maintaining excellent reliability of 99.2% for OCGT and 99.6% for the CCGT power plants (2022: OCGT plant 99.9%; CCGT plant 99.4%). The operator has adopted a strategy of continuous improvement and reliability of supply programs to ensure consistent performance. The advanced Monitoring Performance System is an excellent initiative which has helped secure stable and top-notch performance.

Cash Sweep mechanism

As per DGC's financing agreements, the Cash Sweep Mechanism requires that 95% of the free cash flows, after accounting for the operating costs and debt service payments, shall be paid to the lenders towards prepayment of the balloon repayment ("Cash Sweep Mechanism") of the loan. The Cash Sweep Mechanism could be avoided, if the Backstop DSRA letters of credit ("Back Stop DSRA LC") is provided for amounts that increase over time as specified in the financing agreements. The Company continued to work diligently to arrange the Backstop DSRA LC however was not able to arrange it as no international lender has agreed to provide an acceptable Backstop DSRA LC due to the country credit ratings and they have also declined to accept any Backstop DSRA LC facility from a local bank due to lower credit ratings of the local banks.

As a result, the Cash Sweep Mechanism commenced from 31 July 2021 impacted the ability of the Company to make any future dividend distributions.

The Cash Sweep Mechanism will remain effective until the balloon amount is fully prepaid, which is expected to continue for the remaining term of Power Purchase Agreement (i.e. expiring on 1 January 2033).

In view of the above, the Company will not be able to make future dividend distributions unless the Cash Sweep Mechanism is reversed, which is subject to (1) arrangement of acceptable

Backstop DSRA LC, and (2) unanimous approval of project lenders.

Financial Performance

Overall financial performance of the business clearly reflects the continuous strong operational performance of the entire 718MW facility. Profit after tax is OMR 1.6m (2022: OMR 1.9m). The Company has met its obligations to the lenders by the timely debt service of OMR 16.9m during the year (2022: OMR 16.2m).

Your Company remains in compliance with the Code of Corporate Governance of the Capital Market Authority. Also, the company complies with CMA E/1/2022 security guidelines issued for Public Joint stock companies.

Our people

A business's results are directly linked to people performance. Whether it is equipment, financial, administration or HSE performance, excellence can only be achieved if the entire team cumulatively works together for a common goal. We are pleased to report that the excellent coordination and alignment of the entire business team, including the operator, led by the Board and management team with excellent support from the founder shareholders has reaped good results. The Board and management commit to continue developing the strong framework which allows for this successful collaboration. Development of Omani talent remains a key consideration of the entire business value chain.

I, along with the Board, would like to extend my gratitude to the entire team who have worked diligently throughout the year to deliver business commitments.

Social Responsibility

The Board has developed a Corporate Social Responsibility ('CSR') policy to help guide us be a better and more effective corporate citizen while recognizing the scale of our footprint. By its very nature, the Company is a responsible corporate citizen as it focuses in providing clean and reliable power. The scope of the policy includes:

- Practical financial assistance, sponsored programs, free products and services to a wide range of educational, charitable, cultural, health, community and environment causes in Oman, and
- Community support through sponsorship of worthy initiatives in the field of education.

In line with the vision developed in the CSR policy and within the approved budget by shareholders, the Company has invested OMR 15,000 during 2023 as following:

#	Beneficiary	Amount (OMR)	Description
1	Ministry of Social Development (Dhofar Directorate)	12,000	(i) **Build Green Houses in Mirbat Center:** this project will help the student learn planting trees and how to maintain and gain from the corp. Further green house will be one of the incomes for center towards the benefit for students. (ii) **Set up equip room with specialized equipment in Mirbat & Taqah:** this equipment will help the students who's having disabilities in hearing, sight or touch.
2	Oman Charitable Organization	3,000	Contributed 20% of CSR budget to Oman Charitable Organization complying to CMA circular 172/2021.
	Total	**15,000**	

In addition to that, the company along with NOMAC had initiated further support to local community by:

- Train 2 engineers for two months.
- Accommodate visit of 15 students specialized in electrical for one day visit.

- Accommodate four final projects of postgraduates.
- Depute two engineers to give lectures on Power Generation and assess students' projects related to power plant.
- Blood donation campaign with the plant employees and contractors.

Medium term outlook

The business has taken reasonable steps to ensure high reliability in the coming year through a required maintenance program and improvement initiatives. High availability will ensure financial performance as returns are not dependent on demand. The team will continue to focus on routine O&M practices, reliability of supply and efficient operations as prescribed by the OEMs and best practices.

Acknowledgements

We appreciate the support of all our key stakeholders especially our customer (the Oman Power and Water Procurement Company SAOC), our fuel supplier (Integrated Gas Company SAOC), the Authority for Public Services Regulation and the Ministry of Commerce, Industry and Investment Promotion.

Finally, on behalf of the Board of Directors, I would like to take the opportunity to express our gratitude to His Majesty Sultan Haitham bin Tarik and His Government for their vision, guidance, wisdom and continued support. We would also like to acknowledge the progressive and enlightened vision of His Majesty Sultan Qaboos bin Said which continues to be a model for others to emulate and without it, the success being achieved by many would not have been possible.

Chairman | Deputy Chairman | Chief Executive Officer

Management Discussion and Analysis Report

Main objectives and business

The principal activities of Dhofar Generating Company SAOG (the 'Company' or 'DGC') are to develop, finance, design, construct, operate, maintain, insure and own a net 718 MW power generating station and other relevant infrastructure. The Company comprises of an 273MW Open Cycle Gas Turbine ('OCGT') Power Plant ('Existing Plant') with commercial operations in May 2003 and a 445MW Combined Cycle Gas Turbine ('CCGT') Power Plant ('New Plant') with commercial operation date ('COD') on 1 January 2018. The Company is located at Raysut, Salalah and has no subsidiaries as of 31 December 2023.

The Company's business is regulated by project agreements with various government entities and financing agreements with project lenders. These project agreements provide an assurance both over revenue and cost elements of the business.

The principal agreement is the 15-year Power Purchase Agreement ('PPA') with the Oman Power and Water Procurement Company ('OPWP') which requires the Company to make the power facilities available and deliver electrical energy as per contractual terms. The PPA expires on 1 January 2033 i.e. 15 years from the COD of the New Plant. The Company has a fuel supply agreement with the Ministry of Energy and Minerals, the term being co-terminus with the PPA term.

The Company has been granted a Generation License by the Authority for Public Services Regulation for a period of 25 years effective 1 January 2014. This license was modified by the Authority on 26 January 2017 to include the additional power capacity available through the New Plant. Subsequently the license was modified by the Authority effective from 24 October 2022 amending condition related to regulatory compliance.

The Company has contracted out the operation and maintenance activities to Dhofar O&M Company LLC ('Dhofar O&M' or 'Operator') effective from 4 June 2015. The term of the O&M Agreement is co-terminus with the term of the PPA. Dhofar O&M is an Omani company wholly owned by ACWA Power, Mitsui & Co., Ltd and DIDIC. The Operator has sub-contracted the entire scope of the O&M Agreement to First National Company For Operation & Maintenance Services LLC ('NOMAC Oman'). NOMAC Oman is a subsidiary of First National Operation and Maintenance Company ('NOMAC') which is a wholly owned subsidiary of ACWA Power. The term of the sub-contract O&M agreement is co-terminus with the O&M Agreement.

Brief History of the Project

The Company was incorporated with the commercial registration number 1668714 for an unlimited duration and registered as an SAOC on 28 February 2001. In 2001, Dhofar Power Company (DPC), DGC and the Ministry of Housing, Electricity and Water of Oman entered the Salalah Concession Agreement, a 20 year concession under which DPC became the sole electricity transmission, distribution and supply company within its concession area.

The Salalah Concession Agreement was terminated on 31 December 2013, and all generation activities and assets were transferred to DGC which became a stand-alone entity in which DPC's shares were purchased by Electricity Holding Company (EHC – currently known as "NAMA Group") and Ministry of Finance (MOF). The Government invited proposals for the acquisition of all shares in DGC and the development of the New Plant in an adjacent site on the following basis:

- The IPP was proposed to have a total aggregate capacity of 718 MW.
- The Project involved the ownership, operation and maintenance of the Existing Plant and the design, financing, construction, ownership, operation and maintenance of the New Plant, on a BOO basis, and the capacity of the Plant would be dedicated to sell the entirety of its output to OPWP under the PPA.

Following a competitive bidding process run by OPWP, Mitsui & Co., Ltd., ACWA Power and DIDIC (the 'Founders') were awarded the contract to acquire DGC, operate the Existing Plant and build the New Plant. EHC and MOF entered into a Share Purchase Agreement with the Founders for the sale of 100% of the shares in DGC on 19 April 2015. The sale and purchase was completed on 4 June 2015. The term of the PPA is 15 years from the COD of the New Plant.

The PFA required the Founders to float 40% of the Shares on the Muscat Stock Exchange "MSX" through an IPO. Accordingly, the Company was listed on the MSX on 5 September 2018.

Risks faced by the company

The main risks faced by the Company include loss of availability due to breakdowns, accidental damage and default in payment by the off-taker. The Company has been able to transfer its operations and maintenance risk as per the O&M Agreement to its Operator after implementing the agreement in 2015.

The Operator has maintained almost perfect reliability since taking over the operations and maintenance function of the plant by implementing robust predictive, proactive and preventive procedures which are well aligned with best international power sector practices.

Financial obligations of the OPWP are secured under the PPA. Additionally, adequate insurance policies are in place to protect the business against property damage, business interruption, public liability and sabotage and terrorism risks. The PPA protects the Company against inflation and the Rial Omani/US Dollar exchange rate movement, if any. Fuel cost is pre-determined in the fuel supply agreement over the period of the PPA. As per the terms of the PPA, reliability of the power plant is the key element relating to the profitability of the Company. The load factor has a limited impact on the profits mainly to the extent of any heat rate loss and maintenance of the plant.

Under the NGSA, the Company is required to make payments for natural gas procured within 30 days of receipt of invoice, irrespective of the Company receiving the fuel revenue payments from OPWP. In the event that OPWP delays or fails to make the fuel revenue payments, the Company is still required to make payments under the NGSA. In order to mitigate any such delay or payment shortfall of OPWP, the Company has maintained a Fuel Reserve Account ('FRA') of US$ 8.1 million through a combination of corporate guarantees, letters of credit and cash deposit. In the event there is a delay or reduction of the fuel revenue payments due from OPWP, the Company may draw upon the FRA to meet its payment obligations for natural gas under the NGSA.

Interest on the Dollar portion of the long-term loan, which reflects 57% of the total outstanding loan, is hedged through interest rate swap agreements. With respect to its Omani Riyal denominated loans, the interest rate was fixed for a period of five years from the date of the CTA, i.e: until 8th July 2020. Under the OMR Commercial Facility Agreement, the Company and the lenders have put in place a mechanism that allows for the interest rate post this period to be reset for a further period of five years, subject to a cap of 6.50%. Under this mechanism, any increase in interest expense is structured to result in principal repayments to be contractually deferred to after the loan term such that the amount of debt service paid to the Omani lenders will remain the same. Such deferred principal repayments, called Term Out Repayment will be payable in six equal instalments, three years after the end of the PPA term. Any decrease in interest expense is structured to result in increased principal repayments to repay any such Term Out Repayments (if any) such that the amount of debt service paid to the Omani lenders will remain the same. The fourth interest rate reset of the Omani Riyal denominated loan happened in July 2023 at 5.59%. In view of this, the interest expense has increased for the year 2023, however there has been no impact to the cash flows during the PPA term due to the Term Out Repayment clause under the loan documents as explained above.

The long-term agreements noted above with best-in-class service providers and government entities provide a high degree of confidence in continuity of operations with minimal disruptions. The management will continue to actively perform risk analyses to identify and mitigate potential challenges.

Operational & Organizational Highlights

The operational performance during the year has been excellent. Commercial availability factor for both the Existing and New Plant was above 99.2%, which is indeed a remarkable result.

NOMAC Oman continues to demonstrate its acumen in operations and maintenance by sustaining performance since 2015. Both DGC and NOMAC Oman have worked together as one team to produce desired results.

Power Generation

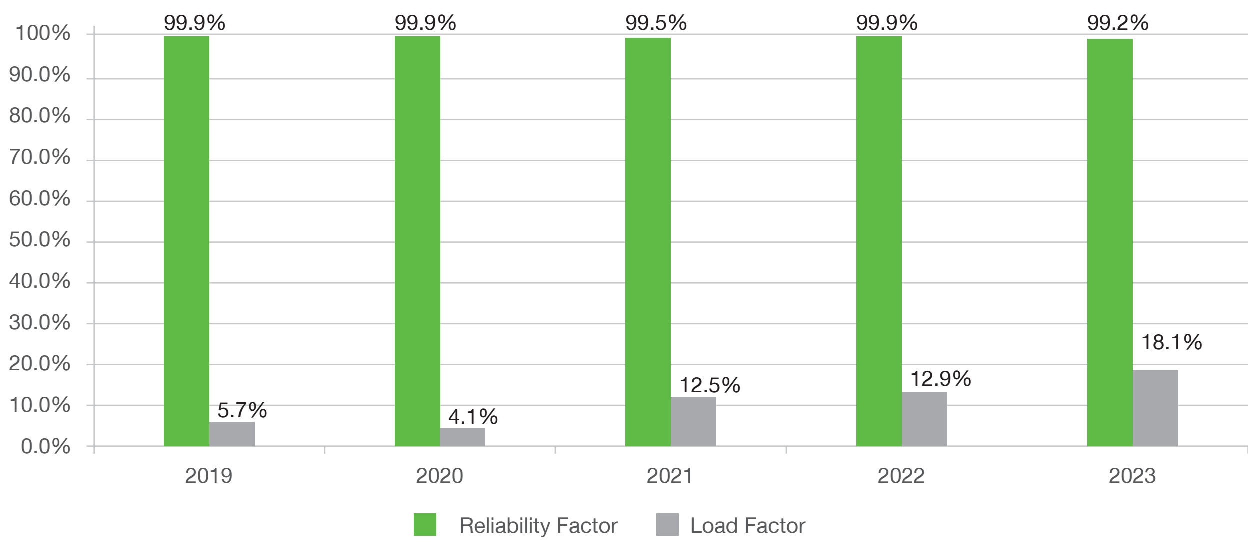
273MW Existing Plant

The Existing Plant delivered an outstanding power reliability factor in 2023 of 99.2%, which is lower compared to last year mainly due to outages in GT1, GT8 and GT3 in Q2 2023. The plant exported 432 GWh during 2023 (2022: 308 GWh). The load factor, which is 18.1% for 2023 (2022: 12.9%), is dependent on the demand for power by the national grid.

The following table reflects the reliability factor, load factor and energy export trend for the last five years.

Year	Energy Exported (GWH)	Load Factor	Reliability Factor
2023	432	18.1%	99.2%
2022	308	12.9%	99.9%
2021	299	12.5%	99.5%
2020	98	4.1%	99.9%
2019	136	5.7%	99.9%

A graphical comparison of reliability factor vs load factor for the last five years is shown below.



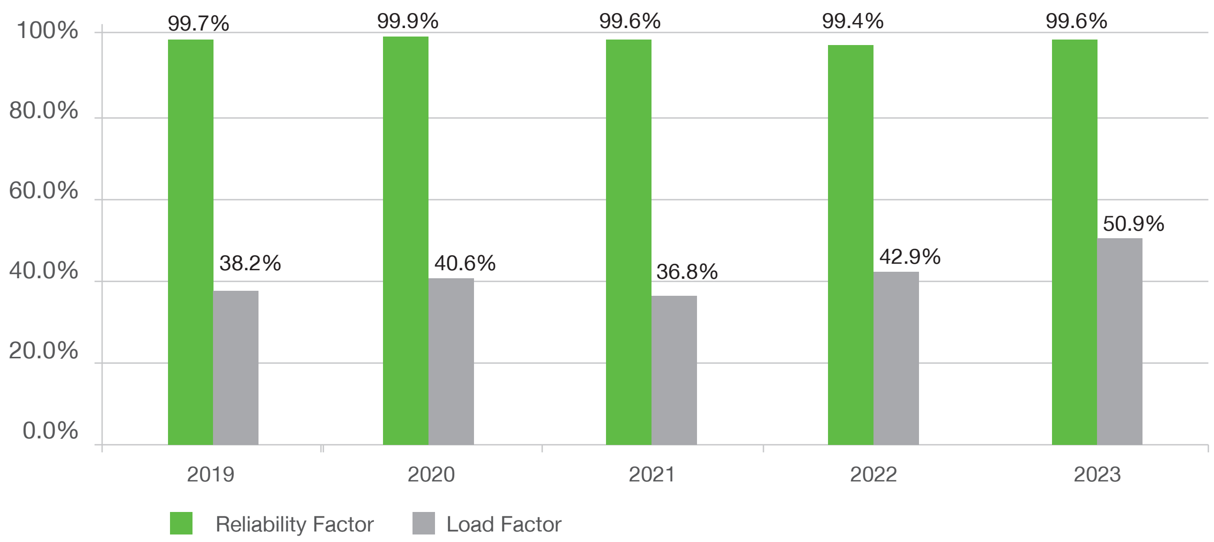
445MW New Plant

The New Plant has sustained its performance with an almost perfect reliability factor of 99.6%. The plant exported 1,970 GWh during 2023 (2022: 1,663 GWh). The load factor, which is 50.9% for 2023 (2022: 42.9%), is dependent on the demand for power by the national grid.

The following table reflects the reliability factor, load factor and energy export trend for the last five years.

Year	Energy Exported (GWH)	Load Factor	Reliability Factor
2023	1,970	50.9%	99.6%
2022	1,663	42.9%	99.4%
2021	1,428	36.8%	99.6%
2020	1,580	40.6%	99.9%
2019	1,489	38.2%	99.7%

A graphical comparison of reliability factor vs load factor for the last five years is shown below.



Plant Maintenance Philosophy

The 273MW Plant consists of eight 6B.03 open-cycle gas turbines (GT), i.e. six General Electric PG6581 B gas turbines, one General Electric LM2500 aero-derivative gas turbine and one General Electric PG6561 B gas turbine. GTs 1 to 6 were commissioned in May 2003. Subsequently, GTs 7 and 8, which were in operation by the Ministry of Electricity & Water since 1995 and 1998 respectively, were taken over by the company and integrated with GTs 1 to 6 in 2007.

The 445MW Plant consists of two blocks with a net capacity of 222.65MW per block. Each block includes two GE 6FA.03 gas turbines, two triple pressure HRSGs and one steam turbine from Skoda.

NOMAC Oman has a proactive and predictive strategy to ensure high standards of maintenance. The business employs a sophisticated Monitoring and Prediction System to detect failures in advance. NOMAC Oman's philosophy includes safety, people and performance and have implemented an ERP, ERM, MPC and a well-established supply chain management process. This approach has been integral in achieving the operational results during 2023.

Maintenance has been performed on all machines in line with Existing Equipment Manufacturer ('OEM') recommendations. NOMAC Oman has entered into a long-term services agreement for the maintenance services to the gas turbines of the New Plant with General Electric International (GE). The term of this agreement is sized to continue till the maturity of the PPA. This ensures that the Company has adequate access to the spare parts and technological upgrades so as to minimize risk of unplanned outages, with long term price risk largely passed on to GE.

The power plant is required to be 100% available in the summer months due to peak summer demand while in winter period there is a mandatory 15% availability deduction within which required scheduled maintenance is carried out. All planned outages were performed in the winter period without effecting the revenue stream. The planned outages were in line with recommendations of the OEM. NOMAC Oman has performed routine preventive and predictive maintenance activities along with corrective maintenance to ensure sustained healthiness and reliability of all machines and equipment.

Successfully completed the Hot Gas Path Inspection (HGPI) for two units and Intermediate Inspection of one steam turbine in 445MW New Plant and Combustion Inspection (CI) for two units in 273MW Existing Plant during 2023.

The internal audit and control systems

The management of the Company believes in the importance of the internal control system and DGC has a comprehensive system of internal controls in place, comprising:

- A well-defined governance structure.
- Clearly defined delegated levels of authority.
- Documented key business processes.

In recognition of the need to continually focus on controls and to ensure compliance with Code of Corporate Governance as issued by the Capital Markets Authority, the Company has established an internal audit unit. An internal audit plan was developed for 2023 and implemented with recommendations being provided to the Audit Committee.

Health, Safety and Environment

Your Company is very proud to announce that it has achieved 8 years without LTI with more than two-million-man hours in June 2023. Managing safety is never an easy task and high-quality results cannot be achieved without a fully committed team. During the past 8 years, the business has faced many challenges including abnormally heavy rainfall coupled with the pandemic coronavirus. The team has never given safety a day off, always remaining proactively vigilant. The entire team under the guidance of the Board has worked hard to maintain the Company's safety principles and ambitions.

Sub-contractors are expected to conform to the organization's safety standards and they are trained in this respect by the team.

We are also pleased to inform that were no environmental non-conformances during the reporting period. The team is committed to fight complacency and sustain its HSE goals.

Omanisation

Omanisation is a key principle in the human resources strategy of the Company. Key business leaders of DGC and NOMAC Oman are from the local talent pool, which has set a high standard in the local IWPP and IPP sector. This not only in line with regulatory requirements but also as per the strategy of the founding sponsors.

Social responsibility

As part of corporate social responsibility, the Company reached out to the local community through various methods. The Company in coordination with Ministry of Social Development in Dhofar Governorate had executed three projects in Taqah and Mirbat centers of disabled students. Further, the Company had contributed 20% of CSR budget to Oman Charitable Organization. The company has also actively contributed to the advancement of local students through diverse initiatives, these include providing on-the-job training opportunities, supporting post-graduate final projects, and conducting informative lectures on power plant operations.

These endeavors reflect the company's commitment to fostering the development and growth of aspiring individuals within the community. Furthermore, alongside these initiatives, the company has also been actively involved in organizing blood donation drives. This commitment to philanthropy extends beyond educational support, demonstrating the company's dedication to making a meaningful impact on both the academic development of local students and the broader community's well-being.

Financial Highlights

Income Statement	OMR in MM's				
	2023	2022	2021	2020	2019
Revenue	52.3	47.0	42.1	40.6	39.8
Operating costs	(42.5)	(36.6)	(31.1)	(29.8)	(28.8)
Gross profit	9.7	10.4	11.0	10.8	11.0
Admin, financial and tax costs	(8.1)	(8.5)	(8.2)	(9.2)	(10.3)
Profit/(loss) after tax	1.6	1.9	2.8	1.6	0.7
Gross profit margin	18.6%	22.0%	26.1%	26.6%	27.6%
Net profit/(loss) margin	3.1%	4.1%	6.7%	4.0%	1.9%

Revenues

The net revenues have increased by OMR 5.2m compared to the previous year. This is due to higher load factor of both plants.

Operating costs

Operating cost has increased by OMR 5.9m mainly due to OMR 5.4m higher fuel cost on higher load factor and OMR 0.5m higher expenses.

Gross profit

The gross profit is lower by OMR 0.6m due to heat rate inefficiencies and higher operational expenses and OMR 0.2 lower finance lease interest income.

Admin, financial and tax costs

Admin expenses: G&A expense is lower by OMR 0.3m mainly due to the allowances of expected credit losses provisions and other lower expenses.

Finance cost: Finance cost is lower by OMR 0.08m due to repayment of the long term loans.

Tax: Tax expense has increased by OMR 0.1mn compared to previous year due to recognition of carried forward losses in the previous year.

Net Profit after Tax

The decrease of OMR 0.3m in net profit after is mainly due to reduction in gross profit and deferred tax credit on carried forward tax losses recognized in last year.

Balance Sheet	OMR in MM's				
	2023	2022	2021	2020	2019 (R*)
Total assets	197.7	206.5	220.7	239.3	230.1
Total shareholders' funds	53.4	52.4	42.6	37.6	44.3
Paid up capital	22.2	22.2	22.2	22.2	22.2
Net assets per share – OMR	0.240	0.236	0.192	0.169	0.199
Return on paid up capital (%)	7.3	8.7	12.8	7.3	3.3
Debt equity ratio	2.7	2.3	3.2	3.9	3.4
Ordinary dividend (%)	-	-	9	18	18

Cash flows and Dividends

The Company has met its obligations to the lenders by the timely debt service of OMR 16.9m during the year. Interest payments and principal payments are inline with the requirements under the loan agreements.

The Cash Sweep Mechanism under the financing agreements commenced from 31 July 2021 impacted the ability of the Company to make any future dividend distributions.

The Cash Sweep Mechanism will remain effective until the balloon amount is fully prepaid, which is expected to continue for the remaining term of Power Purchase Agreement (i.e. expiring on 1 January 2033).

In view of the above, the Company will not be able to make future dividend distributions unless the Cash Sweep Mechanism is reversed, which is subject to (1) arrangement of acceptable Backstop DSRA LC, and (2) unanimous approval of project lenders.

Acknowledgement

The management would like to acknowledge and appreciate the support of the Board under whose guidance 2023 has concluded on a successful note. Most importantly, the management would like to highlight and appreciate the diligent efforts of the entire team whose efforts have brought the year to a positive close.

Chief Executive Officer

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Corporate Governance Report

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Private and confidential
Our ref: aud/rp/mm/14588/24

Agreed-upon procedures on Code of Corporate Governance ("the Code") of Dhofar Generating Company SAOG

To the Board of Directors of Dhofar Generating Company SAOG

Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting the Dhofar Generating 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 the Dhofar Generating Company SAOG and the intended users and should not be used by, or distributed to, any other parties.

Responsibilities of the Dhofar Generating Company SAOG

The Board of Directors has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Management of Dhofar Generating Company SAOG is responsible for the accuracy and completeness of 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 Dhofar Generating 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 Control (ISQC) 1, *which requires the firm to design, implement and operate a system of quality management including 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 Dhofar Generating Company SAOG in the terms of engagement dated 13 February 2024, 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.

Mobeen Chaudhri
19 February 2024

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KPMG LLC
P O Box 641, PC 112
Shatti Al Qurum
Sultanate of Oman
CR.No: 1358131

KPMG
KPMG LLC

Statement of Issue

This report is being presented to comply with the fourteenth principle of the Code of Corporate Governance of Muscat Securities Exchange (the "MSX") applicable to Public Joint Stock Companies issued vide Circular No E/4/2015 dated 22 July 2015 and further amendments to CMA Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016, (collectively the "Code") issued by Capital Market Authority (the "CMA") for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

We are pleased to report that Dhofar Generating Company SAOG (the "Company") remained in compliance with the principles of the Code. The Company was listed on the Muscat Securities Market on 5 September 2018.

Company Philosophy on Code of Governance

The Company is committed to the highest standards of corporate governance. The Company is operating with a set of business principles and corporate conduct is its most important element. These values are reflected in the leadership, management and day to day operations of the Company by the Board of Directors, the management and the employees of the Company.

The Company believes in and practices good corporate governance. The Company's philosophy of the Code of Corporate Governance is aimed at assisting the top management in the efficient conduct of its business and fulfilling its obligations towards all its stakeholders.

The Company has applied the principles of corporate governance in the following manner:

The Company has adopted a Code of Business Conduct and Ethics which is applicable to the employees. The code is intended to govern as a requirement of employment and governs the actions of everyone who works at the Company. This code addresses the following topics:

- Compliance with all Laws, rules, regulations and this Code
- Conflicts of interest and corporate opportunities
- Quality of public disclosures
- Protection and proper use of company assets
- Protection of confidential proprietary information
- Insider trading
- Fair dealing
- Interacting with government
- Environment, health and safety
- Respect for one another

Board of directors

The Company encourages representation of non-executive and independent directors on its Board of Directors. At present the Board consists of seven directors all of which are non-executive directors and three of them are independent directors. All the directors have excellent industry and corporate governance experience. Their experience is complimented by their academic qualifications in the field of administration, management, finance, accounting and engineering.

Board of Directors was elected at the Annual General Meeting held on 9 March 2021 and will be subject to re-election in March 2024. Five meetings of the Board of Directors were convened during the year on the following dates:

Meeting number	Date of the meeting
BOD meeting #1/2023	6-Feb-2023
BOD meeting #2/2023	18-Apr-2023
BOD meeting #3/2023	24-Jul-2023
BOD meeting #4/2023	30-Oct-2023
BOD meeting #5/2023	20-Dec-2023

These meetings were convened by issuing proper notices along with the agenda and relevant work papers. All the meetings were presided over by the Chairman of the Board. The minutes of the meetings were appropriately recorded and circulated.

Details of composition and category of directors and their attendance at the meetings of the Board of Directors are given as under:

Name of the Director	Category	Board Meetings held during 2023					AGM 5 Mar 23
		6 Feb	18 Apr	24 Jul	30 Oct	20 Dec	
Mr. Ahmad Sulaiman (Chairman)	Non-Independent	✓	✓	✓	✓	✓	✓
Mr. Ahsen Saeed (Deputy Chairman)	Non-Independent	✓	✓	✓	✓	✓	✓
Mr. Omar Al Hassan	Non-Independent	✓	✓	✓	✓	✓	✓
Mr. Parasram Borkar	Non-Independent	✓	✓	✓	✓	✓	✓
Mr. Ahmed Al Busaidi	Independent	✓	✓	✓	✓	✓	✓
Mr. Said Ahmed Safrar	Independent	✓	✓	✓	✓	✓	✓
Mr. Said BaOmar	Independent	✓	✓	✓	✓	✓	✓

"✓": Present, "–": Not applicable, "✗": Apologies

The Company held its Annual General Meeting ('AGM') of shareholders on 5 March 2023 for the year ended 31 December 2022.

The following table shows the number of DGC Board members' directorships in other public joint stock companies in the Sultanate of Oman as of 31 December 2023.

Name of the Director	Number of listed companies	Position (Member/ Chairperson)
Mr. Said Ahmed Safrar	3	Member

Board committees

- **Audit Committee**

The Board of Directors reconstituted the Audit Committee on 10 March 2021 by appointing three directors as Audit Committee members two of which are independent. The Chairman of the Audit Committee is an independent director. These members have required knowledge and experience of accounting, international financial reporting standards and commercial law that enable them to perform their functions. The Committee supports the Board in fulfilling its oversight and review function. The Committee reviews the Company's adherence to policies, procedures, practices and compliance with laws and regulations.

The Committee ensures that the financial statements prepared are in accordance with the International Financial Reporting Standards and the disclosure rules issued by the CMA. A brief description of the terms of reference of the audit committee is as under:

- The audit committee has the power to seek required information and/or presence of any employee of the Company.
- Ensuring adequacy of the control environment and overseeing the issuance of financial statements to the stake holders.
- Acting as a communication channel between Auditors, Management and the Board.

Four meetings of the Board Audit Committee were held during the year of which attendance details as follows.

Name of the Director	Category	Audit Committee Meetings held during 2023			
		6 Feb	18 Apr	24 Jul	30 Oct
Mr. Said Safrar (Chairman)	Independent	✓	✓	✓	✓
Mr. Said BaOmar	Independent	✓	✓	✓	✓
Mr. Syed Abdul Majid *	Non-Independent	✓	✓	✓	✓

"✓": Present, "–": Not applicable

The Audit Committee heard the views of the external auditors before forwarding the financial statements for the year 2022 to the Board of Directors in their meeting held on 6 February 2023. During this meeting, the views of the auditors were heard separately without the presence of management. In addition, the Audit Committee has also reviewed the reports and views of Internal Audit on a quarterly basis. The Audit Committee reviewed and approved the Internal Audit plan for 2023.

By interaction with the Management and the External and Internal Auditors along with evaluation of submitted reports, the Audit Committee reviewed the effectiveness of the internal control system and found it to be adequate and effective.

On a yearly basis, the Audit Committee defines it working plan for the coming year which is presented to the Board. The 2023 Audit Committee plan was approved by the Board on 25 October 2022, while the 2024 Audit Committee plan was approved by the Board on 30 October 2023.

Nomination and Remuneration Committee ('NRC')

The Board of Directors reconstituted the Nomination and Remuneration Committee on 10 March 2021 by appointing three directors as members, one of whom is independent. These members possess adequate knowledge and experience to carry out their responsibilities diligently. The role of the Committee is to assist the board and the shareholders in the nomination of the most proficient directors and it may also assist the board in selecting the appropriate and necessary executives for the Executive Management, as required. The Committee meets at least 2 times annually.

A brief description of the terms of reference of the Nomination and Remuneration Committee is as under:

- Ensuring the nominated directors possess the necessary skills and abilities as has been defined in the Code.
- Ensure a succession strategy in place for directors and the executive management.

On a yearly basis, the NRC defines it working plan for the coming year which is presented to the Board. The 2023 NRC plan was approved by the Board on 25 October 2022, while the 2024 NRC plan was approved by the Board on 30 October 2023.

Two meetings of the Nomination and Remuneration Committee were held during the year on the following dates with details of attendance as under.

Name of the Director	Category	NRC Meetings held during 2023	
		6 Feb	30 Oct
Mr. Rohit Gokhale (Chairman)	Non-Independent	✓	✓
Mr. Ahmed Al Busaidi	Independent	✓	✓
Mr. Ahmad Sulaiman	Non-Independent	✓	✓

* Resigned on 11 August 2022 and Mr. Ahsen Saeed is appointed as member NRC.

"✓": Present "–": Not applicable

Process of nomination of directors

Directors are selected as per the Articles of Association of the Company at the AGM. The process calls for any individual or registered shareholders to file their nominations for the post of directors in prescribed form as stipulated by the CMA. The nomination files are scrutinized as prescribed by the CMA guidelines before being accepted. Elections are held by ballot at the AGM.

Pursuant to the terms of Article 181 of the Commercial Companies Law No 18/2019 as translated and Articles of Association of the Company, the tenure of the members of the Board shall be for three (3) years.

Remuneration

- Members of the board and other committees

  As approved by the shareholders, members of the Board are entitled to a sitting fee of RO 400 per meeting attended during the year. Audit Committee and Nomination & Remuneration Committee members are entitled to a sitting fee of RO 200 per meeting attended during the year. The sitting fee of directors for the year ended 31 December 2023 amounted to RO 17,600 for the Board and its sub-committee meetings attended during the year.

- Key management personnel

  Key management personnel are those executives having powers, authority and responsibility in planning, directing and monitoring the business of the company directly or indirectly. The key management personnel were paid an aggregate amount of RO 87,946 which includes salaries, end of service benefits and performance based bonus. The performance based bonus is aligned with achievements of objectives set at the beginning of the year. The remuneration paid is commensurate with the qualification, role, responsibility and performance of the executives during the year 2023. The employment contracts stipulate a notice period of three months.

Details of the non-compliance by the Company

There were no penalties or strictures imposed on the Company by CMA, MSX or any other statutory authority on any matter related to capital markets since listing on 5 September 2018.

External quality assessment of internal audit activity of the Company

As per the requirements of the Capital Market Authority (CMA) Decision 27/2021, International Professional Practices Framework (IPPF) "External Quality Assessment of Dhofar Generating Company SAOG's Internal Audit Activity" was carried out by "Protivity Oman (External Quality Assessor)" in 2023. The External Quality Assessor has concluded that Dhofar Generating Company SAOG's Internal Audit Activity "Generally Conforms to IPPF Standards and the CMA's Decision 27/2021 with some opportunities for improvement."

Means of Communication with Shareholders and Investors

The Company communicates its financial results and material information by uploading the same on the Muscat Securities Exchange ('MSX') website. The Company is committed to publishing its quarterly unaudited financial results and annual audited results in two newspapers, English and Arabic. The annual accounts and the Directors' report are dispatched to all the shareholders by mail as required by law and are also available at the Company's Office. The Company discloses its initial and unaudited financial results by uploading the same onto the MSX website. The Company is available to meet its shareholders and their analysts as and when needed. In addition, annual audited financial statements and annual reports are published in the Company's website. The Company has also appointed an Investment Relations Officer as in compliance with the requirements of MSX. Further the Company had conducted discussion session in 2023 with stakeholders answering the question of attendees as per below:

#	Meeting held on
1	22nd February 2023
2	17th August 2023

The Management Discussion and Analysis Report appended to this report assure fair presentation of the affairs of the Company.

Market price and Company's stock performance

The Company was listed on the Muscat Securities Exchange on 5 September 2018. The monthly high/low prices of the Company shares from 1 January 2023 to 31 December 2023 are as shown below:

Year 2023	Company share price (OMR)		MSM Services index	
	High	Low	High	Low
January	0.057	0.053	1,696	1,604
February	-	-	1,714	1,646
March	0.072	0.047	1,762	1,678
April	0.066	0.059	1,747	1,663
May	0.065	0.060	1,771	1,652
June	0.060	0.060	1,710	1,667
July	0.060	0.054	1,900	1,666
August	0.057	0.051	1,690	1,648
September	0.046	0.040	1,668	1,589
October	0.041	0.036	1,662	1,568
November	0.037	0.031	1,596	1,543
December	0.040	0.037	1,600	1,547

Source: MSX website

The shareholding of the Company is widely distributed. The pattern of shareholding, major shareholders and their shareholdings as on 31 December 2023, were as follows:

Shareholders by type	Shareholding
Omani	44.11%
GCC nationals	54.20%
Foreigners	1.69%

Source: MCDC website

Major shareholders	Shareholding
MAP Power Holding Company Limited	27.00%
Mitsui & Co. Middle East and Africa Projects Investment & Development Limited	27.00%
Civil Service Employees Pension Fund	8.98%
Public Authority for Social Insurance	7.54%
Dhofar International Energy Services Co LLC	6.00%
Shareholders holding less than 5%	23.47%

Source: MCDC website

The Company has not issued any securities or convertible financial instruments which have any impact on equity.

Professional profile of External Auditor

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.

The annual audit fee of the Company payable to the external auditor for the year 2023 was OMR 15,500.

Acknowledgement

The Board of Directors acknowledges as at 31 December 2023:

- Its' responsibility for the preparation of financial statements in accordance with the applicable standards and rules.
- Through the Audit Committee, it has reviewed the efficiency and adequacy of internal control systems of the Company and that it complies with internal rules and regulations.
- That there is no material matter that affects the continuation of the company and its ability to continue its production and operations during the next financial year.

Yours faithfully

Chairman

Chief Executive Officer

05

Financial Statements

For the Year Ended 31 December 2023

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

Independent Auditors' Report

To the Shareholders of Dhofar Generating Company SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dhofar Generating 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 2.3.6, 3.2(d) and 4 to the financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2023 the Company has non-financial assets comprising primarily of property, plant and equipment and Right of use assets which is considered as one CGU of RO 140.06 million where impairment indicators existed on the reporting date. Accordingly, the Management of the Company carried out an impairment testing to assess the recoverable value of the non-financial assets based on value in use methodology. The recoverable amount is determined based on the higher of 'value in use' or 'fair value less costs of disposal. 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 has been determined by management from discounted forecast cash flow models (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).	Our audit procedures in this area included, among others: • Understanding the process for impairment assessment; • Evaluating the design and implementation of key internal controls over the impairment assessment; • Involving our own valuation specialist to assist in evaluating the appropriateness of the discount rates applied; • Evaluating the appropriateness of the 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 Company and the industry; • Testing the mathematical accuracy of the discounted cash flow model; • Performing our own sensitivity analysis for key inputs, which included assessing the effect of reasonably possible reductions in forecast cash flows to evaluate the impact on the currently estimated recoverable amount;and • Evaluating the adequacy of the financial statement disclosures.

Other matter

The financial statements of the Company as at and for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 6 February 2023.

Other Information

Management is responsible for the other information. The other information comprises Chairman's report, Management discussion and Analysis report and Corporate Governance report.

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

Continued on page 1(c)

Continued from page 1(b)

Other Information (continued)

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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Continued on page 1(d)

Continued from page 1(c)

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

— 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.

KPMG

Mobeen Chaudhri
19 February 2024

KPMG LLC

KPMG
KPMG LLC
P O Box 641, PC 112
Shatti Al Qurum
Sultanate of Oman
CR.No: 1358131

STATEMENT OF FINANCIAL POSITION

AS AT 31 December 2023

	Notes	2023 RO	2022 RO
ASSETS			
Non-current assets			
Property, plant and equipment	4	**138,381,140**	142,350,209
Right-of-use assets	17	**1,679,440**	1,728,835
Finance lease receivable	5	**35,059,980**	37,945,699
Trade and other receivables	7	**1,753,308**	1,669,111
Prepayments of connection charges		**812,852**	693,152
Derivative financial instrument	13	**1,563,221**	2,145,835
Total non-current assets		**179,249,941**	186,532,841
Current assets			
Inventories	6	**5,537,659**	5,526,956
Finance lease receivable	5	**2,979,242**	2,745,581
Trade and other receivables	7	**4,582,735**	4,433,230
Advances and prepayments	8	**230,411**	145,003
Cash and cash equivalents	9	**4,684,314**	6,527,193
Derivative financial instrument	13	**440,908**	605,235
Total current assets		**18,455,269**	19,983,198
TOTAL ASSETS		**197,705,210**	206,516,039
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	**22,224,000**	22,224,000
Legal reserve	11	**1,079,778**	917,468
Retained earnings		**28,426,317**	26,965,524
Equity before hedging reserve		**51,730,095**	50,106,992
Hedging reserve	12	**1,703,509**	2,338,408
Total equity		**53,433,604**	52,445,400
LIABILITIES			
Non-current liabilities			
Term loan	15	**110,609,444**	119,061,879
Provision for decommissioning costs	14	**5,467,092**	5,206,754
Lease liabilities	17	**1,849,068**	1,867,885
Deferred tax	18	**11,998,741**	11,360,062
End of service benefits		**54,895**	99,232
Total non-current liabilities		**129,979,240**	137,595,812
Current liabilities			
Term loan	15	**7,646,662**	8,558,295
Trade and other payables	16	**6,509,574**	7,780,402
Lease liabilities	17	**133,137**	133,137
Income tax payable	18	**2,993**	2,993
Total current liabilities		**14,292,366**	16,474,827
Total liabilities		**144,271,606**	154,070,639
TOTAL EQUITY AND LIABILITIES		**197,705,210**	206,516,039
Net assets per share (RO Baizas)	31	**0.240**	0.236

The financial statements were approved by a resolution of the Board of Directors on 14 February 2024.

Chairman   **Chief Executive Officer**

The attached notes 1 to 33 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RO	2022 RO
Revenues	19	**52,316,361**	47,041,605
Direct costs	20	**(42,572,668)**	(36,673,415)
Gross profit		**9,743,693**	10,368,190
General and administrative expenses	21	**(756,423)**	(1,110,188)
Finance cost	23	**(6,789,432)**	(6,871,757)
Finance income	7	**175,985**	194,554
Profit before tax		**2,373,823**	2,580,799
Income tax expense	18	**(750,720)**	(641,959)
Profit for the year		**1,623,103**	1,938,840
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Cashflow Hedge - Effective portion of changes in fair value	23	**528,563**	9,410,727
Cashflow Hedge - Reclassified to profit or loss	23	**(1,275,504)**	(116,685)
Cashflow Hedge - Related tax	18	**112,042**	(1,394,107)
Other comprehensive (loss) / income for the year		**(634,899)**	7,899,935
Total comprehensive income for the year		**988,204**	9,838,775
Basic and diluted earnings per share (RO Baizas)	24	**0.007**	0.009

The attached notes 1 to 33 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

شركة ظفار لتوليد الكهرباء
Dhofar Generating Company

	Share capital	Legal reserve	Retained earnings	Hedging reserve	Total
	RO	RO	RO	RO	RO
Balance at 1 January 2022	22,224,000	723,584	25,220,568	(5,561,527)	42,606,625
Profit for the year	-	-	1,938,840	-	1,938,840
Other comprehensive income for the year	-	-	-	7,899,935	7,899,935
Total comprehensive income for the year	-	-	1,938,840	7,899,935	9,838,775
Transfer to legal reserve	-	193,884	(193,884)	-	-
Balance at 31 December 2022	22,224,000	917,468	26,965,524	2,338,408	52,445,400
Balance at 1 January 2023	**22,224,000**	**917,468**	**26,965,524**	**2,338,408**	**52,445,400**
Profit for the year	**-**	**-**	**1,623,103**	**-**	**1,623,103**
Other comprehensive (loss) for the year	**-**	**-**	**-**	**(634,899)**	**(634,899)**
Total comprehensive income for the year	**-**	**-**	**1,623,103**	**(634,899)**	**988,204**
Transfer to legal reserve	**-**	**162,310**	**(162,310)**	**-**	**-**
Balance at 31 December 2023	**22,224,000**	**1,079,778**	**28,426,317**	**1,703,509**	**53,433,604**

The attached notes 1 to 33 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 RO	2022 RO
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		**1,623,103**	1,938,840
Adjustments for:			
Depreciation of property, plant and equipment	4	**3,969,069**	3,973,074
Amortization of right-of-use asset	17	**49,395**	59,150
Finance costs	23	**6,675,112**	6,755,904
Interest income on major maintenance receivable	7	**(175,985)**	(194,554)
Interest income on finance lease receivable	19	**(3,232,068)**	(3,449,054)
Interest cost on lease liabilities	23	**114,320**	115,853
(Reversal)/allowance for expected credit losses	21	**(131,615)**	1,080
Allowance for end of service benefit		**(44,337)**	(17,565)
Tax expense	18	**750,720**	641,959
		9,597,714	9,824,687
Working capital changes:			
Inventories		**(10,703)**	163,393
Trade and other receivables		**(226,492)**	12,130,470
Trade and other payables		**(438,776)**	(10,071,265)
Prepayments of connection charges		**(119,700)**	(119,700)
Advances and prepayments		**(85,408)**	302,641
Net cash flows generated from operating activities		**8,716,636**	12,230,226
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance lease receivable		**2,755,594**	2,540,195
Interest income on finance lease receivable	19	**3,232,068**	3,449,054
Net cash flows from investing activities		**5,987,662**	5,989,249
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of term loan	15	**(9,512,670)**	(9,924,794)
Finance cost paid on term loan	23	**(7,410,155)**	(6,243,048)
Payment of lease liabilities	17	**(18,817)**	(33,195)
Finance cost paid on lease liabilities	17	**(114,320)**	(115,853)
Interest income on major maintenance receivable	7	**175,985**	194,554
Net cash flows used in financing activities		**(16,879,977)**	(16,122,336)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,175,680)**	2,097,139
Cash and cash equivalents at 1st January		**6,553,847**	4,456,708
CASH AND CASH EQUIVALENTS AT 31st DECEMBER	9	**4,378,167**	6,553,847
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Cash and cash equivalents as above		**4,378,167**	6,553,847
Add: restricted cash		**311,930**	-
Less: allowance for expected credit losses		**(5,783)**	(26,654)
Cash and cash equivalents - 31st December	9	**4,684,314**	6,527,193

The attached notes 1 to 33 form an integral part of these financial statements.

1 ACTIVITIES

Dhofar Generating Company (the "Company" or "DGC") was registered as a closely held joint stock company ('SAOC') in the Sultanate of Oman on 28 February 2001 under the Commercial Companies Law in Oman. Subsequently, the Company was converted to a Public Joint Stock Company ("SAOG") and was listed on the Muscat Securities Market on 5 September 2018.The Company's registered address is P O Box 1571, Postal Code 211, Muscat, Sultanate of Oman.

The operations of the Company are governed by the provisions of the Law for the Regulation and Privatization of the Electricity and Related Water Sector (the "Sector Law") promulgated by Royal Decree 78/2004. The principal activity of the Company is electricity generation under a license issued by the Authority for Public Service Regulation, Oman (APSR).

Significant agreements

The Concession Agreement, to which DGC was a party, was terminated effective 1 January 2014. Accordingly, from 1 January 2014, the Company has been granted a generation license by the APSR for the electricity generation business. The Company has entered into a Power Purchase Agreement ('PPA') on 31 December 2013 with Oman Power and Water Procurement Company SAOC ('OPWP') to sell the available capacity of Electricity. The PPA was subsequently amended on 1 January 2014.

A second amendment agreement to the PPA was signed on 19 April 2015 which became effective on 22 June 2015 after completion of all requirements under the terms of the agreement. This amendment agreement envisions the construction of a new 445MW power plant and sets the PPA term of the existing 273MW power plant and new plant for 15 years from the scheduled commercial operation date ('SCOD') of the new plant. The SCOD was achieved on 1 January 2018 as per the plan.

The Company entered into an Engineering, Procurement and Construction ('EPC') contract with SEPCO III Electric Power Construction Corporation for the construction of a new 445MW facility. The Company also entered into a long term loan agreement on 8 July 2015 with a consortium of local and international banks including Bank Muscat SAOG, Bank Dhofar SAOG, Mizuho Bank LTD, Standard Chartered Bank, KfW IPEX- Bank GmbH, Sumitomo Mitsui Trust Bank Limited and Sumitomo Mitsui Bank Corporation.

The Company entered into natural gas sales agreement dated 1st June 2015 with Ministry of Oil and Gas for the purchase of natural gas. On 18th August 2020, it was renamed as the Ministry of Energy and Minerals "MEM". During the year 2023, as per the Ministry of Finance's decision, "MEM" has transferred this agreement to Integrated Gas Company SAOC "IGC" in accordance with the Privatization Law (promulgated by Royal Decree no. 51/2019) with an effect from 1 January 2023.

The Company has entered into a Usufruct Agreement with the Ministry of Housing for 25 years. The Company has an option to extend the lease term for further period of 25 years.

The Company entered into an Operations and Maintenance Agreement with Dhofar O&M Company LLC effective 4 June 2015 for all operations and maintenance of the plants.

2 MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standard IFRS as issued by the International Accounting Standard Board ("IASB") and the applicable requirements of the Commercial Companies Law of the Sultanate of Oman and the disclosure requirements of Capital Market Authority.

2.2 Changes in accounting policies

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments carried at fair value. The financial statements have been presented in Rial Omani which is the functional and reporting currency of the Company.

The accounting policies are consistent with those in the previous years except as following:

2 MATERIAL ACCOUNTING POLICIES (continued)

2.2.1 Adoption of new and revised international financial reporting standards (IFRSs)

2.2.1 New and revised IFRSs that are effective for the current year

In the current year, the company has applied a number of other amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2023. The adoption of the following standards have no material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies.
- Amendments to IAS 8 - Definition of Accounting Estimates.
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- Amendments to IAS 12 - International Tax Reform.

2.2.2 New and revised IFRS standards and interpretations but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 - Classification of Liabilities as Current or Non- current and Non-current Liabilities with Covenants	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.	
Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements	1 January 2024
The amendments introduce new disclosures relating to suppliers finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk.	
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
Lack of Exchangeability (Amendments to IAS 21)	1 January 2025

The directors anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments as highlighted in previous paragraphs, may have no material impact on the financial statements of the Company in the period of initial application.

2.2.3 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

2.2.3 Interest Rate Benchmark Reform (continued)

Interest Rate Swap
Swap models: The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and inter-bank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark inter-bank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counter party; this is calculated based on credit spreads derived from current credit default swap or bond prices.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationship directly affected by LIBOR reform. The reliefs have the effect that LIBOR and SOFR reform should not generally cause hedge accounting to terminate.

2.3 Summary of material accounting policies

Following are the material accounting policies adopted by the Company and consistently applied for all the periods presented.

2.3.1 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current / non- current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

2.3.2 Fair value measurement

The Company measures financial instruments such as derivatives at fair value at each reporting date.

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 advantages market must be accessible by the Company.

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Summary of material accounting policies (continued)

2.3.2 Fair value measurement (continued)

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.3.3 Revenue

The Company's business is to generate and supply electricity to its sole customer OPWP under long term PPA. Revenue from OPWP comprises of the following:

- Capacity charge covering the investment charge and fixed operation and maintenance charge; and
- Output charge covering the fuel charge and electricity energy charge.

The treatment for 273 MW plant is a finance lease arrangement and lease interest income is recognised in the statement of profit or loss and other comprehensive income. The investment charge related to this plant receiving under the PPA is finance lease payments.

445 MW plant has been treated as containing an operating lease which conveys the right to use the underlying assets in exchange of consideration. This component of revenue is recognised on straight-line basis over the lease term to the extent that capacity has been made available based on contractual terms of PPA.

Fixed operation and maintenance charges are recognised as revenue when the capacity is made available by performing required planned and unplanned maintenance on timely basis so that the plant is in a position to run and generate required output and accrue to the business over time. Output charges are recognised as revenue upon delivery of electricity to the national grid which accrue over time when the customer accepts deliveries and there is no unfulfilled performance obligation that could affect the customer's acceptance of the output. Amounts received in relation to electricity energy charges are contingent rental receipts.

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

There is no significant financing component attached to the receivable from customer other than major maintenance revenue. Goods and services are provided on agreed credit terms of the contract and payment occurs within 25 days from the submission of invoice. The Company submits invoices on monthly basis in arrears and generally are submitted on or before the 5th day of the subsequent month.

2.3.4 Income Taxes

Taxation is provided in accordance with Omani fiscal regulations.

Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or other comprehensive income.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Summary of material accounting policies (continued)

2.3.4 Income Taxes (continued)

Current tax

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

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 is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that at the time of the transaction:

i) affects neither accounting nor taxable profit or loss, and

ii) does not give rise to equal taxable and deductible temporary differences.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset as there is a legally enforcement to offset these in Oman.

Deferred tax related to assets and liabilities arising from a single transaction

The Company has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Company previously accounted for deferred tax on leases and decommissioning liabilities by applying the ‘integrally linked’ approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Company has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as at 1 January 2023 as a result of the change. The key impact for the Company relates to disclosure of the deferred tax assets and liabilities recognised.

2.3.5 Foreign currencies

The Company’s financial statements are presented in Omani Rials, which is also the company’s functional currency. 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Summary of material accounting policies (continued)

2.3.5 Foreign currencies (continued)

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 OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2.3.6 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated impairment losses, if any.

Depreciation of property, plant and equipment commences when the assets are ready for the intended use.

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

	Years
Plant and machinery	40
Buildings, civil and structural works	40
Decommissioning assets	40
Plant capital spares and other equipment	18
Computers and equipment	5
Computer software	5
Furniture and fixture	5
Motor vehicles	5

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the statement of profit or loss and other comprehensive income as the expense is incurred.

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Summary of material accounting policies (continued)

2.3.7 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.

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. 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. Right-of-use assets are subject to impairment.

b. Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities 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 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 changes 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. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

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.

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Summary of material accounting policies (continued)

2.3.8 Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost, the financial asset should be held within a business model whose objective is to hold assets to collect contractual cash flows and it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial asset with cash flow that are not SPPI are classified and measured at fair value through profit and loss irrespective of business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Company does not have any financial instrument that are measured either of FVOCI or FVPL except for the derivative instrument that are used as hedge instrument.

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

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

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:

Business model test: The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes).

Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Company's financial assets at amortized cost includes major maintenance receivable, trade receivables, cash and cash equivalents and finance lease receivable.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Summary of material accounting policies (continued)

2.3.8 Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

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

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 its continuing involvement. In that case, the Company also recognises an associated liability.

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.

Impairment of financial assets

The Company recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss.

Under IFRS 9, loss allowance are measured on either of the following bases:

- 12 month ECL: these are ECLs that result from possible default events within 12 months after the reporting date; and
- Lifetime ECL: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are measured as 12- month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Finance assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

General approach

The Company applies three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset. The Company applies general approach to all financial assets except trade receivable without significant financing component.

Simplified approach

The Company applies simplified approach to measuring credit losses, which mandates recognition of lifetime expected loss allowance for trade receivables without significant financing component. Under simplified approach, there is no need to monitor for significant increases in credit risk and the Company will be required to measure lifetime expected credit losses at all times.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Summary of material accounting policies (continued)

2.3.8 Financial assets (continued)

Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since 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.

The Company assumes that the credit risk on a financial asset has increased significantly based on the certain delinquency period (days past due) or if exposure has moved from investment grade to non- investment grade on credit rating scale of independent credit rating agency in case of low credit risk instrument.

To determine whether a financial instrument has low credit risk, the Company uses internal credit ratings which are mapped to the external credit rating agencies such as Moody's etc. The Company considers that the rating within the investment grade, (the Company considers this to be Ba3 or higher per Moody's), are considered a low risk and have less likelihood of default. Where the external rating of a financial instrument is not available, the Company reviews the ability of the counterparty by reviewing their financial statements and other publicly available information.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) or based on the certain delinquency period (days past due).

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the 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

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Cash and cash equivalents

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

Trade receivable

A receivable is recognised if an amount of consideration that is unconditional as due from the customer (i.e. only the passage of time is recognised balance payment of the consideration is due) less expected credit losses.

2.3.9 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:

- 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;

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Summary of material accounting policies (continued)

2.3.9 Financial liabilities (continued)

- The liabilities are part of a Company of financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or
- 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
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortization process.

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Offsetting

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

Trade and other payable

Liabilities are recognised for the amount to be paid for goods and services rendered, whether or not billed to the Company.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Summary of material accounting policies (continued)

2.3.10 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as interest rate swaps to hedge interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently 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.

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

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it 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, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss and other comprehensive income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the year. This also applies where the hedged forecast transaction of a non- financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to statement of profit or loss as a reclassification adjustment.

After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Summary of material accounting policies (continued)

2.3.11 Inventories

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

2.3.12 Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The Company records a provision for decommissioning costs as there is a present obligation as a result of activities undertaken pursuant to the Usufruct and PPA. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss and other comprehensive income as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset except for the asset given on finance lease.

2.3.13 Employee benefits

Obligations for contributions to a defined contribution retirement plan, for Omani employees, in accordance with the Omani Social Insurance Scheme, are recognised as an expense in profit and loss as the related service is provided.

The Company's obligation in respect of non-Omani employees' terminal benefits is the amount of future benefit that such employees have earned in return for their service in the current and prior periods having regard to the employee contract and Oman Labour Law 2023.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law are recognised as an expense in the statement of comprehensive income as incurred.

2.3.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset.

All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and share options are deducted against the share capital account, net of any tax effects. Where the Company's ordinary shares are repurchased (treasury shares), the consideration paid, excluding any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders and presented as reserve for own shares within equity, until they are cancelled, sold or reissued.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 Summary of material accounting policies (continued)

2.3.16 Directors' remuneration

The Directors' remuneration is governed by the Memorandum of Association of the Company and the Commercial Companies Law.

The Annual General Meeting shall determine and approve the remuneration and the sitting fees for the Board of Directors and its sub-committees and the distribution of dividends to the shareholders.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value for the year. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

The following are the significant estimates and judgements used in the preparation of the financial statements:

3.1 Judgements

a) Classification of Generation plant as a lease

Judgement is required to ascertain whether the PPA agreement with OPWP is a concession arrangement as per IFRIC 12 Service Concession Arrangements or contains a lease as per IFRS 16 Leases and if the agreement contains a lease, judgement is required to classify the lease as an operating lease or a finance lease as per IFRS 16 Leases. Management has evaluated the applicability of IFRIC 12 Service Concession Arrangements and concluded that IFRIC 12 is not applicable to the arrangement as the residual interest is borne by the Company and not OPWP. The estimated useful life of the plant of 40 years takes into account the Company's right to extend the land lease under a Usufruct Agreement for an additional term of 25 years.

Furthermore, the residual value of the 445 MW power plant will have substantial value at the conclusion of the PPA and the Company will be able to continue to generate revenue through electricity generation taking into account the government's future plans related to power sector in Oman.

b) Leases - Identification of lease and lease classification

The Company has entered into the PPA with OPWP to generate electricity and make available the power capacity from its Plants. The PPA covers both the plants i.e 273 MW power plant and 445 MW power plant. Management considers the requirements of IFRS 16 which sets out guidelines to determine when an arrangement might contain a lease.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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

(I) Finance lease

Based on management's evaluation, the PPA with OPWP with respect to 273 MW power plant has been classified as a finance lease under IFRS 16, since significant risks and rewards associated with the ownership of the plant are transferred to OPWP.

The management has assessed the lease classification as per the requirements of IFRS 16 and has concluded that the arrangement is a finance lease, as the term of PPA is for the major part of the remaining economic life of the Company's plant. Accordingly, a finance lease receivable has been recognised in the financial statements.

The primary basis for this conclusion being that the PPA is for substantial portion of the life of the plant and the present value of minimum lease payments substantially equates the fair value of the plant at the inception of the lease.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Judgements (continued)

(II) Operating lease

Based on management's evaluation, the PPA with OPWP with respect to 445 MW power plant has been classified as an operating lease under IFRS 16 since significant risks and rewards associated with the ownership of the plant lies with the Company. The primary basis for this conclusion is that the PPA is for a term of fifteen years while the economic life of the power plant is estimated to be forty years. The present value of minimum lease payments under the PPA does not substantially recover the fair value of the plant at the inception of the lease. Further, the residual risk is borne by the Company.

c) Electrical connection agreement – determining control and useful life of connection assets

The Company had entered into electrical connection agreements with transmission company for connection to the transmission system. The Company applies judgement in evaluating the terms of the contract to determine the control of connection assets. As per management's assessment, considering the load dispatch center function of transmission company along with right to operate and maintain the connection assets, it is concluded that the control for connection assets remains with the transmission company. Further, management has assessed that the Company will receive the benefits from connection assets till plant is in operation, accordingly, connection charges will be amortized over the estimated useful life of the plant.

3.2 Estimates and assumptions

a) Provision for decommissioning obligation

Because of the long-term nature of the liability, the greatest uncertainty in estimating the provision is the costs that will be incurred. In particular, the Company has assumed that the site will be restored using technology and materials that are currently available. The Company estimated the outcome for the total cost to be RO 5.467 million (2022: 5.207 million) reflecting different assumptions about pricing of the individual components of the cost. The provision has been calculated using a discount rate of 5% percent, which is the risk free rate in Oman. The rehabilitation is expected to occur on 2057.

b) Effectiveness of hedge relationship

At the inception of the hedge, the management documents the hedging strategy and performs hedge effectiveness testing to assess whether the hedge is effective. This exercise is performed at each reporting date to assess whether the hedge will remain effective throughout the term of the hedging relationship.

c) Useful lives of property, plant and equipment

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates. The nature of the assets are buildings, civil, structural work, plant and machinery.

d) Impairment of non-financial assets

The Company determines whether its non-financial assets are impaired when there are indicators of impairment as defined in IAS 36. This requires an estimation of the value-in-use of the cash-generating unit ('the CGU'), which constitutes the carrying value of property, plant and equipment and right of use assets as at 31 December 2023. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As the term of PPA is shorter than the CGU, there is indicator for impairment in the CGU as at 31 December 2023 which have a carrying value of RO 140.06 million (31 December 2022 – RO 144.08).

The recoverable amount of the CGU has been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on the financial budgets approved by management and based on the historical inflation rates, contractual clauses of PPA and the estimates for relevant macroeconomic factors. The growth rate considered does not exceed the long-term average growth rate for the utilities industry sectors in which the CGU operates. Management believes that the residual value of the CGU will have substantial value at the conclusion of the current PPA and the Company will be able to continue to generate revenue through supply of power which takes into account the possibility of extension of PPA as well as the government's future plans to deregulate the power and water sector in Oman.

4 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Buildings, civil and structural works	Plant capital spares and other equipment	Decommissioning asset	Computers and equipment	Computer software	Motor vehicles	Furniture and fixture	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO
Cost:									
At 1 January 2023	**150,211,411**	**9,007,974**	**1,480,899**	**1,393,077**	**328,426**	**102,254**	**19,750**	**57,880**	**162,601,671**
Additions	-	-	-	-	-	-	-	-	-
At 31 December 2023	**150,211,411**	**9,007,974**	**1,480,899**	**1,393,077**	**328,426**	**102,254**	**19,750**	**57,880**	**162,601,671**
Depreciation:									
At 1 January 2023	**17,856,313**	**1,125,996**	**705,463**	**141,176**	**242,630**	**102,254**	**19,750**	**57,880**	**20,251,462**
Depreciation for the year	**3,581,613**	**225,200**	**82,272**	**35,769**	**44,215**	-	-	-	**3,969,069**
At 31 December 2023	**21,437,926**	**1,351,196**	**787,735**	**176,945**	**286,845**	**102,254**	**19,750**	**57,880**	**24,220,531**
Net book value:									
At 31 December 2023	**128,773,485**	**7,656,778**	**693,164**	**1,216,132**	**41,581**	-	-	-	**138,381,140**
Cost:									
At 1 January 2022	150,211,411	9,007,974	1,480,899	1,393,077	328,426	102,254	19,750	57,880	162,601,671
Additions	-	-	-	-	-	-	-	-	-
At 31 December 2022	150,211,411	9,007,974	1,480,899	1,393,077	328,426	102,254	19,750	57,880	162,601,671
Depreciation:									
At 1 January 2022	14,274,700	900,797	623,191	105,408	195,755	101,127	19,530	57,880	16,278,388
Depreciation for the year	3,581,613	225,199	82,272	35,768	46,875	1,127	220	-	3,973,074
At 31 December 2022	17,856,313	1,125,996	705,463	141,176	242,630	102,254	19,750	57,880	20,251,462
Net book value:									
At 31 December 2022	132,355,098	7,881,978	775,436	1,251,901	85,796	-	-	-	142,350,209

(i) All property, plant and equipment are mortgaged with banks against the term loan (note 15).

4 PROPERTY, PLANT AND EQUIPMENT (continued)

(ii) The property, plant and equipment relates to the 445 MW power plant which is subject to operating lease arrangement with OPWP as mentioned in note 3.1(b)(II).

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

	2023	2022
	RO	RO
Direct costs (note 20)	**3,966,942**	3,967,030
General and administrative expenses (note 21)	**2,127**	6,044
	3,969,069	3,973,074

(iv) Plant is constructed on a land which is taken on a long-term lease contract from the Ministry of Housing (MOH).

5 FINANCE LEASE RECEIVABLE

As mentioned in note 3, the arrangement for 273 MW power plant is a finance lease. Accordingly, a finance lease receivable has been recognised in these financial statements.

	2023	2022
	RO	RO
Finance lease receivable	**38,084,044**	40,839,635
Less: allowance for expected credit losses	**(44,822)**	(148,355)
	38,039,222	40,691,280
Non-current portion:		
Finance lease receivable - non current	**35,094,792**	38,084,044
Less: allowance for expected credit losses	**(34,812)**	(138,345)
	35,059,980	37,945,699
Current portion:		
Finance lease receivable - current	**2,989,252**	2,755,591
Less: allowance for expected credit losses	**(10,010)**	(10,010)
	2,979,242	2,745,581

The company during the year 2023 recognised interest income on lease receivable of OMR 3,232,068 (2022: OMR 3,449,054).

5 FINANCE LEASE RECEIVABLE (continued)

The following table shows the maturity analysis of finance lease receivables:

	Less than 1 year RO	Between 1 and 2 years RO	Between 2 and 3 years RO	Between 3 and 4 years RO	Between 4 and 5 years RO	More than 5 years RO	Total RO
31 December 2023							
Gross finance lease receivables	**5,989,248**	**5,989,248**	**5,989,248**	**5,989,248**	**5,989,248**	**23,956,994**	**53,903,236**
Less: unearned finance income	**(2,999,996)**	**(2,746,522)**	**(2,471,554)**	**(2,173,271)**	**(1,849,694)**	**(3,578,155)**	**(15,819,192)**
	2,989,252	**3,242,726**	**3,517,694**	**3,815,978**	**4,139,554**	**20,378,839**	**38,084,044**
31 December 2022							
Gross finance lease receivables	5,989,248	5,989,248	5,989,248	5,989,249	5,989,249	29,946,242	59,892,484
Less: unearned finance income	(3,233,657)	(2,999,996)	(2,746,522)	(2,471,554)	(2,173,271)	(5,427,849)	(19,052,849)
	2,755,591	2,989,252	3,242,726	3,517,695	3,815,978	24,518,393	40,839,635

The movement in allowance for expected credit losses is as follows:

	2023	2022
	RO	RO
At 1 January	**148,355**	156,980
Reversal of allowance during the year (note 21)	**(103,534)**	(8,625)
At 31 December	**44,821**	148,355

6 INVENTORIES

	2023	2022
	RO	RO
Spares and consumables	**2,729,854**	2,732,936
Liquid fuel	**2,807,805**	2,794,020
	5,537,659	5,526,956

Liquid fuel of RO 81,325 (2022: RO 135,153) were recognied as an expense in ‘cost of sales’ during the year.

7 TRADE AND OTHER RECEIVABLES

	2023	2022
	RO	RO
Trade receivables from OPWP	**3,506,773**	3,510,039
Less: allowance for expected credit losses (note 26)	**(1,072)**	(471)
	3,505,701	3,509,568
Major maintenance receivable (*)	**2,321,125**	2,307,742
Other receivables	**468,949**	260,627
Amount due from related parties (note 25)	**40,268**	24,404
	6,336,043	6,102,341

Current and non-current classification as of the reporting date is as follows;

	2023	2022
	RO	RO
Non-current	**1,755,490**	1,677,525
Less: allowance for expected credit losses	**(2,182)**	(8,414)
	1,753,308	1,669,111
Current	**4,584,360**	4,435,833
Less: allowance for expected credit losses	**(1,625)**	(2,603)
	4,582,735	4,433,230

Trade receivables are non-interest bearing and are on terms of 25 days, while major maintenance receivable are interest bearing.

(*) The movement for major maintenance receivable is as follows:

	2023	2022
	RO	RO
At 1 January	**2,318,288**	2,525,395
Add: maintenance revenue recognised during the year (note 19)	**659,450**	428,202
Add: finance income recognised during the year	**175,985**	194,554
Less: payments received during the year	**(829,863)**	(829,863)
	2,323,860	2,318,288
Less: allowance for expected credit losses	**(2,735)**	(10,546)
At 31 December	**2,321,125**	2,307,742

7 TRADE AND OTHER RECEIVABLES (continued)

The movement in allowance for expected credit losses is as follows:

	2023	2022
	RO	RO
At 1 January	**10,546**	10,546
Allowance charged during the year (note 21)	**(7,811)**	-
At 31 December	**2,735**	10,546

Current and non-current classification as of the reporting date is as follows;

	2023	2022
	RO	RO
Non-current	**1,755,490**	1,677,525
Less: allowance for expected credit losses	**(2,182)**	(8,414)
	1,753,308	1,669,111
Current	**568,370**	640,763
Less: allowance for expected credit losses	**(553)**	(2,132)
	567,817	638,631

8 ADVANCES AND PREPAYMENTS

	2023	2022
	RO	RO
Advances	**94,803**	1,863
Prepayments	**135,608**	143,140
	230,411	145,003

9 CASH AND CASH EQUIVALENTS

	2023	2022
	RO	RO
Cash at bank	**4,377,930**	6,553,137
Less: allowance for expected credit losses	**(5,783)**	(26,654)
	4,372,147	6,526,483
Restricted cash (note 29(ii))	**311,930**	-
Cash in hand	**237**	710
	4,684,314	6,527,193

9 CASH AND CASH EQUIVALENTS (continued)

Bank balances are placed with reputed financial institutions in Sultanate of Oman and United Kingdom which are denominated is Omani Rial and US Dollars respectively.

The movement in allowance for expected credit losses is as follows:

	2023	2022
	RO	RO
At 1 January	**26,654**	16,949
Less: allowance (reversed)/charged during the year (note 21)	**(20,871)**	9,705
At 31 December	5,783	26,654

10 SHARE CAPITAL

The authorised share capital of the Company as at 31 December 2023 is RO 120,000,000 (2022 : RO 120,000,000). Issued and paid up capital as at 31 December 2023 is RO 22,224,000 (2022 : RO 22,224,000) of 100 baiza. The Company has one class of ordinary shares which carry no right to fixed income

Shareholders who own 10% or more of the Company's share capital at the reporting date are:

	2023		2022	
	Percentage shareholding	**No. of shares**	Percentage shareholding	No. of shares
MAP Power Holding Company Limited	**27%**	**60,004,800**	27%	60,004,800
Mitsui & Co. Middle East and Africa Projects Investment & Development Limited	**27%**	**60,004,800**	27%	60,004,800

11 LEGAL RESERVE

In accordance with the article 132 of the Commercial Companies Law 18/2019 applicable to companies registered in the Sultanate of Oman, 10% of a company's net profit after the deduction of taxes will be transferred to a non-distributable statutory reserve each year until the amount of such legal reserve has reached a minimum of one third of that Company's issued share capital. This reserve is not available for distribution to shareholders as dividends.

12 HEDGING RESERVE

The USD long term facilities of the Company bear interest at US LIBOR plus applicable margins till July 2023. From 1st August 2023, Secured Overnight Financing Rate ('SOFR') plus applicable margins is implemented. The Company has fixed the rate of interest through Interest Rate Swap Agreements ("IRS") entered into with various international banks for the facilities.

	2023	2022
	RO	RO
At 1 January (A)	**2,338,408**	(5,561,527)
Change in fair value before tax during the year	**(746,941)**	9,294,042
Less: related deferred tax asset (note 19)	**112,042**	(1,394,107)
Change in fair value after tax during the year (B)	**(634,899)**	7,899,935
At 31 December (C) = (A) + (B)	**1,703,509**	2,338,408

All the interest rate swaps are designated and effective as cash flow hedges and the fair value thereof has been recognised directly in other comprehensive income and presented in statement of changes in equity, net of related deferred tax.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023 (continued)

13 DERIVATIVE FINANCIAL INSTRUMENT

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. The Company has entered into five interest rate swap agreements with five international banks at fixed interest rates ranging from 2.9% - 3.2% per annum. The Company's borrowings at variable rate are denominated in US Dollars.

The Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the Company agrees with other parties to exchange, at specified intervals (quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

			Notional amount by term to maturity		
	Positive / (Negative) fair value	Notional amount total	1-12 months	More than 1 up to 5 years	Over 5 years
	RO	RO	RO	RO	RO
31 December 2023					
Interest rate swaps	**2,004,129**	**68,449,060**	**4,544,411**	**13,982,596**	**49,922,053**
31 December 2022					
Interest rate swaps	2,751,070	72,407,657	4,232,249	18,253,355	49,922,053

Current and non-current classifications as at the reporting date as follows;

	2023	2022
	RO	RO
Non-current	**1,563,221**	2,145,835
Current	**440,908**	605,235
	2,004,129	2,751,070

Interest rate swaps arising from agreements with:

	2023	2022
	RO	RO
SMBC Capital Market Limited	**216,815**	287,222
Standard Chartered Bank	**831,791**	1,179,716
KfW IPEX-Bank	**534,327**	689,719
SMTB	**210,726**	294,350
Mizuho	**210,470**	300,064
Hedging instruments at 31 December	**2,004,129**	2,751,070

14 PROVISION FOR DECOMMISSIONING COSTS

	2023	2022
	RO	RO
At 1 January	**5,206,754**	4,958,813
Unwinding of discount on decommissioning cost provision (note 23)	**260,338**	247,941
At 31 December	**5,467,092**	5,206,754

The Company is committed under the lease agreement to decommission the site as a result of construction of the power plant. Decommissioning costs represent the present value of management's best estimate of the future outflow of the economic benefits that will be required to remove the facilities and restore the affected area at the Company's rented sites.

15 TERM LOAN

	2023	2022
	RO	RO
At 1 January	**128,598,870**	138,523,664
Paid during the year	**(9,512,670)**	(9,924,794)
Gross loan amount	**119,086,200**	128,598,870
Less: unamortised arrangement fee	**(830,094)**	(978,696)
At 31 December	**118,256,106**	127,620,174

Current and non-current classification as of the reporting date is as follows;

	2023	2022
Non-current portion	**110,609,444**	119,061,879
Current portion	**7,646,662**	8,558,295
	118,256,106	127,620,174

The term loan facility of RO 165,576,474 (USD 429,957,087) was provided by a consortium of local and international banks in pursuance with the PPA to finance the project cost. This loan is repayable in 31 semi-annual installments starting from 31 July 2018.

According to Common Term Agreement the term loan facility comprises of:

	Currency	Total term loan facility	Interest rates	Final repayment date
1.	RO	69,967,312	5.59% pa	31 December 2032
2.	USD	248,271,000	SOFR + 1.8% pa	31 December 2032

The repayment schedule of term loan is as follows:

	2023	2022
	RO	RO
Payable within 1 year	**7,646,662**	8,558,295
Payable between 1 and 2 years	**11,093,863**	10,780,247
Payable between 2 and 5 years	**34,039,650**	33,384,535
Payable after 5 years	**66,306,025**	75,875,793
	119,086,200	128,598,870

15 TERM LOAN (continued)

The Company hedges USD portion of the loan for interest rate risk via an interest rate swap arrangement as explained in note 12 and 13 to the financial statements.

The loan is secured by a charge on all project assets (property, plant and equipment, right of use, finance lease receivable, prepayment of connection charge, inventory, trade and other receivable, cash and cash equivalents), assignment of insurance / reinsurances, agreement for security over promoters' shares and charge over the Company's project accounts. The weighted average effective interest rate on the bank loans is 5.63% per annum (2022: 4.10%) for USD facility and 5.19% per annum (2022: 5%) for RO Facility (overall effective rate 5.70% per annum) (2022: 4.46%). The loan is subject to certain covenants relating to maintenance of Debt Service Coverage Ratio.

As of 31 December 2023, the Company has undrawn working capital facility amounting to RO 7,700,000 with an interest rate of 4.25% per annum (2022 - 3.75%). The balance outstanding as of 31 December 2023 is nil (2022: nil)

The Company's cash sweep obligation under the loan agreement has taken effect from 31 July 2021. The cash sweep mechanism requires that after operating costs and debt service payments have been accounted for, 95% of the free cash flows to be paid to the lenders towards prepayment of the loan amount ("Cash Sweep Mechanism"). Under the Cash Sweep Mechanism, the prepayment amounting to RO 2,012,767 (2022: RO 2,584,207) made during the period towards the settlement of loan outstanding amount.

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

	At 1 January RO	Repayments during year RO	Non-cash changes RO	At 31 December RO
31 December 2023				
Term loan	**127,620,174**	**(9,512,670)**	**148,602**	**118,256,106**
31 December 2022				
Term loan	137,351,727	(9,924,794)	193,241	127,620,174

16 TRADE AND OTHER PAYABLES

	2023	2022
	RO	RO
Trade payables	**4,483,045**	3,870,698
Accrued expenses	**964,964**	2,672,140
VAT and other payables	**749,634**	724,229
Amount due to related parties (note 25)	**311,931**	513,335
	6,509,574	7,780,402

17 LEASES

The Company, as a lessee, has entered into the following contracts which are covered under IFRS 16:

The Usufruct agreement with 40 years lease term.

The movement of right-of-use assets as of the reporting date as follows:

	2023	2022
	RO	RO
At 1 January	**1,728,835**	1,787,985
Amortization charged during the year (note 20)	**(49,395)**	(59,150)
At 31 December	**1,679,440**	1,728,835

17 LEASES (continued)

Movement of lease liability recognised as of the reporting date is as follows;

	2023	2022
	RO	RO
At 1 January	**2,001,022**	2,034,217
Interest accrued during the year (note 23)	**114,320**	115,853
Payments during the year	**(133,137)**	(149,048)
At 31 December	**1,982,205**	2,001,022

Current and non-current classification as of the reporting date is as follows;

	2023	2022
	RO	RO
Non-current lease liabilities	**1,849,068**	1,867,885
Current lease liabilities	**133,137**	133,137
	1,982,205	2,001,022

The maturity of lease liability is as follows:

	2023	2022
	RO	RO
Not later than 1 year	**133,137**	133,137
Not later than 2 years	**133,137**	133,137
Not later than 3 years	**133,137**	133,137
Not later than 4 years	**133,137**	133,137
more than 5 years	**1,449,657**	1,468,474
	1,982,205	2,001,022

The following are the amounts recognised in the profit or loss;

	2023	2022
	RO	RO
Amortization of right-of-use assets (note 20)	**49,395**	59,150
Interest on lease liabilities (note 23)	**114,320**	115,853
	163,715	175,003

The following are the amounts recognised in statement of cash flows;

	2023	2022
	RO	RO
Payment of lease liabilities	**18,817**	33,195
Finance cost paid on lease liabilities	**114,320**	115,853
Total cash flows for leases	**133,137**	149,048

For leases where the Company is lessor, please refer note 5.

18 TAXATION

	2023	2022
	RO	RO
Statement of profit or loss		
Deferred tax charge		
Origination and reversal of temporary differences	**358,756**	(41,186)
Recognition of previously unrecognised tax losses	**391,964**	683,145
	750,720	641,959
Statement of financial position		
Non-current liability:		
Deferred tax-net	**11,998,741**	11,360,062
Current tax liability		
Current tax	**2,993**	2,993
Movement for current tax liability:		
At 1 January	**2,993**	2,993
Payments during the year	**-**	-
At 31 December	**2,993**	2,993

The total income tax for the year can be reconciled to the accounting profits as follows;

Accounting profit before tax for the year	**2,373,823**	2,580,799
Tax at the rate of 15%	**356,073**	387,120
Add tax effect of:		
Expenses not allowed in tax	**2,683**	1,366
Deferred tax not recognised on tax losses	**391,964**	683,145
Deferred tax prior year	**-**	(429,672)
Tax expense for the year	**750,720**	641,959

The tax assessments up to the year 2017 has been completed by the tax authorities. The Company's assessment for the tax years 2018 to 2022 have not yet been finalised with the Secretariat General for Taxation at the Ministry of Finance. Management of the Company believe that additional taxes, if any in respect of open tax years, would not be significant to the Company's financial position as at 31 December 2023.

The Company has recorded unrealized gains of RO 22,989,752 for the year ended 31 December 2014 as a result of dercognition of the service concession receivable and recognition finance lease receivable. Management has taken a view that this gain will be realised as a part of tariff received over the life of the PPA and only realised gain should be subjected to tax as per the Income Tax Law.

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

18 TAXATION (continued)

The government of Sultanate of Oman announced an Economic Stimulus Plan on 9 March 2021 to support the Sultanate's efforts to counter Covid effects on the economy. As per the plan, companies are allowed to carry forward their tax losses incurred for tax year 2020 for an unlimited period to be adjustable against future taxable income. The Company incurred tax loss of RO 8,021,680 for 2020 and recognised a deferred tax asset of RO 1,203,252 in year 2020.

The carried forward tax losses will expire within 5 years except for the tax year 2020. Management believes that future taxable profit will not be sufficient to offset the carried forward tax losses which will expire within 5 years, hence deferred tax asset of RO 6,913,110 (2022 - RO 6,521,144) has not been recognized on carried forward tax losses.

Deferred tax

Deferred taxes are calculated on all temporary differences using a principal tax rate of 15%. The net deferred tax liability and deferred tax charge in the statement of comprehensive income are attributable to the following items;

		Deferred tax recognised in		
	At 1 January RO	Profit or loss RO	OCI RO	At 31 December RO
31 December 2023				
Deferred tax asset / (liability)				
Provision for decommissioning cost	781,013	39,051	-	820,064
Allowance for expected credit losses	27,904	(19,742)	-	8,162
Lease liabilities	300,153	(2,822)	-	297,331
Right-of-use Assets	(259,326)	7,410	-	(251,916)
Carried forward tax losses	1,203,252	-	-	1,203,252
Hedge reserve	(412,661)	-	112,042	(300,619)
Accelerated tax depreciation	(10,008,166)	(977,201)	-	(10,985,367)
Unrealised gain on recognition of finance lease	(2,559,540)	150,176	-	(2,409,364)
Finance lease receivable for decommissioning asset	(177,431)	25,862	-	(151,569)
Unamortised maintenance revenue	(67,476)	21,182	-	(46,295)
Decommissioning asset	(187,784)	5,364	-	(182,420)
Deferred tax liability - net	(11,360,062)	(750,720)	112,042	(11,998,741)

18 TAXATION (continued)

		Deferred tax recognised in		
	At 1 January	Profit or loss	OCI	At 31 December
	RO	RO	RO	RO
31 Dec 2022				
Deferred tax asset / (liability)				
Provision for decommissioning cost	743,822	37,191	-	781,013
Allowance for expected credit losses	27,742	162	-	27,904
Lease liabilities	305,132	(4,979)	-	300,153
Right-of-use Assets	(268,198)	8,872	-	(259,326)
Carried forward tax losses	1,295,640	(92,388)	-	1,203,252
Hedge reserve	981,446	-	(1,394,107)	(412,661)
Accelerated tax depreciation	(9,193,151)	(815,015)	-	(10,008,166)
Unrealised gain on recognition of finance lease	(2,694,353)	134,813	-	(2,559,540)
Finance lease receivable for decommissioning asset	(203,694)	26,263	-	(177,431)
Unamortised maintenance revenue	(125,233)	57,757	-	(67,476)
Decommissioning asset	(193,150)	5,366	-	(187,784)
Deferred tax liability - net	(9,323,997)	(641,958)	(1,394,107)	(11,360,062)

19 REVENUES

	2023	2022
	RO	RO
Fixed operation and maintenance charge	**7,274,942**	7,159,760
Fuel charge	**28,618,256**	23,422,998
Electrical energy charge	**188,986**	160,924
Major maintenance revenue (note 7)	**659,450**	428,202
Interest income from finance lease	**3,232,068**	3,449,054
Investment charge	**12,342,659**	12,420,667
	52,316,361	47,041,605

The revenue is based on actual invoiced amount and the future receipts of the investment charges are disclosed in the note 5 and 30 of the financial statements.

The revenue has been disaggregated based on the key drivers by which the Company receives and recognises its revenue.

The Company has no unsatisfied performance obligations with respect to the billed revenue. The Company has right to invoice for every unit of output and making available the designated capacity.

All the revenue of the Company accrues from contracts with customers is within the Sultanate of Oman. The Company has recognized credit losses on receivables arising from Company's contract with customer (note 7).

20 DIRECT COSTS

	2023	2022
	RO	RO
Fuel cost	28,893,288	23,503,756
Operation and maintenance charges	8,283,520	7,985,409
Depreciation (note 4)	3,966,942	3,967,030
Insurance	634,554	628,578
Major maintenance expenses	555,686	307,405
Transmission connection charges	163,582	164,032
Amortization of right-of-use asset (note 17)	49,395	59,150
Electricity import cost	25,701	58,055
	42,572,668	36,673,415

21 GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
	RO	RO
Employee costs (note 22)	476,943	569,588
Legal and professional charges	224,604	202,295
License fees to regulator	68,179	97,830
Information technology and software related expenses	52,137	75,916
Director sitting fee and remuneration (note 25)	32,600	32,400
Corporate social responsibility expense	15,000	15,000
Communication expenses	11,323	16,621
Miscellaneous expenses	5,125	85,450
Depreciation (note 4)	2,127	6,044
Training expenses	-	7,964
Allowance for expected credit losses (note 21 (i))	(131,615)	1,080
	756,423	1,110,188

(i) Allowance for expected credit losses		
Finance lease receivables (note 5)	(103,534)	(8,625)
Major maintenance receivables (note 7)	(7,811)	-
Trade and other receivable (note 26)	601	-
Cash and cash equivalents (note 9)	(20,871)	9,705
	(131,615)	1,080

Professional Services

The professional fees due to the external auditor for the year 2023 in amount of RO 15,500 out of which RO 13,500 related to financial statement audit and RO 2,000 related to other services.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023 (continued)

22 EMPLOYEE COSTS

Salaries and the related costs included under general and administrative expenses consist of the following:

	2023	2022
	RO	RO
Salaries, secondment charges and other benefits	**468,174**	544,639
Contributions to a defined contribution retirement plan	**11,331**	11,621
Charge for employee end of service benefits	**(2,562)**	13,328
	476,943	569,588

23 FINANCE COST

	2023	2022
	RO	RO
Interest on term loan	**7,410,156**	6,243,048
Interest income on interest rate SWAP	**(1,275,504)**	(116,685)
Unwinding of discount on decommissioning cost provision (note 14)	**260,338**	247,941
Amortisation of deferred financing cost on term loan (note 15)	**148,602**	193,241
Interest on lease (note 17)	**114,320**	115,853
LC commission	**103,484**	146,969
Interest on working capital loan	**28,036**	41,390
	6,789,432	6,871,757

24 EARNINGS PER SHARE

	2023	2022
	RO	RO
Profit for the year (RO)	**1,623,103**	1,938,840
Weighted average number of ordinary shares	**222,240,000**	222,240,000
	0.007	0.009

Diluted earnings per share is same as the earnings per share as the Company has not issued any instruments during the period which would have an impact on earnings per share when exercised.

25 RELATED PARTY TRANSACTIONS

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions. Pricing policies and terms of these transactions are approved by the Board of directors.

The Company maintains balances with these related parties which arise in the normal course of business from the commercial transactions, and are entered into at terms and conditions which are approved by the management.

Significant related party balances and transactions as of the reporting date are as follows:

25 RELATED PARTY TRANSACTIONS (continued)

Balances at the reporting date (Notes 7, 9 and 16)

	Relationship	2023	2022
		RO	RO
Due to related parties			
Dhofar O&M Company LLC	Other related party	-	494,087
ACWA Power Company	Other related party	-	19,248
Dhofar International Development & Investment Holding Co. S.A.O.G	Significant influence	311,931	-
		311,931	513,335

		2023	2022
Due from related parties		RO	RO
Ad Dhahirah Generating Company SAOC	Other related party	596	-
First National Company for Operation and Maintenance - Oman	Other related party	24,824	21,741
ACWA Power Oman LLC	Other related party	742	2,372
Dhofar Desalination Company SAOC	Other related party	14,106	-
ACWA Power Global Services Ltd	Other related party	-	291
		40,268	24,404

		2023	2022
Transactions during the period		RO	RO
O&M fee and related charges		8,717,856	8,274,835
Other expenses and reimbursement		1,637,533	815,034
Services received	Other related party	10,355,389	9,089,869
Services rendered	Other related party	189,344	155,173

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise). The compensation for key managerial personnel during the year are as follows:

	2023	2022
	RO	RO
Short-term employee benefits	81,139	76,992
Long-term employee benefits	4,860	7,380
Directors sitting fees and remuneration (note 21) (short-term benefits)	32,600	32,400
	118,599	116,772

Amounts due from/to related parties are interest free, unsecured and receivable on demand. Amount due from related parties are subject to the impairment requirement of IFRS 9, and were assessed as such and management believes the identified impairment loss was immaterial.

26 FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities, other than derivatives, comprise loans, and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include finance lease receivable, major maintenance receivable, trade receivables, and cash that derive directly from its operations.

Market risk

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

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives at the reporting date.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of comprehensive item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at the reporting date including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges for the effects of the assumed changes of the underlying risk.

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 manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

To manage this, the Company enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

At reporting date, after excluding the effect of interest rate swaps, 42.60% of the Company's borrowings are at a fixed rate of interest (31 December 2022: 42.48%).

At the reporting date the interest rate risk profile of the Company's interest bearing financial instruments is as follows:

	2023	2022
	RO	RO
Fixed rate instrument		
Term loan	**50,730,898**	54,626,815
Variable rate instrument		
Term loan	**68,355,302**	73,972,055

Interest rate sensitivity

The Company does not account for any fixed rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

26 FINANCIAL RISK MANAGEMENT (continued)

Interest rate sensitivity (continued)

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss		Equity	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
31 December 2023				
Variable rate financial liabilities	**(683,553)**	**683,553**	**(581,020)**	**581,020**
Interest rate swaps	**682,596**	**(682,596)**	**580,207**	**(580,207)**
Net sensitivity	**(957)**	**957**	**(813)**	**(813)**

	Profit or loss		Equity	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
31 December 2022				
Variable rate financial liabilities	(739,721)	739,721	(628,762)	628,762
Interest rate swaps	738,685	(738,685)	627,882	(627,882)
Net sensitivity	(1,036)	1,036	(880)	880

Foreign currency risk

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

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily cash and cash equivalents, trade receivables, finance lease receivable, derivative financial instrument, and major maintenance receivable). The carrying amount of financial assets represent the maximum credit exposure. The Company does not hold collateral as security.

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables is regularly monitored. Trade receivable balance represents receivables from OPWP, a Government customer in Oman.

This customer is transacting with the Company for number of years. Accordingly the balance due from this customer is assessed to have a strong high credit quality or limited credit risk. At reporting date, the Company has one customer (31 December 2022: one customer).

An impairment analysis is performed at each reporting date as per IFRS 9 expected credit loss method. The provision rates are based on days past due for the outstanding balance. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

26 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables (continued)

The Company evaluates the concentration of risk with respect to trade receivables as low, as its customer is located in Oman and it is a Government owned entity.

	Rating	2023	2022
		RO	RO
Oman Power and Water Procurement Company S.A.O.C	Ba1	3,506,773	3,510,039

Age analysis of trade receivables is as follows:

	2023	2022
	RO	RO
Not past dues	3,506,773	3,507,326
Past due 0 to 3 months	-	-
Past due 3 to 6 months	-	-
Past due 6 to 12 months	-	2,712
Gross trade receivables	3,506,773	3,510,038
Allowance for expected credit losses	(1,072)	(471)
Net trade receivables	3,505,701	3,509,567

(ii) The movement in allowance for expected credit losses is as follows:

	2023	2022
	RO	RO
At 1 January	471	471
Allowance for expected credit loss recognized during the year (note 21)	601	-
At 31 December	1,072	471

Finance lease receivable

Finance Lease receivable has been recorded in accordance with the terms of the PPA with OPWP, a Government owned entity in Oman and an allowance for ECL is recognised at the reporting date (note 5).

Major maintenance receivable

Major maintenance receivable has been recorded in accordance with the terms of the PPA with OPWP, a Government owned entity in Oman and an allowance for ECL is recognised at the reporting date (note 7).

Cash and cash equivalents

Credit risk on bank balances is limited as same are held with banks with sound credit ratings.

Bank Balances	Rating	2023	2022
		RO	RO
Bank Muscat S.A.O.G	Ba2	4,362,275	6,522,183
SMBC Bank International Plc	A1	15,655	30,954
		4,377,930	6,553,137

26 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Cash and cash equivalents (continued)

ECL on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Compnay considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of impairment allowance at 31 December 2023 is RO 5,783 (2022: RO 26,654).

Derivative financial instruments

The derivatives are entered into with bank and financial institution counterparties, which are rated A1 to Ba2, based on Moody's ratings.

Credit Concentration

Except as disclosed, no significant concentrations of credit risk were identified by the management as at the statement of financial position date.

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 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.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition the Company has access to credit facilities.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments:

	Carrying Amount value RO	**Contractual cash flows RO**	**Less than 1 year RO**	**More than 1 year RO**
31 December 2023				
Non-derivative financial liabilities				
Term loan	**118,256,106**	**151,806,714**	**16,733,252**	**135,073,463**
Trade payables	**4,483,045**	**4,483,045**	**4,483,045**	**-**
Other payables	**749,634**	**749,634**	**749,634**	**-**
Lease liabilities	**1,982,205**	**1,953,625**	**133,137**	**1,820,488**
Due to related parties	**311,931**	**311,931**	**311,931**	**-**
	125,782,921	**159,304,949**	**22,410,999**	**136,893,951**

	Carrying Amount value RO	Contractual cash flows RO	Less than 1 year RO	More than 1 year RO
31 December 2022				
Non-derivative financial liabilities				
Term loan	127,620,174	133,563,925	16,124,543	117,439,382
Trade payables	3,870,698	3,870,698	3,870,698	-
Other payables	724,229	724,229	724,229	-
Lease liabilities	2,001,022	4,659,795	133,137	4,526,658
Due to related parties	513,335	513,335	513,335	-
	134,729,458	143,331,982	21,365,942	121,966,040

26 FINANCIAL RISK MANAGEMENT (continued)

Categories of financial instruments

	2023	2022
	RO	RO
Financial assets (at amortised cost)		
Cash and cash equivalents	**4,684,314**	6,527,193
Finance lease receivable	**38,039,222**	40,691,280
Trade and other receivables	**8,657,168**	8,410,083
	51,380,704	55,628,556
Financial liabilities (at amortised cost)		
Term loan	**118,256,106**	127,620,174
Lease liabilities	**1,982,205**	2,001,022
Trade and other payables	**5,232,679**	5,108,262
	125,470,990	134,729,458

27 FAIR VALUES

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.

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 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

27 FAIR VALUES (continued)

31 December 2023	**Carrying amount** Fair value-hedging instrument RO	Financial assets at amortised cost RO	Other financial liabilities At amortised cost RO	Total RO	**Fair value** Level 2 RO
Financial assets measured at fair value					
Derivative instruments	**2,004,129**	**-**	**-**	**2,004,129**	**2,004,129**
Financial assets not measured at fair value					
Finance lease receivable	**-**	**38,039,222**	**-**	**38,039,222**	
Trade and other receivables	**-**	**8,657,168**	**-**	**8,657,168**	**-**
Cash and cash equivalents	**-**	**4,684,314**	**-**	**4,684,314**	**-**
	2,004,129	**51,380,704**	**-**	**53,384,833**	**2,004,129**
Financial liabilities not measured at fair value					
Term loan	**-**	**-**	**119,086,200**	**119,086,200**	**-**
Lease liabilities	**-**	**-**	**1,982,205**	**1,982,205**	**-**
Trade and other payables	**-**	**-**	**5,232,679**	**5,232,679**	**-**
	-	**-**	**126,301,084**	**126,301,084**	**-**

31 December 2022	Carrying amount Fair value-hedging instrument RO	Financial assets at amortised cost RO	Other financial liabilities At amortised cost RO	Total RO	Fair value Level 2 RO
Financial assets measured at fair value					
Derivative instruments	2,751,070	-	-	2,751,070	2,751,070
Financial assets not measured at fair value					
Finance lease receivable	-	40,691,280	-	40,691,280	-
Trade and other receivables	-	8,410,083	-	8,410,083	-
Cash and cash equivalents	-	6,527,193	-	6,527,193	-
	2,751,070	55,628,556	-	58,379,626	2,751,070
Financial liabilities not measured at fair value					
Term loan	-	-	128,598,870	128,598,870	-
Lease liabilities	-	-	2,001,022	2,001,022	-
Trade and other payables	-	-	5,108,262	5,108,262	-
	-	-	135,708,154	135,708,154	-

27 FAIR VALUES (continued)

The following tables show the valuation techniques used in measuring Level 2 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique
Interest rate swaps	The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps.

The fair value and carrying value of financial assets is same as these are expected to mature within ninety days or less.

28 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and benefit other stake holders. The management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. Management is confident of maintaining the current level of profitability by enhancing top line growth and prudent cost management. The Company is not subject to externally imposed capital requirements.

The capital structure of the Company comprises of net debt (borrowings as detailed in notes 15 and lease liabilities offset by cash and cash equivalents) and equity of the Company (comprising the share capital, reserves and retained earnings). The Company is not subject to externally imposed capital requirements other than the requirements of the Commercial Companies Law.

The Board regularly reviews the capital structure of the Company. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The gearing ratio at 31 December 2023 is 216.26% (2022: 234.71%).

Gearing ratio

Gearing ratio at the reporting date as follows:

	2023	2022
	RO	RO
Debt (i)	**120,238,311**	129,621,196
Less: cash and bank balances	**(4,684,314)**	(6,527,193)
Net debt	**115,553,997**	123,094,003
Equity (ii)	**53,433,604**	52,445,400
Net debt to equity ratio	**216.26%**	234.71%

(i) Debt is defined as long and short-term borrowings (excluding derivatives) as described in note 15 and lease liabilities (note 17).

(ii) Equity includes all capital and reserves of the Company that are managed as capital.

29 COMMITMENTS AND CONTINGENCIES

(i) Debt Service Reserve Account Letter of Credit

At 31 December 2023, the Company had contingent liabilities in respect of Debt Service Reserve Account ('DSRA') letter of credit amounting to RO 2,550,409 and USD 9,002,507 (2022: RO 2,675,452 and USD 8,852,169) in accordance with the requirement of the Common Terms Agreement ('CTA') given in the normal course of business on which no material liabilities are expected to arise.

(ii) Sponsors' Fuel Reserve Account (FRA) Commitment

Under the Common Terms Agreement (CTA) the project's sponsors are required to provide the Fuel Reserve Account (FRA) commitment to the offshore trustee. The FRA commitment can be provided in the form of cash, letter of credit (LC) or letter of guarantee (LG). At 31 December 2023, Mitsui & Co., Ltd and ACWA Power Company have provided their support through letter of guarantee and letter of credit respectively, whereas DIDIC deposited cash of RO 311,930 (2022 : RO 311,930) in FRA bank account to comply with the CTA requirements. FRA bank balance and FRA support can only be utilized with lenders' and sponsors' consent.

(iii) Capital commitments

The Company has no capital commitments as of 31 December 2023 (2022: RO Nil) with contractors for construction and other activities.

30 OPERATING LEASE ARRANGEMENT WHERE THE COMPANY ACTS AS A LESSOR

As disclosed in notes to these financial statements, the arrangement between the Company and OPWP under the PPA for 445 MW power plant is covered under IFRS 16 Leases and such arrangement in substance represents an operating lease under IFRS 16 Leases. The lease commenced on 1 January 2018. The following is the total of future minimum lease receipts expected to be received under the PPA:

Due:	**2023**	2022
	RO	RO
Not later than 1 year	**13,485,222**	13,420,288
Not later than 2 years	**13,435,393**	13,485,222
Not later than 3 years	**13,412,741**	13,435,393
Not later than 4 years	**13,397,511**	13,412,741
More than 5 years	**67,114,373**	80,511,885
	120,845,240	134,265,528

31 NET ASSETS PER SHARE

Net assets representing the company's net equity as at the reporting date. Net assets per share is calculated by dividing the net assets attributable to the ordinary shareholders of the Company by the ordinary shares outstanding at the reporting date.

	2023	2022
	RO	RO
Net assets - shareholder funds	**53,433,604**	52,445,400
Total number of ordinary shares	**222,240,000**	222,240,000
Net assets per share (RO Baizas)	**0.240**	0.236

32 SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components of the same entity; whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

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. The requirements of IFRS 8, paragraphs 31 to 34 relating the entity wide disclosures have been covered under statements of financial position, profit and loss and other comprehensive income and also in notes 4 and 19 to these financial statements.

No geographical analysis has been disclosed as 100% of the Company's revenue is from one customer based in Oman.

33 DIVIDEND

No dividends have been declared for the year (2022: Nil)