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Barka 1

# SUSTAINED BY OUR GROWTH

ANNUAL REPORT 2023

HIS MAJESTY
**SULTAN HAITHAM BIN TARIK**

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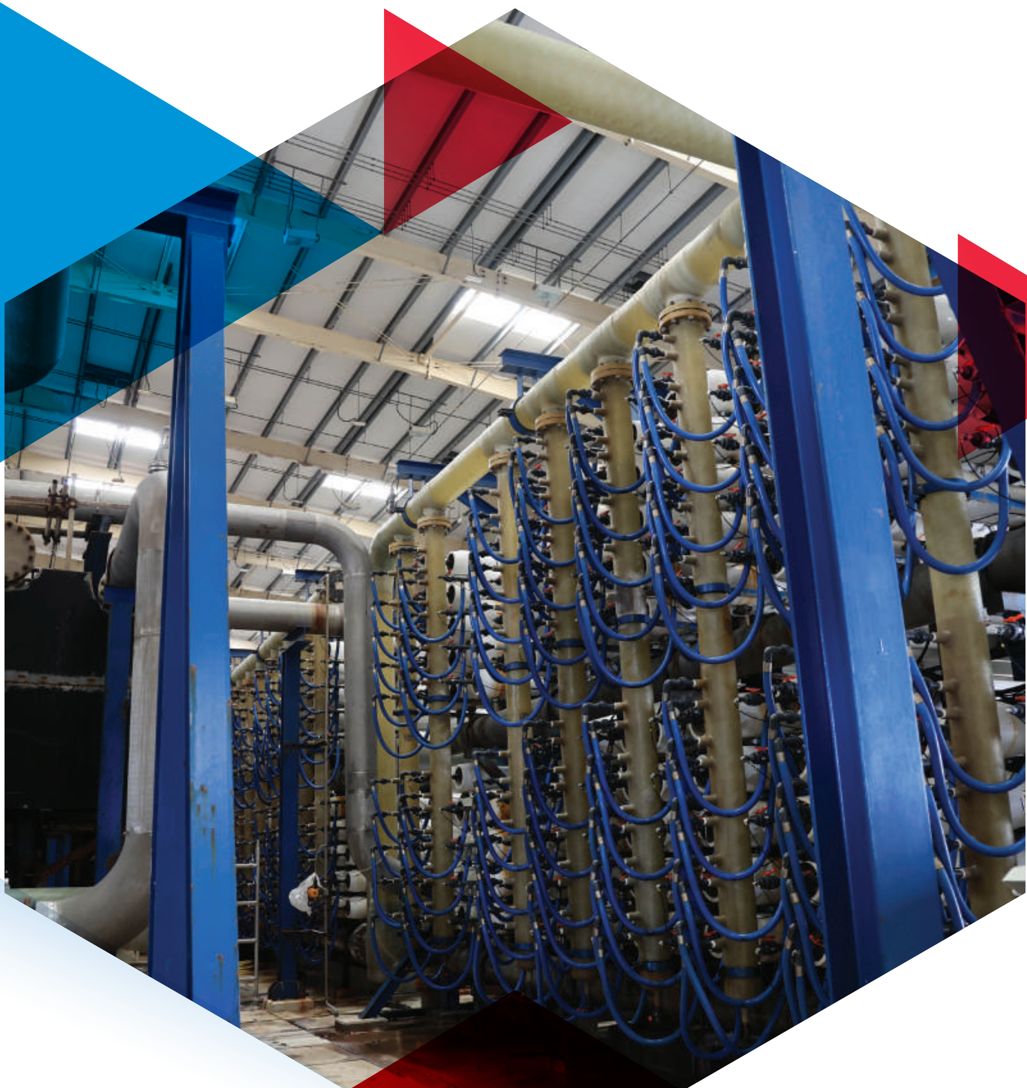


# OVERVIEW AND HIGHLIGHTS

## Mission

To meet the commitments with the stakeholders by producing safe, environmentally friendly, reliable and cost effective electricity and water in a socially responsible manner.

## Vision

Maintain plant overall reliability to maximum, ensuring world class safety and environmental standards. Meet shareholder aspirations by adding maximum value by sustaining project economics.

# Values

- Safety First
- Integrity
- Commitment
- Continuous Improvement

# Business Continuity

Focus on ongoing, reliable water distribution and Grasp business opportunities in the Spot market or through Bilateral agreements after the regulations are issued by the Public Services Regulatory Authority.

# Safety comes first

The Company successfully achieved 20 years without Lost Time Incident, testimony of putting safety first!

# Operational Challenge

Achieving highest reliability for the SWRO plants and preserving power plant capacity to produce when opportunities arises.

# Developing People

Developing leadership within the local talent pool.

# Stakeholders

### STAKEHOLDERS

ACWA Power
Barka Project LLC: 58%

Civil Services
Pension Fund: 14.10%

Ministry of Defence
Pension Fund: 9.56%

Others: 18.34%

### CUSTOMER

Oman Power and Water

Procurement Co. SAOC

### LENDERS

Bank Muscat

National Bank of Oman

### FUEL SUPPLIER

Ministry of Energy
& Minerals

### CONTRACTOR

First National Company
for Operation and Maintenance
Services LLC (NOMAC OMAN)

### OTHERS

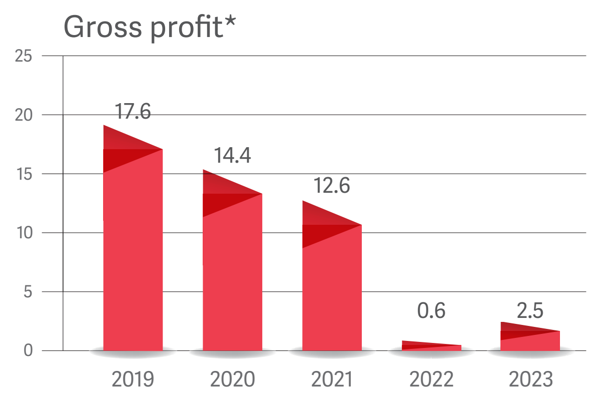
Oman Electricity
Transmission Company

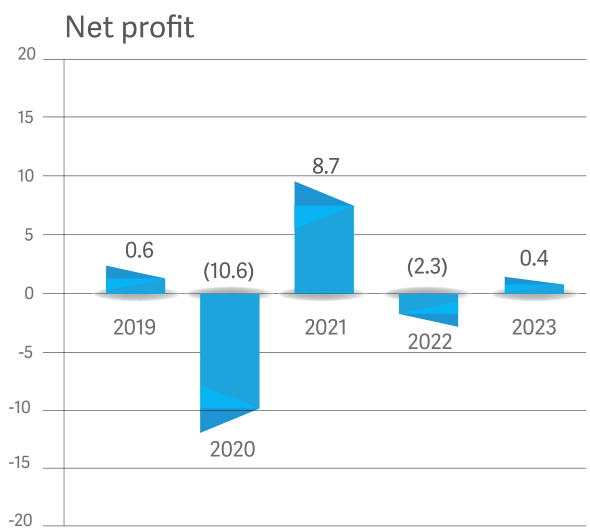
Ministry of Housing
& Urban Planning

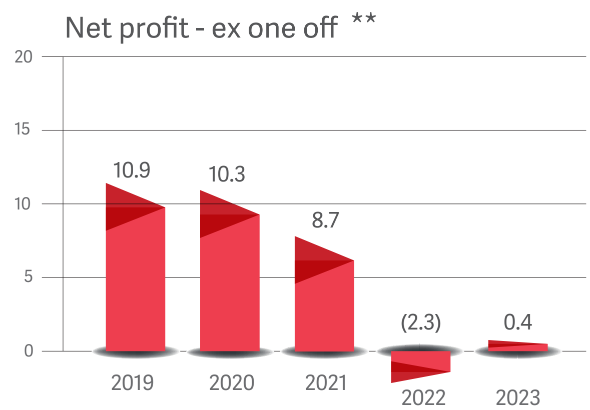
Authority for Public
Services Regulation

# Financial, Operational & Safety Highlights

## Historical highlights (in million Omani Rials)




* Adjusted for current year classification.
** Excluding impacts of impairment, increase in income tax rate and supreme court decision.

# BOARD OF DIRECTORS

**Stefan Dijkers**
Chairman

**Mohammed Al Aghbari**
Deputy Chairman

**Hatem Al Sheidi**
Board Member

**Abdul Aziz Al Failakawi**
Board Member

**Ibrahim Al Jahwari**
Board Member

**Selim Guven**
Board Member

**Moayad Samman**
Board Member

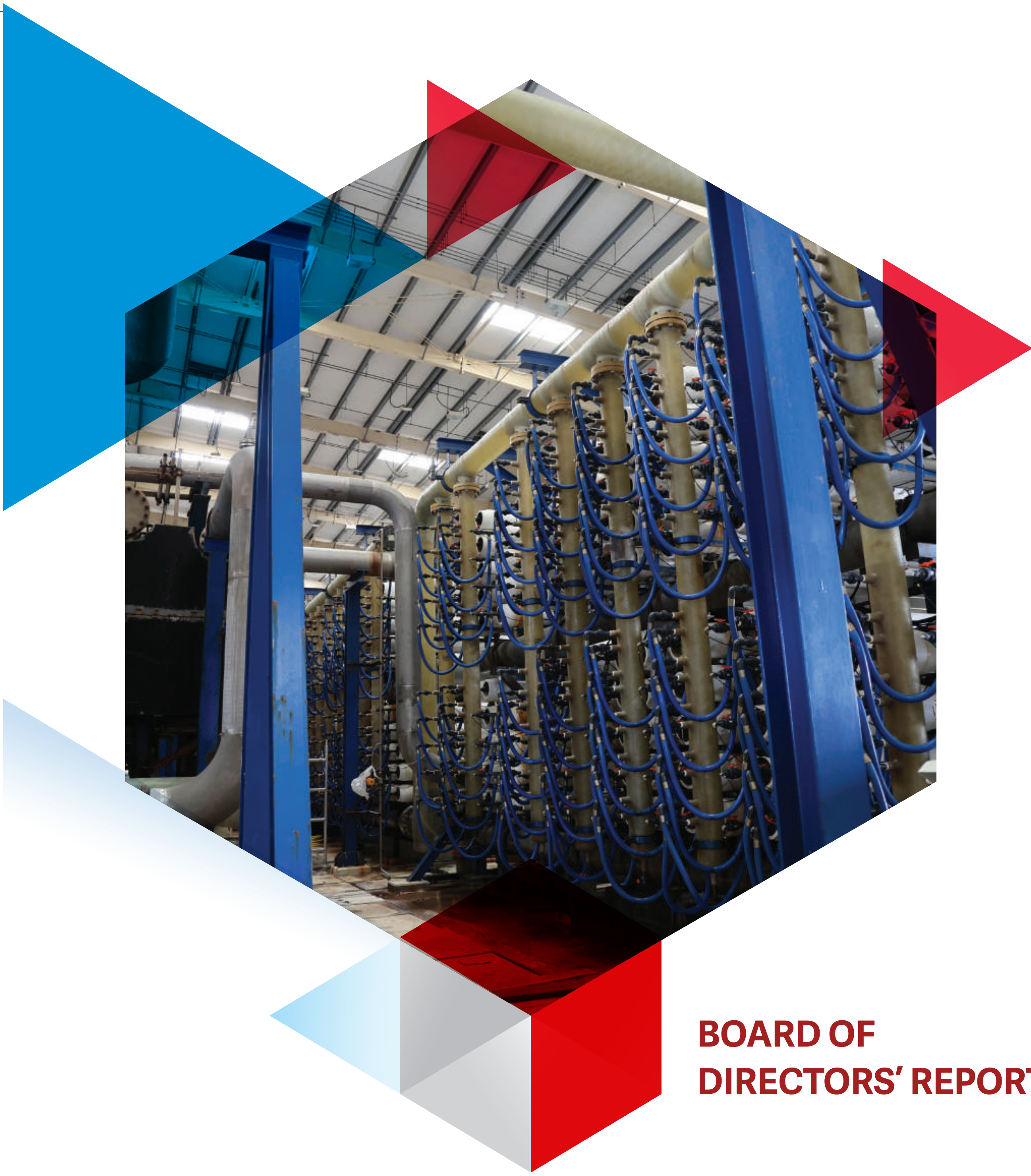
# MANAGEMENT
## Team

**Salim Al Sibani**
Chief Executive Officer

**Mohammed Al Balushi**
Technical Manager

**Adnan Hussain**
Finance Manager

# BARKA WATER AND POWER TEAM



# BOARD OF DIRECTORS' REPORT

**Dear Shareholders,**

On behalf of the Board of Directors of Barka Water and Power Company SAOG ('The Company'), I have the pleasure to present the Annual Report of the Company for the year ended 31 December 2023.

## Highlights of the year

Our proudest achievement remains our safety record of 21 years without a Lost Time Incident achieved on 2 May 2023. A safe working environment is our topmost priority in line with government directives, The Company and its Operator (NOMAC Oman) established special HSE and operational procedures ensuring safe operation. The credit of this remarkable milestone goes to the entire Barka team who all played a critical role in building such a safe environment.

Company was successfully secured WPAs extension upto 31 March 2024 upon expiry of PWPA on 9 February 2022. WPAs can be further extended for nine months in three equal tranches of three months at Nama Power and Water Procurement Company (NPWP) discretion.

The Company has carefully monitored the spot market in the sector and believe that operating its power units under the spot market at this stage is not economically viable. Based on this, the Company has decided to put its power units in preservation mode. The units will be available to operate as soon as demand for power increases and there is an economic justification to operate in the spot market. Further the Company continue exploring the market for a potential Bilateral Agreement with industrial consumers.

NPWP had commenced the formal procedures for Power 2024 and Water 2024 procurement process and the Company registered its interest to participate in both. Management completed proposals' submissions as per NPWP timelines and the final outcome is expected by 1Q 2024.

The MSFE Water Desalination Plant has been fully depreciated and the Company is in consultation with its Board of Directors and Project Lenders for the most viable option including sale or disposal of this asset.

The performance of the two SWRO Plants was affected throughout the year due to changes in the seawater quality. The Company was adequately protected under force majeure provisions of the project agreements for such events.

The Company has met its obligations to the lenders by timely debt service of OMR 4.0m during the year.

The Company under International Financial Reporting Standards (IFRS) is required to make an internal assessment of future discounted cash flows from its assets and then compare it with the respective book values. The Company believes that there is a significant economic value remaining on its assets which it will be able to recover in future. Based on this no impairment is recognized in the 2023 financial statement of the Company.

The Company held its Annual General Meeting (AGM) for 2022 on 29 March 2023. All agenda items were approved by the shareholders.

## Strategic positioning

NPWP is the sole procurer of the power and water in Omani market and the primary fuel supplier is Ministry of Energy & Minerals. The operations and maintenance of the plants is performed by NOMAC Oman which is wholly owned by ACWA Power.

## Operational performance

The operational performance will always remain the key contributor towards the Company's performance and is the backbone of any company in this sector. The Power Plant remains in preservation mode during the year.

The forced outages of the two RO plants due to continued severe seawater quality beyond design/technical limits of the pretreatment units. The Company is protected against such a situation under the force majeure provisions of its Water Purchase Agreement (WPA). The force majeure claims are submitted regularly to the Off taker.

## Occupational Health, Safety, and environment

The landmark achievement during the year was the achievement of 21 years without a Lost Time Accident on 2 May 2023. This safety record is not merely a statistic but represents a lot of effort by all the individuals working at the plant. The Barka team strives to improve its work practice based on both internal and external reviews on its safety culture.

Safety remains your Company's topmost priority. The Operator has completed all maintenance activities including the repair work without any accident, which is a remarkable achievement considering the hazards involved with such activities. Preserving the environment is also one of the key considerations of your Company. We are pleased to inform you that there were no environmental exceedances during the year.

## Financial performance

The Company strongly believes in an open, transparent environment where integrity and sound ethics are imperative to success. The Company maintains the highest level of financial controls and reporting standards. Your Company continues to achieve these standards, and this is periodically confirmed by timely, accurate reporting as well as rigorous internal and external auditing processes and procedures. Your Company remains in compliance with the Code of Corporate Governance of the Capital Market Authority.

The Company recorded a gross profit of RO 2.5m (2022: RO 0.6m) for the year 2023. The increase mainly attributable to higher RO plants capacity revenues and lower maintenance and technical services costs partially offset with no capacity revenue from main plant. The Company is reporting a net profit after tax of RO 0.4m (2022: net loss after tax of RO 2.3m) which corresponds to earning per share of RO 0.002 (2022: loss per share RO 0.014).

The debt service payments for 2023 under the Amended Loan Agreement were due on 22 June 2023 and 31 December 2023. The Company successfully served both the debt service payments within the due date.

In December 2022, Tax Authority (TA) issued assessment orders for the Tax Years 2017 to 2020 with an additional tax demand of RO 7,045,616. The Company paid the additional demands in January 2023 and Company had filed an objection with tax authority which was turned down. Subsequently the Company has filed an appeal to Tax Grievances Committee which is in process.

The Company has not declared any dividends in the year 2023.

The Company remains in compliance with the revised Code of Corporate Governance of the Capital Market Authority.

## People

The success of any business is driven by its people, the real assets, and their motivation.

The directors of your Company are a set of diversified individuals with vast financial, operational, technical, and market-oriented experience. They have successfully guided the business during challenging times. The Management of the Company, under the guidance of the Board, have worked diligently and creatively to implement the vision of the Board and to bring excellence to the business. The directors and Management of your Company have demonstrated their business acumen and strategy of looking after all shareholders' interests and generating value for everyone.

I, along with the Board, would like to extend my gratitude to the team, which includes the operations and maintenance people of the Operator, who have given their fullest contribution to survive in challenging time. We reaffirm our commitment to develop and garner Omani talent.

The board recognizes the importance of nurturing local talent in line with the national vision and is fully committed to developing the local skill set.

## Social Responsibility

The Company firmly believes in the importance of being a good corporate citizen in the conduct of its business activities as well as in fulfilling its corporate and social responsibilities.

| # | Beneficiary | Amount (OMR) | Description |
|---|---|---|---|
| 1 | Oman Charity Organization | 2,000 | 20% of CSR budget was paid to Oman Charitable Organisation as required under the ministerial decision No: 205/2021. |
| 2 | Trainees fee under Eidad program | 8,000 | Sponsored for internship for Omani students trainees under the Eiddad program during the year. |
| | **Total** | **10,000** | |

## Outlook for 2024

The Company has completed bid submissions in relation to Power 2024 and Water 2024 procurement process and has taken proactive measures to prepare in the event of new contracts award. The Company believes that there are reasonable chances that the Company will secure long-term power contract. As an alternative, the Company power units are ready to participate in Spot market upon viability and the Company will consider entering into Bilateral Agreements with certain industrial units during the summer period (i.e May to September) in coming year.

Existing WPAs will expire 31st March 2024, and NPWP has an option to extend until December 2024 if deemed required. The Company is seeking to secure long-term contract as well as exploring opportunities for extension of the existing WPAs.

The Company has disclosed details of these current challenges in notes to the Financial Statements. Please refer to Note 3: Going Concern Assumption. The Company is not considering any dividend distribution for 2023.

## Acknowledgements

The Company would like to take this opportunity to express its respect and gratitude to all our stakeholders especially NPWP, Ministry of Energy & Minerals, the Authority for Public Services Regulation, and the Capital Market Authority.

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 Board of Directors**

Selim Güven

**Director**

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT

## Business Framework

The principal activities of Barka Water and Power Company SAOG (the 'Company') are to develop, finance, design, construct, operate, maintain, insure, and own power generating station and water desalination plants and other related infrastructure.

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 agreements of the Company were Power and Water Purchase Agreement ('PWPA') and Water Purchase Agreements (WPAs) with Nama Power and Water Procurement Company SAOC which require the Company to make the power and water facilities available and accordingly deliver electrical energy and water output as per contractual terms. The term of the PWPA and the two WPAs were coterminous and had an expiry on 31 December 2021, however this term was extended due to certain force majeure related events resulting in expiry of PWPA and WPAs on 9 February 2022. Subsequently WPAs for RO Phase I & RO Phase II were extended until 31 March 2024, which can be further extended for nine months in three equal tranches of three months each at the discretion of the NPWP.

The Company has been granted a Generation and Desalination License by the Authority for Public Services Regulation ("APSR") for a period of 25 years.

The Company has contracted out the operation and maintenance activities to First National Company for Operation and Maintenance Services LLC ('NOMAC Oman') effective from 1 June 2011. NOMAC Oman is an Omani company wholly owned by ACWA Power. The term of the O&M Agreements is co-terminus with the term of the PWPA / WPAs. The existing O&M Agreements were amended along with the extension of WPAs.

The Barka Seawater Facilities Company (BSFC) was formed in 2010 as a joint venture between ACWA Power Barka and SMN Barka as 50% equity shareholders. BSFC constitutes seawater intake and outfall facilities. These facilities are currently being operated and maintained by NOMAC Oman under its O&M Agreement with BSFC.

## Safety & Environment

The Company achieved landmark milestone of achieving 21 years without a Lost Time Incident in May 2023. Being the first of the Core values of the Company, Safety is always at the forefront. Through concerted efforts and continued focus on Safety by both Barka and NOMAC Oman teams, we have been able to achieve this result. To ensure this is a self-sustaining achievement, safety has been imparted as part of the culture which everyone feels proud to be part of.

There have been zero environmental exceedances during the year and regulatory permits were maintained.

## Operational & Organizational Highlights

### Power Generation

During the year, the Power plant remains in preservation mode. The Company has carefully monitored the recently implemented spot market in the sector and believes that operating its power units under the spot market at this stage is not economically viable. Further the Company continued exploring the market for a potential bilateral power contract with industrial consumers.

### Water Production (MSFE Plant)

The MSFE Water Desalination Plant has been fully depreciated. The Company does not foresee operation of its MSFE plant beyond expiry of its PWPA and evaluating best option on this front including sale or disposal of MSFE units after securing necessary approvals from its stakeholders.

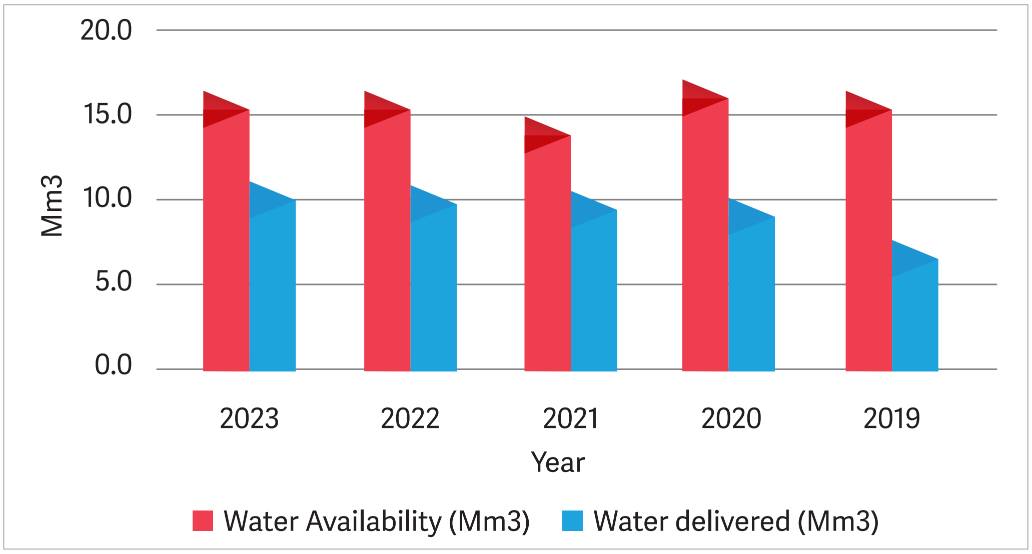
### Reverse Osmosis (RO) Phase I Facility

The RO Phase I plant continued to face seawater quality failures. The Company is protected against such a situation under the force majeure provisions of its Water Purchase Agreement (WPA). The force majeure claims are submitted regularly to the Off taker.

**The following table and graph show the progression in exported water and reliability factors for the last five years.**

| Year | Water Availability (Mm3) | Water delivered (Mm3) | Export Factor (%) | Reliability Factor * (%) |
|---|---|---|---|---|
| 2023 | 15.7 | 9.9 | 59.7 | 99.5 |
| 2022 | 15.7 | 9.7 | 58.6 | 99.5 |
| 2021 | 13.9 | 9.3 | 56.3 | 97.8 |
| 2020 | 16.3 | 8.9 | 49.3 | 99.3 |
| 2019 | 15.7 | 6.4 | 41.1 | 99.2 |

* excluding the impact of availability loss due to Force Majeure events owing to seawater quality failure.



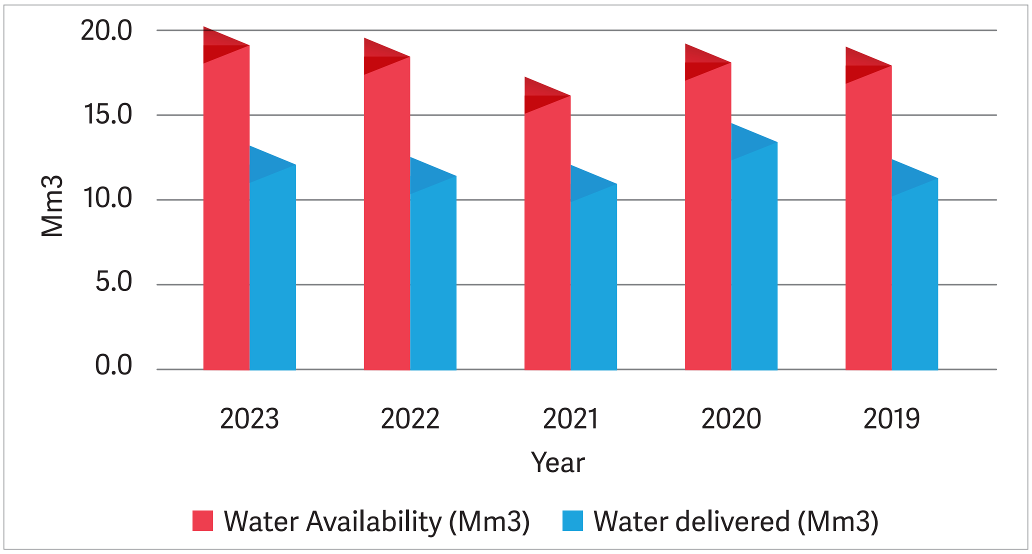

**Reverse Osmosis (RO) Phase II Facility**

The RO Phase II plant continued to face seawater quality failure. The Company is protected significant exposure under the force majeure provisions of its Water Purchase Agreement (WPA). The force majeure claims are submitted regularly to the Off taker.

**The following table and graph show the progression in exported water and reliability factors for the last five years.**

| Year | Water Availability (Mm3) | Water delivered (Mm3) | Export Factor (%) | Reliability Factor * (%) |
|---|---|---|---|---|
| 2023 | 19.6 | 12.2 | 59.0 | 99.7 |
| 2022 | 19.6 | 11.5 | 55.2 | 99.3 |
| 2021 | 16.5 | 11.0 | 53.0 | 96.6 |
| 2020 | 18.6 | 13.6 | 60.3 | 97.0 |
| 2019 | 18.4 | 11.4 | 62.1 | 96.1 |

* excluding the impact of availability loss due to Force Majeure events owing to seawater quality failure.



## Maintenance Highlights

The team believes in a risk-based approach towards maintenance to create a viable balance between predictive, proactive and scheduled maintenance. Therefore, to ensure the availability of the power plant and preserve it for any future operation (including Bilateral agreement), all machines, which include both gas turbines, the steam turbine and both heat recovery steam generators, have been subject to preventive maintenance.

At the same time, all required predictive, proactive, scheduled, and corrective maintenance activities were implemented in well manner to assure the operational and availability of both RO plants under the obligation of the extended WPAs.

Below are the maintenance activities undertaken by the Operator to ensure reliable operations of the plants during the year.

### Power plant

- Inspection and preventive maintenance for gas turbines 1 & 2 air intake pulsing system as part of stand-by mode activities.
- Visual inspection activities for steam turbine, gas turbines and HRSGs carried out as per standby mode.
- Preventive maintenance activities for boiler feed water pumps, gas turbine-1 main lube oil pump, auxiliary lube oil pump, lifting oil pump emergency lube oil pump, vent fan-1 & 2 motor.
- Calibration of gas turbines 1 & 2 ambient air pressure, temperature/ humidity sensors and transmitters.
- Monthly transformer checking for gas turbines and steam turbine.
- Preventive maintenance activities For HVACs, air compressors units.

### RO Phase I

- RO Membrane inspection carried out.
- Servicing and cleaning of Self-Cleaning Filters
- Preventive maintenance for 220V and EDG battery bank stack units and measurement of cell voltage.
- Preventive maintenance for firefighting electrical and jocky pump motors completed.
- Repairing and assembly work for biocide dosing pump completed.
- Servicing of ERI system for the three RO racks carried out.
- Preventive maintenance for HVAC and MTA chillers systems carried out.
- All filters of cartridge filters no. 1 & 2 replaced
- Full plant split AC Visual inception and air filters cleaning work completed.
- 11Kv Incomers 1 & 2 Energy meters calibration work completed.

### RO Phase II

- Preventive maintenance for microfiltration backwash pumps completed.
- All damaged permeate hoses were replaced in 2nd pass RO Trains.
- Damaged victaulic couplings in trains 1 &2 replaced.
- Calibration for online analyzers
- Preventive maintenance and measurement jobs for the 220V battery bank stack units completed.
- Seawater intake Algae analyzer sensor cleaned and calibrated.
- Replacement of some of DN 300, & DN 100 Micro filtration valves.
- Routine cleaning of air compressors.
- Preventive Maintenance for permeate service water pump-1 and 2 motors, motor winding resistance, and Insulation resistance test completed.
- Full Plant motor greasing work completed.

### Performance Tests

The Company was successful in performing the Annual Performance Tests for its two RO Plants to demonstrate their respective guaranteed water capacities. These tests were required under the extended WPAs. The results of these tests were in full compliance with the contractual obligations and ensured a steady stream of cash flows.

### Omanisation

The Company and its Operator take Omanisation as a responsibility rather than a contractual obligation.

The Company and its Operator continued to remain in compliance with their contractual obligations. The Operator continued the practice of recruiting newly qualified graduates and developing them through numerous in-house and external training programs.

This policy of the Company and its Operator has resulted in the recruitment of experienced local talent at senior leadership positions.

### Social responsibility

The Company firmly believes in the importance of social responsibility and has focused its effort in educational training programs by providing internship opportunities to young Omani talent and provision of site technical tours to university students.

### Commercial Highlights

#### Spot Market & Bilateral Agreements

The Company has carefully monitored the spot market in the sector and believe that operating its power units under the spot market at this stage is not economically viable. Based on this, the Company has decided to put its power units in preservation mode. The units will be available to operate as soon as demand for power increases and there is an economic justification to operate in the spot market. Further the Company continued exploring the market for a potential Bilateral Agreement with industrial consumers.

#### Power 2024 and Water 2024 Procurement Process

NPWP had commenced the formal procedures for Power 2024 and Water 2024 procurement process and the Company registered its interest to participate in both. Management completed proposals' submissions as per NPWP timelines and the final outcome is expected by 1Q 2024.

## Financial Highlights

| RO in MM's<br>Income Statement | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Revenue | 13.4 | 14.7 | 39.5 | 50.8 | 55.7 |
| Operating costs | 10.9 | 14.1 | 26.9 | 36.4 | 38.1 |
| Gross profit | 2.5 | 0.6 | 12.6 | 14.4 | 17.6 |
| Other costs | 2.1 | 2.8 | 3.9 | 24.9[1] | 17.1[2] |
| Net profit/(loss) after tax (excl one off events) | 0.4 | (2.3) | 8.7 | 10.3 | 10.9 |
| Net (loss) / profit after tax | 0.4 | (2.3) | 8.7 | (10.6) | 0.6 |
| Gross profit margin | 19% | 4% | 31% | 30% | 32% |
| Net (loss) / profit margin | 3% | (15%) | 22% | (21%) | 1% |
| (Loss) / Earnings per share (RO) | 0.002 | (0.014) | 0.054 | (0.066) | 0.003 |

1 The Company has recognized an impairment loss of OMR 15.1m (net of tax) on its Power Plant and OMR 4.1m (net of tax) on SWRO Water Plants.

2 The Company had recognized an impairment loss of OMR 10.3m (net of tax) on its SWRO Water Plants.

### Revenues

Total revenue is lower by OMR 1.3m compared to the previous year. The decrease is due to no contribution from main plant (2022: RO 2.4m) as the plant operated until 9 February 2022 only, marginally setoff with higher RO plants capacity revenue by RO 1.1m due to increase in capacity charges.

### Operating Costs

The decrease in the operating costs RO 3.2m is mainly due to the lower O&M costs by RO 0.6m, lower fuel cost by RO 0.4m, lower technical services fee cost by RO 1.9m and lower other costs by RO 0.3m.

### Gross Profit

The increase in gross profit of RO 1.9m mainly attributable to higher RO plants capacity revenue and lower maintenance and technical services costs partially offset with lower capacity revenue from main plant.

### Other Costs

Other costs (net of other income) for the current period are lower by RO 0.7m primarily due to the gain recognized on sale of diesel inventory of RO 0.2m and lower finance cost on account of principal repayment of loan.

| OMR in MM's<br>Balance Sheet | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Total assets | 69.8 | 80.6 | 92.4 | 105.0 | 130.8 |
| Total equity | 34.7 | 34.3 | 36.6 | 27.9 | 38.5 |
| Paid up capital | 16 | 16 | 16 | 16 | 16 |
| Return on assets (%) | 0.6 | (2.8) | 9.4 | (10.0) | 0.5 |
| Net assets per share – OMR | 0.217 | 0.214 | 0.229 | 0.174 | 0.240 |
| Return on paid up capital (%) | 2 | N/A | 54 | N/A | 3 |
| Debt equity ratio | 68:32 | 63:37 | 60:40 | 56:44 | 56:44 |
| Ordinary dividend (%) | - | - | - | - | - |
| Dividend per share – RO | - | - | - | - | - |
| Dividend payout ratio (%) | - | - | - | - | - |

N/A – Not Applicable since no meaningful return ratio is computable.

### Debt service, CAPEX and Dividends

The Company has met its obligations to the lenders by timely debt service of OMR 4.0m during the year. No capital expenditure incurred during the year. The Company did not pay any dividends during the year.

### Risks faced by the Company

The primary risks associated with the Company are:

- NPWP has implemented the Spot Market from early 2022. The Company, however, has made an assessment that operating its power units in this Spot Market is not economically viable and it may not be able to recover its fixed costs. The absence of any reasonable revenue from power units may result in liquidity issues for the Company.

- The increase in forced outages of the two RO plants due to continued severe seawater quality beyond design/ technical limits of the pretreatment units. The seawater has experienced this phenomenon for major part of the year. The WPAs of these plants provide adequate protection to the Company in the form of force majeure claims on NPWP however it still puts the Company in a challenging situation due to recovery of this capacity cash flows in future period.

- Cybersecurity related attacks are a real risk to industrial infrastructure around the world. The Company continued to implement a robust cybersecurity framework at its plants in line with requirements of the Authority to mitigate such risks.

- There is likelihood that the Company may not be successful in either power or/and water procurement processes, forcing the business into liquidation scenario. BWP board and management are very active in mitigating business continuity challenges and proactively pursuing new business opportunities.

### Outlook

The Company is striving to maintain its safety record in future without safety or environmental incident and to remain in compliance of local regulations.

The Company will continue its maintenance preservation for the power plant and believes that there are reasonable chances that the Company will secure long-term power contract. Further the Company will seek spot market participation as well as industrial consumers for direct sales during peak summer period in case of no long-term contract. Similarly for RO plants, the Company is seeking to secure long term contract as well as exploring opportunities for extension of the existing WPAs.

The Company will make efforts to maintain adequate cash reserves to settle it outstanding tax liabilities. These liabilities relate to open tax years which are under the assessment process by the Tax Authorities.

## History of the Project

### Introduction

Barka Water and Power Company SAOG ("the Company") was incorporated as an Omani Joint Stock Company in the Sultanate of Oman on November 19, 2000 under a trade license issued by Ministry of Commerce & Industry.

## History of the company

The Government of the Sultanate of Oman invited proposals (tender number 45/2000) in April 2000 for:

1) The design, procurement, construction, commissioning and financing of a natural gas and fuel oil fired electricity generating plant and a sea- water desalination plant, with an anticipated guaranteed net contracted capacity of about 427 MW of power and 20 MIGD of water, and the gas connection facilities; and

2) The operation and maintenance of the Plant in such a manner as to ensure that the Plant and the gas connection facilities may always be operated for a period of 15 years from the COD; and

3) The sale of the electrical energy and water associated therewith, to the power purchaser, in accordance with the PWPA.

The Project was awarded by the Government to a consortium comprising AES Corporation and Multitech LLC, following a competitive bidding process. The consortium formed the Company for the purposes of entering into the Project Agreements and undertaking the Project. Subsequently in 2010, AES Corporation sold its shareholding in the Project to ACWA Power International. The Project has been developed by the Company under a Build, Own and Operate ("BOO") scheme. The BOO concept enables the Company to operate as a going concern beyond the contracted period of 15 years by either extending the PWPA (if agreed to by NPWP) or selling into an electricity pool if one has been created at that time.

The 427 MW gas fired power plant and 20 MIGD desalination plant is situated on the Omani coast approximately 60 km north-west of Muscat. The site is strategically located near the main gas transmission system and electricity grid network.

The power section of the Plant uses two V94.2 Ansaldo Gas Turbines (to drive electrical generators) with Heat Recovery Steam Generators (HRSG's), which utilize the exhaust heat of the gas turbines to produce steam, and this steam is supplied to a Steam Turbine to complete the combined cycle. The desalination section of the Plant uses three identical Multi-stage Flash Evaporator desalination units supplied by Hitachi, which produce 6.67MIGD each.

The land for the Plant is owned by Government and is leased to the Company for 25 years (renewable for a further 25 years) under a Usufruct Agreement. The plot of land measures about 110,000 sq m. Enel power S.p.A of Italy and Hitachi Zosen Corporation of Japan were the principal Engineering, Procurement, and Construction ("EPC") contractor(s) for the Project.

## Major Stakeholders

| | | |
|---|---|---|
| **Shareholders** | : | ACWA Power, Civil Services Pension Fund, Ministry of Defence Pension Fund |
| **Lenders** | : | Consortium of local and regional banks led by Bank Muscat SAOG |
| **Off taker** | : | NPWP |
| **O&M arrangements** | : | NOMAC Oman with technical support agreements with ACWA Power |
| **EPC contractor(s)** | : | Enel power S.p.A. of Italy (Power) and Hitachi Zosen Corporation of Japan (MSFE)<br>ABEINSA (RO Phase I)<br>Osmoflo (RO Phase II) |

**Chief Executive Officer**

**Finance Manager**

# AUDITORS' REPORT ON CORPORATE GOVERNANCE

KPMG LLC
Children's Public Library Building
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# Agreed-upon procedures on Code of Corporate Governance ("the Code") of Barka Water and Power Company SAOG

## To the Board of Directors of Barka Water and Power Company SAOG

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

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

### Responsibilities of Barka Water and Power Company SAOG

Barka Water and Power Company SAOG has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

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

### Practitioners' Responsibilities

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

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

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

## Practitioners' Responsibilities (continued)

Professional Ethics and Quality Control

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

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

## Procedures and Findings

We have performed the procedures described below, which were agreed upon with Barka Water and Power Company SAOG in the terms of engagement dated 11 July 2023, on the compliance with the Code:

| S. No | Procedures | Findings |
|---|---|---|
| (a) | We checked that the corporate governance report (the report) issued by the Board of Directors includes as a minimum, all items suggested by CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in the Annexure 3 | No exceptions noted. |
| (b) | We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2023.<br><br>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
Date: 17 February 2024

KPMG LLC

# CORPORATE GOVERNANCE REPORT

## 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 and Decision No. 27/2021 dated 25 February 2021 (collectively the "Code") issued by the 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 Barka Water and Power Company SAOG ("the Company") remained in compliance with the principles of the Code. The Company was listed on the Muscat Securities Market on 12 January 2005.

## Company Philosophy on Code of Governance

The Company is committed to the highest standards of corporate governance. The Company operates 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 which is applicable to the employees. The Code is intended to govern as a requirement of employment and govern the actions of everyone who works at the Company. This Code addresses the following topics:

- Compliance with All Laws, Rules, Regulations, and the Code of Corporate Governance
- 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
- Record Retention

## 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 Four 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.

The Board of Directors was elected at the Annual General Meeting held on 29 March 2023 and is subject to re-election in March 2026. Nine 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 | 20 Feb 2023 |
| BOD meeting # 2/2023 | 12 Mar 2023 |
| BOD meeting # 3/2023 | 30 Mar 2023 |
| BOD meeting # 4/2023 | 19 Apr 2023 |
| BOD meeting # 5/2023 | 21 Jun 2023 |
| BOD meeting # 6/2023 | 24 Jul 2023 |
| BOD meeting # 7/2023 | 30 Aug 2023 |
| BOD meeting # 8/2023 | 17 Oct 2023 |
| BOD meeting # 9/2023 | 13 Dec 2023 |

These meetings were convened by issuing proper notices along with the agenda and relevant work papers. All 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, Annual General Meeting and Ordinary General Meeting are given as under:

| Name of Director | Category | Board Meetings held during 2023 | | | | | | | | | AGM | OGM |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 20 Feb | 12 Mar | 30 Mar | 19 Apr | 21 Jun | 24 Jul | 30 Aug | 17 Oct | 13 Dec | 29 Mar | 19 Jul |
| Mr. Stefan Dijkers (Chairman) | Non-Independent | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. Mohammed Al Aghbari (Deputy Chairman) | Independent | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. Abdul Aziz Al Failakawi | Independent | ✓ | - | ✓ | ✓ | ✓ | - | ✓ | ✓ | ✓ | ✓ | - |
| Mr. Hatem Al Sheidi | Independent | ✓ | ✓ | ✓ | ✓ | ✓ | - | ✓ | ✓ | ✓ | ✓ | - |
| Mr. Ibrahim Al Jahwari | Independent | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. Selim Guven | Non-Independent | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. Moayad Al Samman | Non-Independent | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

Legend: ✓: Present | -: Apologies | NA: Not applicable

The Company held its Annual General Meeting ("AGM") of shareholders on 29 March 2023 for the year ended 31 December 2022.

No director is holding directorship/ chairmanship in other public joint stock companies in Oman as of 31 December 2023.

## Board committees

### Audit Committee

The Board of Directors reconstituted the Audit Committee 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 the 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.

Detail of meetings held during the year and attendance by the members is as under:

| Name of Director | Category | BAC Meetings held during 2023 | | | |
|---|---|---|---|---|---|
| | | 20 Feb | 18 Apr | 23 Jul | 17 Oct |
| Mr. Abdul Aziz Al Failakawi (Chairman) | Independent | ✓ | ✓ | - | ✓ |
| Mr. Mohammed Al Aghbari ^ | Independent | ✓ | NA | NA | NA |
| Mr. Selim Guven | Non - Independent | ✓ | ✓ | ✓ | ✓ |
| Mr. Ibrahim Al Jahwari * | Independent | NA | ✓ | ✓ | ✓ |

Legend: ✓: Present | -: Apologies | NA: Not applicable

^ Resigned from BAC on 9th April 2023

* Appointed on 9th April 2023

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 20 February 2023. During this meeting, the views of the internal auditor and the external auditors were heard separately without the presence of the Management. In addition, the Audit Committee has also reviewed the reports and heard the views of Internal Auditor on quarterly basis. The Audit Committee reviewed and approved the Internal Audit plan for 2023. The Audit Committee also submitted its plan for 2024 to the Board at the meeting held on 17 October 2023.

By interaction with, and oversight of the Management, Internal and External 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.

## Nomination and Remuneration Committee

The Board of Directors reconstituted the Nomination and Remuneration Committee (NRC) by appointing three directors as its members, one of which is independent. These members possess adequate knowledge and experience to carry out their responsibilities diligently. The Committee assisted the Board and the shareholders in the nomination of the most proficient directors to fill the vacancies and aims to assist the Board in selecting the appropriate and necessary executives for the Executive Management. 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 its working plan for the coming year which is presented to the Board. The 2023 NRC plan was approved by the Board on 27 October 2022. The Committee also submitted its plan for 2024 to the Board at the Board meeting held on 17 October 2023.

Details of meetings held during the year and attendance by the members are as under:

| Name of Director | Category | NRC Meeting held and attended during 2023 | |
|---|---|---|---|
| | | 16 Feb | 15 Oct |
| Mr. Moayad Al Samman (Chairman) | Non – Independent | ✓ | ✓ |
| Mr. Selim Guven | Non - Independent | ✓ | ✓ |
| Mr. Hatem Al Sheidi | Independent | ✓ | ✓ |

Legend: ✓: Present | -: Apologies | NA: 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 of Directors and Key Management Officers

As approved by the shareholder, members of the Board, Audit Committee and Nomination and Remuneration Committee are entitled to a sitting fee of RO 400 per meeting attended during the year. The sitting fee of Directors for the year ended 31 December 2023 amounted to RO 30,800 for Board and its Committee meetings attended during the year.

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 207,867 which includes remuneration and other perquisites. The remuneration paid to the officers is commensurate with the role, responsibilities and skills required for the position based on a well laid down policy and process for determining remuneration linked with performance. Employment contracts of executive management meet the requirements of Omani labor law and there is a standard notice period as per Company's policy in case of resignation by the employee.

## Non-Compliance and Penalties during last three years

In accordance with Article 158 of the Regulations for the public joint stock companies issued by the CMA, the internal audit unit should have a minimum of 2 auditors. The Company explained the authority that Company's ability to generate a meaningful return has impeded due to the expiry of Power contract and the renewal of Water Purchase Agreement only for 2 years period and therefore requested an exemption for appointing an approved internal audit firm in lieu of hiring two internal auditors for the Company. The authority has allowed the Company to outsource the internal audit function to an approved internal audit firm and accordingly the Company appointed on external independent internal audit firm who remains internal auditors of the Company for the complete year 2023.

The Ministry of Environment and Climate Affairs (MECA) imposed a fine of OMR 100 for late submission of renewal license of climate affairs and of OMR 1,700 for the late submission of MECA Report which were paid in 2021. No penalties or fines were imposed on the Company during the years 2022 and 2023.

### Communication to Shareholders

The Company effectively communicated with the shareholders during the year using all available means of communication. Periodic financial statements along with the Management Discussion and Analysis Report were approved by the Board for issuance.

The financial statements were submitted to MSX according to timelines prescribed by the law. The annual and quarterly financial statements were also published in two daily newspapers i.e. Arabic and English. In addition, annual audited financial statements and annual reports are published on the Company's website. The Company has also appointed an Investment Relations Officer in compliance with the requirements of MSX. Further the Company conducted discussion sessions with stakeholders answering the questions of attendees. The Annual Report for the year ended 31 December 2023 includes the Board of Directors' Report and the Management Discussion and Analysis Report.

### Distribution of Shareholdings

The shares of the Company are listed and traded on MSX. 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 | 98.42% |
| GCC Nationals | 1.22% |
| Foreigners | 0.36% |

| Major Shareholders | Shareholding |
|---|---|
| ACWA Power Barka Project LLC | 58.00% |
| Civil Service Employees Pension Fund | 14.10% |
| Ministry of Defense Pension Fund | 9.56% |
| Shareholders holding less than 5% | 18.34% |

## Market price data and Company's stock performance

| Year 2023 | Barka Water and Power Company SAOG | | MSM (Services Sector) | |
|---|---|---|---|---|
| | High | Low | High | Low |
| January | - | - | 1,696.03 | 1,604.04 |
| February | - | - | 1,714.04 | 1,646.14 |
| March | - | - | 1,761.97 | 1,677.77 |
| April | 0.216 | 0.216 | 1,747.18 | 1,663.47 |
| May | 0.216 | 0.055 | 1,771.15 | 1,652.39 |
| June | 0.052 | 0.035 | 1,710.49 | 1,666.83 |
| July | 0.057 | 0.036 | 1,899.67 | 1,665.70 |
| August | 0.043 | 0.038 | 1,689.96 | 1,648.31 |
| September | 0.045 | 0.036 | 1,667.80 | 1,588.70 |
| October | 0.043 | 0.037 | 1,661.69 | 1,567.52 |
| November | 0.042 | 0.036 | 1,595.78 | 1,543.12 |
| December | 0.046 | 0.041 | 1,599.50 | 1,547.29 |

Source: The above data has been obtained from MSM website.

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

## Professional Profile of External Auditor – KPMG

The shareholders of the Company appointed KPMG as its auditors for 2023. KPMG LLC in Oman was established in 1973 and is part of KPMG Lower Gulf Limited. KPMG in Oman employs more than 160 people, amongst whom are five partners and five directors, including Omani nationals. KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. It operates in 143 countries and territories and have 273,000 people working in member firms around the world. KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms.

The annual audit fee of the Company payable to the external auditor for the year 2023 was OMR 20,000 plus out of pocket expenses.

## 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.
- Review of the efficiency and adequacy of internal control systems of the Company through the Audit Committee 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

| | |
|---|---|
| | Selim Güven |
| **Chairman Board of Directors** | **Director** |

# FINANCIAL STATEMENTS

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# Independent Auditors' Report

## To the Shareholders of Barka Water and Power Company SAOG

## Report on the Audit of the Financial Statements

### Opinion

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

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

### Basis for Opinion

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

### Material Uncertainty Related to Going Concern

We draw attention to Note 3 of the financial statements, which indicates that as of 31st December 2023, the Company's current liabilities exceeded its current assets by RO 16.7 million (2022: RO 6.2 million). Further, Company's Power and Water Purchase Agreement ("PWPA") pertaining to the Main Plant ("Power Plant") with Oman Power and Water Procurement Company SAOC (OPWPC) expired in 2022, which was not renewed and the plant was in preservation mode throughout 2023.

Water purchase agreements (WPAs) related to the Sea Water Osmosis Plant of 10 MIGD ("SWRO Plant-1") and the Sea Water Osmosis Plant of 12.5 MIGD ("SWRO Plant-2") are effective until March 31, 2024, and can be extended until December 31, 2024 at the option of OPWPC. In April 2023, under the Power 2024 and Water 2024 Procurement Process, the Company received Request for Proposals (RFPs) from OPWP for both power and water for long-term contracts. Accordingly, the Company has submitted the proposal to OPWP for both its power and water plants. The Company is awaiting the final decision of OPWP.

*Continued on page 2*

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## Material Uncertainty Related to Going Concern _(continued)_

Furthermore, the Company has loan repayment obligations amounting to RO 15.2 million due in the next 12 months from the reporting date, including a balloon payment of RO 10.40 million due on December 31, 2024. The Company is currently in negotiation with bank for restructuring of the loan.

As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## 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. In addition to the matter described in the _Material Uncertainty Related to Going Concern_ section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Impairment testing of non-financial assets

See Note 6 (f) 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 with impairment indicator as at 31 December 2023 amounting to RO 61.5 million, which primarily includes the Power Generating Plant ("Power Plant"), Sea Water Osmosis Plant of 10 MIDG ("SWRO Plant-1"), Sea Water Osmosis Plant of 12.5 MIGD ("SWRO Plant-2") and right of use assets for the underlying land. Each plant along with right of use asset is considered as a separate cash generating unit (CGU) and recoverable amount is determined based on 'value in use' method.<br><br>The impairment testing of non-financial assets of the Company is considered to be a key audit matter as estimation of value in use involves significant judgement such as probabilities assigned to various scenarios with regard to renewal of offtake agreements, estimation of future fixed and variable income, operating costs and discount rates. | Our audit procedures in this area included, among others:<br>• Understanding the process for impairment assessment;<br>• Evaluating the design and implementation of key internal controls over the impairment assessment;<br>• Involving our own valuation specialist to assist in evaluating the appropriateness of the discount rates applied;<br>• Evaluating the appropriateness of the key inputs such as estimate of future fixed and variable income, operating costs, probabilities assigned to different scenarios, which included comparing these inputs with our own assessments based on knowledge of the client and the industry;<br>• Testing the mathematical accuracy of the discounted cash flow model;<br>• 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<br>• Evaluating the adequacy of the financial statement disclosures. |

_Continued on page 3_



CR No. 1358131
Tax Card No. 8063052

_Continued from page 2_

## Other matter

The financial statements of Company as at and for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on these financial statements on 20 February 2023.

## Other Information

Management is responsible for the other information. The other information comprises the Board of Director'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.

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.

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*Continued from page 3*

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## Report on Other Legal and Regulatory Requirements

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

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

KPMG

Mobeen Chaudhri
17 February 2024

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# Statement of financial position as at 31 December 2023

**(Expressed in Omani Rial)**

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | **61,300,910** | 64,788,680 |
| Intangible assets | 8 | **3,710** | 14,103 |
| Right-of-use assets | 9 | **388,348** | 410,633 |
| **Total non-current assets** | | **61,692,968** | 65,213,416 |
| **Current assets** | | | |
| Inventories | 10 | **3,899,653** | 4,586,405 |
| Trade and other receivables | 11 | **2,155,969** | 4,706,880 |
| Cash and cash equivalents | 12 | **2,097,400** | 6,090,276 |
| **Total current assets** | | **8,153,022** | 15,383,561 |
| **Total assets** | | **69,845,990** | 80,596,977 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 13 | **16,000,000** | 16,000,000 |
| Legal reserve | 14 | **5,333,333** | 5,333,333 |
| Special reserve | 15 | **85,555** | 85,555 |
| Retained earnings | | **13,252,339** | 12,890,210 |
| **Total equity** | | **34,671,227** | 34,309,098 |
| **Non-current liabilities** | | | |
| Long-term loan | 17 | **-** | 14,578,699 |
| Deferred tax liability | 18 | **5,473,773** | 5,547,498 |
| Provision for site restoration | 19 | **4,087,562** | 3,788,134 |
| Employee benefit liabilities | 20 | **9,851** | 29,084 |
| Lease liabilities | 21 | **779,027** | 744,599 |
| **Total non-current liabilities** | | **10,350,213** | 24,688,014 |
| **Current liabilities** | | | |
| Long-term loan-current portion | 17 | **15,236,374** | 4,658,983 |
| Trade and other payables | 22 | **8,042,748** | 8,349,584 |
| Lease liabilities-current portion | 21 | **11,267** | 11,521 |
| Taxation | 18 | **1,534,161** | 8,579,777 |
| **Total current liabilities** | | **24,824,550** | 21,599,865 |
| **Total liabilities** | | **35,174,763** | 46,287,879 |
| **Total equity and liabilities** | | **69,845,990** | 80,596,977 |
| **Net assets per share (RO)** | 29.b | **0.217** | 0.214 |

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

**Chairman of the Board of Directors** **Chief Executive Officer**

The attached notes 1 to 37 form an integral part of these financial statements.

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

**(Expressed in Omani Rial)**

| | Notes | 2023 | 2022 |
|---|---|---|---|
| Revenue | 24 | **13,339,144** | 14,671,330 |
| Direct costs | 25 | **(10,888,419)** | (14,113,797) |
| **Gross profit** | | **2,450,725** | 557,533 |
| Other income | 26 | **414,998** | 29,895 |
| Expected credit loss on trade receivable | 11 | **(199,826)** | - |
| General and administrative expenses | 27 | **(1,036,122)** | (1,140,601) |
| Profit/(loss) from operations | | **1,629,775** | (553,173) |
| Finance costs | 28 | **(1,341,371)** | (1,682,047) |
| **Profit/(loss) before tax** | | **288,404** | (2,235,220) |
| Income tax | 18 | **73,725** | (27,050) |
| Net profit/(loss) and total comprehensive income/(loss) for the year | | **362,129** | (2,262,270) |
| **Basic and diluted earnings per share** | 29.a | **0.002** | (0.014) |

The attached notes 1 to 37 form an integral part of these financial statements.

## Statement of changes in shareholders' equity
## for the year ended 31 December 2023

**(Expressed in Omani Rial)**

| | Share capital | Legal reserve | Special reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| Balance at 1 January 2022 | 16,000,000 | 5,333,333 | 85,555 | 15,152,480 | 36,571,368 |
| Net loss after tax and total comprehensive loss for the year | - | - | - | (2,262,270) | (2,262,270) |
| Balance at 31 December 2022 | 16,000,000 | 5,333,333 | 85,555 | 12,890,210 | 34,309,098 |
| Net profit after tax and total comprehensive in come for the year | - | - | - | 362,129 | 362,129 |
| **Balance at 31 December 2023** | **16,000,000** | **5,333,333** | **85,555** | **13,252,339** | **34,671,227** |

The attached notes 1 to 37 form an integral part of these financial statements.

## Statement of cashflows
## for the year ended 31 December 2023
**(Expressed in Omani Rial)**

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) for the year | | **362,129** | (2,262,270) |
| **Adjustments for:** | | | |
| Depreciation on property, plant and equipment | 7 | **3,553,339** | 3,611,554 |
| A mortisation of in tangible assets | 8 | **10,393** | 38,890 |
| A mortisation of right-of-use assets | 9 | **22,285** | 22,285 |
| A mortisation of deferred financing costs | 28 | **27,303** | 133,538 |
| Accretion charge/interest on provision for site restoration | 19 | **233,859** | 216,772 |
| Interest on lease liabilities | 21 | **45,414** | 43,501 |
| Provision for Employee benefit liabilities | 20 | **10,937** | 11,319 |
| (Reversal)/allowance for ECL of trade and other receivables | 11 | **199,826** | (7,600) |
| (Reversal)/allowance for ECL on bank balances | 12 | **3,864** | (1,874) |
| Interest on long-term loan | 28 | **1,034,795** | 1,288,236 |
| Income tax | | **(73,725)** | 27,050 |
| Cash flow from operations before working capital changes | | **5,430,419** | 3,121,401 |
| **Working capital changes:** | | | |
| Inventories | 10 | **686,752** | 28,252 |
| Trade and other receivables | 11 | **2,351,085** | 8,720,450 |
| Trade and other payables | 22 | **(301,011)** | (4,477,934) |
| **Cash generated from operating activities** | | **8,167,245** | 7,392,169 |
| Employee benefit liabilities paid | 20 | **(30,170)** | (62,923) |
| Income tax paid | 18 | **(7,045,616)** | (415,849) |
| **Net cash generated from operating activities** | | **1,091,459** | 6,913,397 |
| **Financing activities** | | | |
| Interest paid on long term loans | | **(1,040,621)** | (1,518,078) |
| Loan arrangement fees | | **-** | (60,330) |
| Repayment of long-term loan | 17 | **(4,028,610)** | (4,780,716) |
| Payment of lease liabilities | 21 | **(11,240)** | (12,902) |
| **Net cash used in financing activities** | | **(5,080,471)** | (6,372,026) |
| **Net change in cash and cash equivalents** | | **(3,989,012)** | 541,371 |
| Cash and cash equivalents, beginning of the year (gross) | | **6,095,019** | 5,553,648 |
| **Cash and cash equivalents, end of the year (gross)** | 12 | **2,106,007** | 6,095,019 |

Disclosure as required by IAS 7, "Statement of Cash Flows" has been shown in Note 35 to the financial statements.

The attached notes 1 to 37 form an integral part of these financial statements.

## 1 LEGAL STATUS AND ACTIVITIES

Barka Water and Power Company SAOG ("The Company") is an Omani public joint stock company. It was incorporated as a closely-held joint stock company in the Sultanate of Oman on 19 November 2000 under a trade license issued by the Ministry of Commerce, Industry and Investment Promotion ("MOCIIP"). Subsequently the Company was converted to a public joint stock company and was listed on the Muscat Stock Exchange (MSX) on 12 January 2005. The Company's registered address is at P.O. Box 572, Postal Code 320, Barka, Sultanate of Oman.

The parent company is ACWA Power Barka Project LLC and ultimate controlling party is ACWA Power Company ("ACWA Power").

The principal activities of the Company are to develop, design, finance, construct, operate, maintain, insure and own a power generating station and water desalination plants and associated gas inter-connection facilities and other relevant infrastructure under the generation and desalination licence issued by the Authority for Public Services Regulation ("APSR") . The Company commenced its commercial operations from 11 June 2003.

Below are the major Plants operated by the Company and their dates of commencement of commercial operation:

- Main Plant which consists of 427MWH gas fired power generation facility and 20 MIGD Multi-Stage Flash Distillation (MSF) water facility commenced its commercial operations on 11 June 2003.
- Sea Water Reverse Osmosis (SWRO) Plant of 10 MIGD (Expansion – Phase I) commenced its commercial operations on 29 May 2014.
- Sea Water Reverse Osmosis (SWRO) Plant of 12.5 MIGD (Expansion – Phase II) commenced its commercial operations on 26 February 2016.

In addition, the Company also owns 50% shareholding interest in Barka Seawater Facilities Company SAOC (BSFC) which has been accounted for as a Joint Operation in the Company's financial statements under joint arrangement.

## 2 SIGNIFICANT AGREEMENTS

### A) The Company has entered into the following significant agreements with respect to the Main Plant:

i. Power and Water Purchase Agreement (PWPA) with the Ministry of Housing, Electricity and Water (MHEW) granting the Company the right to generate electricity and desalinate water in Wilayat of Barka for a period of fifteen years commencing from the commercial operations date based on a tariff structure. The PWPA was subsequently amended for the extension period till 31 December 2021. The term was further extended due to certain force majeure events till 09 February 2022.

Effective 1 May 2005, the rights and obligations of MHEW have been novated to Oman Power and Water Procurement Company SAOC (OPWPC) in accordance with the arrangements described in the Master Novation Agreement signed on 26 November 2000. All the financial obligations of OPWPC under the Project Agreements are secured under the guarantee issued by the Ministry of Finance, Government of Oman, which has come into force on execution of the Novation Agreement.

## 2 SIGNIFICANT AGREEMENTS (continued)

### A) The Company has entered into the following significant agreements with respect to the Main Plant: (continued)

ii. Usufruct agreement with the Government for grant of usufruct rights over the plant site for twenty-five years. The Company has an option to extend the lease term after 25 years.

iii. Operation and Maintenance Agreement (O&M Agreement) with First National Company for Operation and Maintenance Services LLC (NOMAC Oman) to operate and maintain the plant.

iv. Shareholders' agreement with SMN Barka Power Company SAOC for establishment of Barka Seawater Facilities Company SAOC (BSFC) pursuant to the PWPA.

### B) The Company has entered into following significant agreements with respect to 10MIGD Reverse Osmosis Water Expansion Project (Phase I):

i. Water Purchase Agreement (WPA) with OPWPC granting the Company the right to desalinate water in the Wilayat of Barka, using Reverse Osmosis technology. Phase I WPA was initially ammended for the extension till 31 December 2021 and subseqeuntly for further extension till 31 March 2024 (with OPWPC's option to extend for an additional 9 months in three three-month tranches upto 31 December 2024).

ii. Usufruct agreement with the Government for grant of usufruct rights over the project site for twenty-five years.The Company has an option to extend the lease term after 25 years.

iii. Supplemental Operation and Maintenance Agreement with NOMAC Oman for the operation and maintenance of Expansion Project-Phase I.

### C) The Company has entered into following significant agreements with respect to 12.5MIGD Reverse Osmosis Water Expansion Project (Phase II):

i. WPA with OPWPC granting the Company the right to desalinate water in the Wilayat of Barka, using reverse osmosis technology. Phase II WPA was initially ammended for the extension till 31 December 2021 and subseqeuntly for further extension till 31 March 2024 (with OPWPC's option to extend for an additional 9 months in three three-month tranches upto 31 December 2024).

ii. Usufruct agreement with the Government for grant of usufruct rights over the project site and temporary areas for twenty-five years.The Company has an option to extend the lease term after 25 years.

iii. Supplemental Operation and Maintenance Agreement with NOMAC Oman for the operation and maintenance of Expansion Project - Phase II.

## 3 GOING CONCERN ASSUMPTION

The term of Power and Water Purchase Agreements (PWPA) in the Omani IWPP (IPP) market is typically 15 years. The Company signed its PWPA in November 2000 for a term of 15 years from the commercial operation date. The commercial operations commenced in June 2003 and the 15 year PWPA term ended in April 2018. The Company also developed two Reverse Osmosis based SWRO Plants which got operational in the years 2014 and 2016, respectively. The term of the Water Purchase Agreements (WPAs) for these two SWRO Plants was co-terminus with expiry of the PWPA. In the year 2017, the Company entered into discussions with OPWPC and was able to secure extension of all its contracts until 31 December 2021.

The operations of the Power Plant were further extended due to certain force majeure events till 09 February 2022 and, thereafter, the plant is under preventive maintenance mode. The Company had a short-term contract under bilateral arrangements for a limited supply of Power in September 2022, however, no operations were performed in year 2023. The Company is still continuously pursuing several initiatives to secure future contracts in the coming periods.

WPAs for SWRO plants were extended on 03 February 2022 till 31 March 2024 including an OPWPC's option to extend further for a period of 9 months in three tranches of three months each, respectively, upto 31 December 2024. Accordingly, the SWRO plants are expected to generate cashflow for another 12 months from the reporting date, if the WPAs are extended.

### Restructuring of loan agreement

The Company's outstanding loan was rescheduled on 30 June 2022 based on projected cash flows. As mentioned above the WPAs for SWROs can be extended upto 31 December 2024. Considering this, the lenders agreed to keep a balloon payment outstanding of RO 10.40 million as at 31 December 2024. As at 31 December 2023, the Company’s current liabilities exceeded current assets by RO 16.7Mn (31 December 2022 - RO 6.2 Mn). The Company’s management is currently in discussions with lenders and expects to restructure this balloon payment for a further period.

Moreover, the Company has following options available to generate cashflows from its Power and SWRO Plants:

### a) Power Plant - Spot Market

OPWPC launched the spot market with a view to further liberalise the Oman power sector and encourage further private participation. Alongside the contracted capacity market, the spot market presents an alternative option for the generators to supply power to the market, particularly for generators who do not have a long-term PPA with the off-taker (i.e, OPWPC). In February 2022, APSR has announced formal launch of spot market. The participants in the spot market are required to bid their variable costs, which will earn a scarcity payment which is a function of the supply-demand gap for capacity at any time.

## 3 GOING CONCERN ASSUMPTION (continued)

### b) Power Plant - Bilateral Agreements

The Company is exploring options for entering into bilateral agreements with local industrial units. These contracts are expected to enable the Company to provide the requisite electricity to industrial units at a lower cost than what those units are already paying.

### c) Power 2024 and Water 2024 Procurement Process

OPWP had commenced the formal procedures for Power 2024 and Water 2024 procurement process and the Company has registered its interest to participate for both. The Company had submited the final bid proposal and the final award from OPWP is expected in 1st Quater of 2024.

Accordingly, in the absence of any confirmed long-term power and water agreement, and uncertainties regarding participation in the spot market, and current liabilities exceeding current assets, a material uncertainty exists, casting doubt on the Company's ability to operate as a going concern. Consequently, there is a possibility that the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

However, management believes that the Company remains a going concern as of 31 December 2023, given the advanced stages of the Power 2024 and Water 2024 bidding process. Considering the publicly available demand forecast, for which OPWP has initiated the Power 2024 and Water 2024 bidding process, there are reasonable chances that the Company will secure long-term contracts for both Power 2024 and Water 2024. Furthermore, management believes that even in the absence of a long-term contract for the Power Plant, since there is forecasted electricity demand as mentioned above, the Power Plant can generate cash flows through alternate mechanisms, including participation in the spot market. This expectation is supported by the plant's long remaining technical life and its efficiency as a combined cycle Power Plant, enabling the Company to compete in the Spot Market with existing generators.

## 4 BASIS OF PREPARATION

### (a) Basis of preparation and functional currencies

The financial statements are prepared under the historical cost convention and going concern assumption, except for fair valuation of certain financial assets and liabilities. The preparation of financial statements is in conformity with International Financial Reporting Standards (IFRS) that requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies.

The financial statements are presented in Omani Rials (RO) which is the functional and reporting currency of the Company.

## 4 BASIS OF PREPARATION (continued)

### (b) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), the relevant requirements of the Commercial Companies Law and Regulations of the Sultanate of Oman and the relevant Rules and Guidelines on Disclosure requirements applicable for licensed companies as issued by the Capital Market Authority (CMA).

### (c) Standards, amendments and interpretations effective and adopted during the period

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 IFRSs have not had any material impact on the disclosures or on the amounts reported in these financial statements and are listed below.

| Standard or Interpretation | Title | Annual periods beginning on or after |
|---|---|---|
| Amendments to IAS 1 | Disclosure of Accounting Policies | 1 January 2023 |
| IFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to IAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| IFRS 17 | Insurance Contracts | 1 January 2023 |
| Amendments to IAS 12 | Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction | 1 January 2023 |
| Amendments to IAS 12 | International Tax Reform | 23 May 2023 |

## 4 BASIS OF PREPARATION (continued)

### (d) Standards, amendments and interpretations neither effective and not adopted during the period

| Standard or Interpretation | Title | Effective for annual years beginning on or after |
|---|---|---|
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current and Non-current Laibilities with Covenants | 1 January 2024 |
| Amendments to IAS 7 and IFRS 7 - Supplier Finanace Arrangements | Supplier Finanace Arrangements | 1 January 2024 |
| Amendments to IFRS 16 | Leases: Liability in a Sale and Leaseback | 1 January 2024 |
| Amendments to IAS 21 | Lack of exchangeability. | 1 January 2025 |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Available for optional adoption/effective date deferred indefinetly. |

The Company is currently assessing the impact of these new accounting standards and amendments. The Company does not expect these amendments and standards issued but not yet effective, to have a material impact on the financial statements of the Company.

## 5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

A summary of the material accounting policies adopted in the preparation of these financial statements is set out below. These policies have been adopted for all the years presented, unless stated otherwise.

### 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 period; or

## 5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### Current versus non-current classification (continued)

- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in 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 period;
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as part of non-current assets and liabilities, respectively.

### (a) Financial instruments recognition, measurement and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### [A] Financial assets

#### Initial recognition and measurement

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

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. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, 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.

## 5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### [A] Financial assets (continued)

#### Initial recognition and measurement (continued)

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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### Subsequent measurement

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

- Financial assets at amortised 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); and
- Financial assets at fair value through profit or loss.

#### Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables and cash and cash equivalents.

#### Derecognition

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

## 5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### Derecognition (continued)

- 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. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

### 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. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-months ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provisioning matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment.

## 5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### [B] Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, lease liabilities and long term loan.

#### 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 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 profit or loss.

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 at fair value through profit or loss.

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

Amortised 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 amortisation is included as finance costs in the statement of profit or loss.

## 5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 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.

## (b) Taxation

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.

### 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:

- affects neither accounting nor taxable profit or loss, and
- 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.

## 5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 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 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. 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.

### (c) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation, any identified impairment loss and residual value.

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

| **Particulars** | **Number of Years** |
|---|---|
| Plant and machinery | 30 – 35 Years |
| Tools | 5 Years |
| Furniture, fixtures and office equipment | 5 Years |
| Motor vehicles | 5 Years |
| Capital spares | 8 – 16 Years |

Spare parts that are major components of plant and machinery are recorded as capital spares upon purchase and depreciated over a period of 8 -16 years.

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 or profit or loss as the expense is incurred.

## 5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### (c) Property, plant and equipment (continued)

When each major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

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 gains or losses 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 depreciation methods are reviewed, and adjusted prospectively, if appropriate, at each financial year-end.

### (d) Intangible Asset

Intangible asset consists of computer software and it is stated at historical cost less accumulated amortisation and, any identified impairment loss. Amortisation is calculated on a straight-line basis over its estimated useful life which is expected to be five years.

### (e) Capital work-in-progress

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

### (f) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a identified asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Amounts receivable under operating leases, as lessor, are recognised as lease income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. In accordance with IFRS, revenue stemming from (substantial) services in connection with the leased asset is not considered as lease revenue and is accounted for separately.

The lease arrangements have been determined to be operating leases under IAS 17 and continue to be treated as operating leases under IFRS 16: Leases.

#### 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.

## 5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### (f) Leases (continued)

#### Company as a lessee (continued)

#### 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. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. 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.

## 5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### (g) Interest in Joint Operation

A Joint Operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When the Company undertakes its activities under a Joint Operation, the Company as a joint operator recognises its assets, liabilities, revenue and expenses and its share of the assets, liabilities, revenue and expenses in accordance with the IFRS applicable to those particular assets, liabilities, revenue and expenses.

When the Company transacts with the Joint Operation, profits and losses resulting from the transactions with the Joint Operation are recognised in the Company's financial statements only to the extent of interests in the Jointly Operation that are not related to the Company.

The management has assessed the shareholders' agreement dated 6 February 2008 between the Company and SMN Barka Power Company SAOC committed to establish a shared facility company owned 50:50 between the shareholders and, has concluded that, it falls within the scope of IFRS 11, 'Joint Arrangements' and the arrangement is a Joint Operation. The primary basis for this conclusion is that both shareholders have collective/joint control over the arrangement, its activities which primarily aim to provide the parties with an output and it depends on the shareholders on a continuous basis for settling the liabilities relating to the activity conducted through the arrangement. The Joint Operation is structured as a closed public joint stock company and provides the Company and the parties to the agreements with rights to their respective share of the assets, liabilities, income and expenses of the Joint Operation.

### (h) Segment reporting

A segment is a distinguishable component of the Company engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments.

### (i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. All other borrowing costs are recognised as expenses in the period in which they are incurred.

## 5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### (j) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its assets (or cash-generating units) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and the carrying amount of the asset and is recognised immediately in the statement of profit or loss. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised earlier.

### (k) Inventories

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

### (l) Directors' remuneration

The Company follows the Commercial Companies Law 2019, and other latest relevant directives issued by the CMA, with regards to determining the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the statement of profit or loss in the year to which it relates.

### (m) Revenue recognition

The Company's business is to supply power and water for which the Company has entered into a long term agreements with OPWP. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Revenue from OPWPC comprises of the following:

## 5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### (m) Revenue recognition (continued)

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

#### (a) Capacity charges

Capacity 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.

#### (b) Output charges

Output charges are recognized when electricity and water are delivered, and there are no unfulfilled obligations that could affect the customer's acceptance of the delivered electrical energy and water.

The Company recognize revenue over time since the customer simultaneously receives and consumes the output of electricity and water under the contract and by availing the available capacity. Further, there are no unfulfilled performance obligations that could impact the customer's acceptance of the project. There are no significant judgements that are involved while recognising revenue from contracts with customers.

The Company sells electricity and water to OPWP in Oman, as its primary customer. Invoices are generated at the end of the month. The payment terms are for less than a month and accordingly, transaction price does not contain any material significant financing component. The Company satisfies its performance obligations upon the actual delivery of water and electricity output, making capacity available. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The revenue disclosed in note 24 is based on actual invoiced amount.

### (n) 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 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 finance costs.

## 5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### (o) Site restoration costs

The Company records a provision for site restoration costs as there is a present obligation as a result of activities undertaken pursuant to the usufruct and PWPA/WPAs. These 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 liability. The unwinding of the discount is expensed as incurred and recognised in the profit or loss as finance costs.

The estimated future costs 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.

### (p) Employee benefit liabilities

In respect of Omani employees, contributions are made in accordance with the Oman Social Insurance Law and recognised as an expense in the profit or loss as incurred.

For non-Omani employees, provision is made for amounts payable under the Oman Labour Law, based on the employees' accumulated periods of service at the statement of financial position date. This provision is classified as a non-current liability.

Employee entitlements to annual leave and air passage are recognised when they accrue to the employees and an accrual is made for the estimated liability for annual leave and air passage as a result of services up to the reporting date. The accruals relating to annual leave and air passage is disclosed as a part of current liabilities.

### (q) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

### (r) Foreign currency transaction

The Company's financial statements are presented in RO, 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.

## 5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### (r) Foreign currency transaction (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 gains or losses arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gains or losses on the change in fair value of the item (i.e. translation differences on items whose fair value gains or losses is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

### (s) Cash and cash equivalents

For the purposes of the statement of cash flows, the Company considers all bank and cash balances that are free of lien and fixed deposits with a maturity of less than three months from the date of placement, less bank overdrafts, to be part of cash and cash equivalents.

## 6 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of financial statements in accordance with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

### (a) Classification of plants as a lease

Classification of Generation plant as a lease Judgement is required to ascertain whether the PWPA and WPAs 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 controlled by the Company and not OPWP.

### (b) Identification of lease and lease classification

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 an identified 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.

## 6 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### (b) Identification of lease and lease classification (continued)

**Operating lease**

Based on management's evaluation, the PWPA and WPAs with OPWP 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 PWPA 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) Useful lives and residual values of property, plant and equipment

Depreciation is charged so as to write-off the cost of assets, less their residual values, 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 calculation of the residual value is based on the managements best estimates.

### (d) Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Known material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern has been disclosed in Note 3 to the financial statements. Based on the reasons identified in Note 3, these financial statements continue to be prepared on the going concern basis.

### (e) Provision for site restoration

Upon expiry of their respective Usufruct and PWPA/ WPAs, the Company has an obligation to remove the facilities and restore the affected area. The estimated costs, discount rates and risk-rates used in the calculation are based on management's best estimates.

### (f) Impairment reviews

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgment, requiring inter alia an assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate.

**Power Plant**

As explained in note 3, the Power Plant remains under preservation mode and there were no operations during the year 2023. Accordingly, the management had identified this as an impairment indicator for its power plant and performed an impairment assessment. Further, during the year ended 31 December 2020, the Company had recorded an impairment charge amounting to RO 17.7 million on the main power plant.

## 6 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### (f) Impairment reviews (continued)

#### Power Plant (continued)

The Company has assessed its future cashflows from the Power Plant being a cash generating unit as required by IAS 36 “Impairment of Assets”. Recoverable value was estimated based on value-in-use method as it reflects more accurately the manner in which the economic benefits embodied in the asset are expected to be realised by the Company.

Company has performed impairment assessment based on future demand and expected opportunities. As per study performed, and given that Power 2024 bidding process is in advance stages, the Company believes that there are reasonable chances that Company will secure either long term contract under Power 2024, or generate cashflows under alternate mechanism (including spot market participation).

Based on the above considerations, management calculated value in use based on the expected cash flow approach which uses multiple, probability-weighted cash flow projections, reflecting management's best judgment. These models include key assumptions related to pricing, tenure of the agreement, discount rate, spot market operations, etc.

These cash flows are discounted at a pre-tax rate of 8.2% (compared to 7.8% in 2022) when assessing the Net Present Value (NPV) of future cash flows.

Based on the probabilities assigned to each case, the estimated recoverable value of the Power Plant is approximately same as the carrying value of RO 40.1 million. Accordingly, the management has concluded that there is no impairment / reversal required.

#### SWRO Plants

As explained in note 3, the WPAs for SWRO plants were extended till 31 March 2024 including an OPWPC's option to extend further for a period of 9 months in three tranches of three months each, respectively, upto 31 December 2024. Accordingly, the management has identified this as an impairment indicator for its SWRO plants and performed an impairment assessment. Further, during prior years, the Company had recorded an impairment charge amounting to RO 5.6 million on SWRO1 and RO 11.3 million on SWRO 2.

The Company has performed impairment assessment based on future demand and expected opportunities. As per study performed, and given that Water 2024 bidding process is in advance stages, the Company believes that there are reasonable chances that Company will be able to secure long term contract under Water 2024. Further the management is exploring opportunities for extension of the existing WPAs as alternative process.

## 6 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### (f) Impairment reviews (continued)

**SWRO Plants (continued)**

Considering the above factors, the Company has assessed its future cashflows from the SWRO Plants being a cash generating unit as required by IAS 36 “Impairment of Assets”. Recoverable value was estimated based on value-in- use method as it reflects more accurately the manner in which the economic benefits embodied in the asset are expected to be realised by the Company. Management calculated value-in-use based on the expected cash flow approach which uses multiple, probability-weighted cash flow projections, reflecting management's best judgment. These models include key assumptions related to pricing, tenure of the agreement, discount rate, etc.

These cash flows are discounted at a pre-tax rate of 8.2% (compared to 7.8% in 2022) when assessing the Net Present Value (NPV) of future cash flows.

Based on the probabilities assigned to each case, the estimated recoverable value of the SWRO Plants is approximately same as the carrying value of RO 21.4 million. Accordingly, the management has concluded that there is no impairment / reversal required.

## Notes to the financial statements for the year ended 31 December 2023 (continued)

**(Expressed in Omani Rial)**

### 7 PROPERTY,PLANTANDEQUIPMENT

**(a) The movement in property, plant and equipment is asset out below:**

| Plant and machinery | Plant and machinery | Tools | Furniture, fixtures and equipment | Motor vehicles | Capital spares | Total |
|---|---|---|---|---|---|---|
| **31 December 2023** | | | | | | |
| **Cost :** | | | | | | |
| At1 January 2023 | 220,041,648 | 110,063 | 700,941 | 131,083 | 3,894,083 | 224,877,818 |
| Cost adjustment(g) | 65,569 | - | - | - | - | 65,569 |
| **At 31 December 2023** | **220,107,217** | **110,063** | **700,941** | **131,083** | **3,894,083** | **224,943,387** |
| **Accumulated depreciation and impairment losses:** | | | | | | |
| At 1 January 2023 | **156,606,810** | **110,063** | **694,703** | **127,487** | **2,550,075** | **160,089,138** |
| Depreciation charge for the year | **3,454,598** | **-** | **5,772** | **3,596** | **89,373** | **3,553,339** |
| At 31 December 2023 | **160,061,408** | **110,063** | **700,475** | **131,083** | **2,639,448** | **163,642,477** |
| **Net book values** | | | | | | |
| At 31 December 2023 | **60,045,809** | **-** | **466** | **-** | **1,254,635** | **61,300,910** |
| **31 December 2022** | | | | | | |
| **Cost:** | | | | | | |
| At 1 January 2022 | 220,041,648 | 110,063 | 700,941 | 138,483 | 3,894,083 | 224,885,218 |
| Disposals | - | - | - | (7,400) | - | (7,400) |
| At 3 1December 2022 | 220,041,648 | 110,063 | 700,941 | 131,083 | 3,894,083 | 224,877,818 |
| **Accumulated depreciation and impairment losses:** | | | | | | |
| At 1 January 2022 | 153,050,298 | 110,063 | 682,701 | 130,087 | 2,511,835 | 156,484,984 |
| Depreciation charge for the year | 3,556,512 | - | 12,002 | 4,800 | 38,240 | 3,611,554 |
| Disposal | - | - | - | (7,400) | - | (7,400) |
| At 31 December 2022 | 156,606,810 | 110,063 | 694,703 | 127,487 | 2,550,075 | 160,089,138 |
| **Net book values** | | | | | | |
| At 31 December 2022 | 63,434,838 | - | 6,238 | 3,596 | 1,344,008 | 64,788,680 |

## 7 PROPERTY,PLANTANDEQUIPMENT (continued)

(b) The plant is established on a leased land from the Ministry of Housing for an initial term of twenty-five years from their effective date. The Company has an option to extend the lease term after 25 years.

(c) The depreciation charge has been allocated in the statement of profit or loss as follows:

| | 2023 | 2022 |
|---|---|---|
| Direct costs (Note 25) | **3,543,971** | 3,594,752 |
| Administrative expenses (Note 27) | **9,368** | 16,802 |
| | **3,553,339** | 3,611,554 |

Depreciation charge for property, plant and equipment includes depreciation of RO 7,969 (2022: RO 9,933) related to the additional assets of BSFC and RO 8,415 (2022: RO 8,415)

(d) The Company has leased out the entire plant and machinery except main plant under operating lease.

(e) At 31 December 2023, assets related to main plant under plant and equipment with a carrying amount of RO 39.9 million (2022:RO 42.04 million) were temporarily idle.

(f) All property, plant and equipment are mortgaged with banks against the term loan (note 17).

(g) The Company reassessed site restoration liability (Note 19) as at 31 December 2023 and the difference between the carrying value of liability and revised liability were incorporated as an adjustment to the carrying value of the asset as required under IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors.

## 8. INTANGIBLE ASSETS

| | Computer software |
|---|---|
| 31 December 2023 | |
| Cost | |
| At 1 January 2023 and | **432,976** |
| at 31 December 2023 | |
| **Accumulated amortisation** | |
| At 1 January 2023 | **418,873** |
| Charge for the year (Note 25) | **10,393** |
| At 31 December 2023 | **429,266** |
| at 31 December 2023 | |

## 8. INTANGIBLE ASSETS (continued)

**Net book amount**

| | |
|---|---|
| At 31 December 2023 | **3,710** |

**31 December 2022**

| | |
|---|---|
| Cost | |
| At 1 January 2022 and | |
| at 31 December 2022 | **432,976** |
| Accumulated amortisation | |
| | **Computer software** |
| At 1 January 2022 | **379,983** |
| Charge for the year (Note 25) | **38,890** |
| At 31 December 2022 | **418,873** |
| Accumulated amortisation | |
| Net book amount | |
| At 31 December 2022 | **14,103** |

During the year 2023 and 2022, the Company did not internally generate or acquire any new intangible assets.

## 9. RIGHT-OF-USE ASSETS

| **31 December 2023** | **Leasehold land** |
|---|---|
| **Cost** | |
| At 1 January 2023 and | |
| At 31 December 2023 | **654,977** |
| **Accumulated amortisation** | |
| At 1 January 2023 | **244,344** |
| Amortisation charge for the year (Note 25) | **22,285** |
| At 31 December 2023 | **266,629** |
| **Net carrying amount** | |
| At 31 December 2023 | **388,348** |

## 9. RIGHT-OF-USE ASSETS (continued)

| 31 December 2022 | **Leasehold land** |
|---|---|
| **Cost** | |
| At 1 January 2022 and | |
| at 31 December 2022 | **654,977** |
| **Accumulated amortisation** | |
| At 1 January 2022 | **222,059** |
| Amortisation charge for the year (Note 25) | **22,285** |
| At 31 December 2022 | **244,344** |
| **Net carrying amount** | |
| at 31 December 2022 | **410,633** |

(a) The amortisation has been charged to direct costs (Note 25).

(b) Right-of-use assets originate from the long-term land lease contracts entered into by the Company with the Ministry of Housing in relation to land acquired for the plants. Under IFRS 16: Leases, these rights are reflected as an assets in the financial statements. Intial lease term is for 25 year with an option to renew the lease. Company has considered that the lease term will be renewed and has calculated the Right-of-Use (ROU) asset based on the useful life of the underlying assets.

(c) The Company's right-of-use assets include its 50% share of the assets of BSFC of which cost and accumulated amortisation as at the statement of financial position date amounts to RO 48,087 (2022: RO 48,087) and RO 9,617 (2022: RO 7,694), respectively.

(d) Amortization charge for the year includes RO 1,923 (2022: RO 1,923) accounted as Joint Operator's share of BSFC.

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

## 10 INVENTORIES

| | **2023** | 2022 |
|---|---|---|
| Consumable spare parts | **3,844,769** | 3,870,445 |
| Fuel oil | **13,189** | 674,595 |
| Chemicals | 41,695 | 41,365 |
| | 3,899,653 | 4,586,405 |

Management carries out an annual assessment of Inventories at every year-end and whenever provision is required for obsolescence/slow-moving, it is considered to bring the assets to its lower of cost or net realisable value. Currently, no provision has been considered for the year ended 31 December 2023 (31 December 2022: RO Nil).

## 11 TRADE AND OTHER RECEIVABLES

| | 2023 | 2022 |
|---|---|---|
| Trade receivables | **1,329,330** | 1,940,889 |
| Material Adverse Claim (MAC) receivable from OPWPC (Note 24 (a)) | **572,263** | 2,357,435 |
| Other receivables | **207,454** | 280,717 |
| Due from related parties (Note 23) | **106,382** | 18,938 |
| Financial assets assessed for ECL (gross) | **2,215,429** | 4,597,979 |
| Less: Loss allowance (b) | **(206,651)** | (6,825) |
| Financial assets assessed for ECL (net) | **2,008,778** | 4,591,154 |
| Advances and deposits to suppliers | **60,275** | 12,082 |
| Prepayments | **86,916** | 103,644 |
| | **2,155,969** | 4,706,880 |

(a) The Company applies the IFRS 9 simplified approach to measure ECL using a lifetime ECL loss allowance for trade receivables. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provisioning matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment.

(b) The movement in loss allowance for ECL of trade receivable is as follows:

| | 2023 | 2022 |
|---|---|---|
| Opening balance | **6,825** | 14,425 |
| Provision/ (reversal) during the year | **199,826** | (7,600) |
| Closing balance | **206,651** | 6,825 |

(c) The aging analysis of gross trade receivables (including MAC receivable) is as follows:

| **31 December 2023** | **Loss rate** | **Gross carrying amount** | **Loss allowance** | **Credit impaired** |
|---|---|---|---|---|
| | **%** | **RO** | **RO** | |
| Not past due | **0.4%** | **1,701,128** | **(6,186)** | **No** |
| 1-90 days past due | **50%** | **-** | **-** | **No** |
| 91-180 days past due | **100%** | **12,811** | **(12,811)** | **No** |
| More than 180 days past due | **100%** | **187,654** | **(187,654)** | **Yes** |
| | | **1,901,593** | **(206,651)** | |

## 11 TRADE AND OTHER RECEIVABLES (continued)

(c) The aging analysis of gross trade receivables (including MAC receivable) is as follows: (continued)

| 31 December 2022 | Loss rate % | Gross carrying amount RO | Loss allowance RO | Credit impaired |
|---|---|---|---|---|
| Not past due | **0.4%** | **4,293,950** | **(2,451)** | **No** |
| 1-90 days past due | **50%** | **-** | **-** | **No** |
| 91-180 days past due | **100%** | **1,945** | **(1,945)** | **No** |
| More than 180 days past due | **100%** | **2,429** | **(2,429)** | **Yes** |
| | | **4,298,324** | **(6,825)** | |

(d) On 20 February 2017, through Royal Decree 9/2017, income tax rate applicable on the Company has been increased from 12% to 15%. This increase falls under the provisions of MAC under the off-take agreements of the Company. The Company is entitled to recover this incremental tax from the off-taker and, accordingly, this has been claimed as a receivable.

## 12 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

| | **2023** | 2022 |
|---|---|---|
| Current account with banks | **2,106,007** | 6,093,663 |
| Less: loss allowance (a) | **(8,607)** | (4,743) |
| | **2,097,400** | 6,088,920 |
| Cash in hand | **-** | 1,356 |
| Cash and cash equivalents (net) | **2,097,400** | 6,090,276 |
| Cash and cash equivalents (gross) | **2,106,007** | 6,095,019 |

(a) Bank balances are placed with Bank Muscat a reputed financial institution. Rating of Bank Muscat is BB+ based on Fitch rating agency. Loss allowance of ECL recognised on bank balances as at 31 December 2023 is RO 8,607 (2022: RO 4,743). The movement in the loss allowance for ECL of cash and bank balances is as follows:

| | **2023** | 2022 |
|---|---|---|
| Current account with banks | **4,743** | 6,617 |
| Less: loss allowance (a) | **3,864** | (1,874) |
| | **8,607** | 4,743 |

(b) The current account balances with the banks are non - interest bearing.

## 13 SHARE CAPITAL

| | **2023** | 2022 |
|---|---|---|
| **Authorised share capital** | | |
| Ordinary shares of RO 0.100 (2022: RO 0.100) each | **1,000,000,000** | 1,000,000,000 |
| **Issued and fully paid-up share capital** | | |
| Ordinary shares of RO 0.100 (2022: RO 0.100) each | **160,000,000** | 160,000,000 |

A break-down of the share capital as at 31 December 2023 and 31 December 2022 is as follows:

| | **2023** | | 2022 | |
|---|---|---|---|---|
| **Name of the members** | **Percentage shareholding** | **Amount** | Percentage shareholding | Amount |
| ACWA Power Barka Project LLC, Oman | **58.0** | **9,280,000** | 58.0 | 9,280,000 |
| Civil Services Pension Fund, Oman | **14.1** | **2,256,000** | 14.1 | 2,256,000 |
| Ministry Of Defence | **9.6** | **1,536,000** | 9.6 | 1,536,000 |
| Others | **18.3** | **2,928,000** | 18.3 | 2,928,000 |
| | **100.0** | **16,000,000** | 100.0 | 16,000,000 |

## 14 LEGAL RESERVE

In accordance with Article 132 of the Commercial Companies Law and Regulations of the Sultanate of Oman, 10% of the Company's net profit is to be transferred to a non-distributable legal reserve until such time as the amount of the legal reserve becomes equal to one-third of the Company's issued and fully paid-up share capital. During the year ended 31 December 2023, no transfer has been made, as the legal reserve has already reached the statutory minimum limit of one-third of the share capital (2022: RO Nil).

## 15 SPECIAL RESERVE

In accordance with the Articles of Association of the Company, the excess of share issue amount collected over actual issue expenses has been transferred to a non-distributable special reserve.

## 16 DIVIDENDS

During the year, no dividend was proposed to the shareholders (2022: RO Nil).

## 17 LONG-TERM LOAN

| | **2023** | 2022 |
|---|---|---|
| Loan from banks | **15,322,415** | 19,351,025 |
| Less: unamortised transaction costs | **(86,041)** | (113,343) |
| | **15,236,374** | 19,237,682 |
| Current portion | **15,236,374** | 4,658,983 |
| Non-current portion | **-** | 14,578,699 |
| | **15,236,374** | 19,237,682 |

(a) The movement in long-term loan recognised at the reporting date is as follows:

| | **2023** | 2022 |
|---|---|---|
| Opening balance | **19,351,025** | 24,131,741 |
| Repaid during the year | **(4,028,610)** | (4,780,716) |
| Closing balance | **15,322,415** | 19,351,025 |

(b) According to the Fourth Amended and Restated Loan Agreement, the term loan facility has the following tranches:

| **Tranche** | **Fx** | **Original Principal amount** | **Interest rates** |
|---|---|---|---|
| A1 | RO | 62,539,208 | 5.90% fixed until 30 June 2024 and thereafter rate to be reset annually. |
| B | RO | 16,600,000 | 5.90% fixed until 30 June 2024 and thereafter rate to be reset annually. |
| C | RO | 24,921,292 | 5.90% fixed until 30 June 2024 and thereafter rate to be reset annually. |

The Company had negotiatied the revised payment plan on 30 June 2022 based on projected cash flows. The existing WPA's will expire by 31 March 2024 with an option to further extend for 9 months in 3 equal tranches of 3 months each i.e., upto 31 December 2024. Based on this, the lenders have agreed to keep a balloon payment outstanding of RO 10.40 million as at 31 December 2024. The balloon payment is expected to be restructured for a further period based on the circumstances prevailing around December 2024.

## 17 LONG-TERM LOAN (continued)

(c) The repayment schedule, before deduction of loan transaction costs, is as follows:

| | **2023** | 2022 |
|---|---|---|
| Payable within one year | **15,322,415** | 4,658,983 |
| Payable between 1 and 2 years | **-** | 14,692,042 |
| | **15,322,415** | 19,351,025 |

(d) The loan is secured by a charge on PPE amounting to RO 61.3 million (2022: RO 64.8 million) and all other assets, assignment of insurance / reinsurances and agreement for security over promoters' shares.

(e) The movement in unamortised transaction costs is as follows:

| | **2023** | 2022 |
|---|---|---|
| Opening balance | **113,344** | 186,552 |
| Amortised during the year (Note 28) | **(27,303)** | (133,538) |
| Paid during the year | **-** | 60,330 |
| Closing balance | **86,041** | 113,344 |

(f) The Company obtained a waiver from the lender related to its Debt Service Coverage Ratio (DSCR) under the loan agreement for the calculation date of 31 December 2023.

## 18 TAXATION

### (a) Statement of profit or loss:

| | 2023 | 2022 |
|---|---|---|
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(73,725)** | 44,234 |
| **Current tax** | | |
| Current year | **-** | (17,184) |
| Tax (income) / expense for the year | **(73,725)** | 27,050 |
| **Statement of financial position** | | |
| **Non-current liabilities:** | | |
| Deferred tax | | |
| Closing balance | **5,473,773** | 5,547,498 |
| **Current liabilities:** | | |
| Current year | **-** | (17,184) |
| Prior year | **1,534,161** | 8,596,961 |
| At the reporting date | **1,534,161** | 8,579,777 |
| **Deferred tax liabilities:** | | |
| Opening balance | **5,547,498** | 5,503,264 |
| Movement for the year | **(73,725)** | 44,234 |
| Closing balance | **5,473,773** | 5,547,498 |
| | | |
| **Provision for income tax** | | |
| Opening balance | **8,579,777** | 9,012,810 |
| Charge for the year | **-** | (17,184) |
| Payments during the year | **(7,045,616)** | (415,849) |
| Closing balance | **1,534,161** | 8,579,777 |

## 18 TAXATION (continued)

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

| | 2023 | 2022 |
|---|---|---|
| Net profit / (loss) before tax | **288,404** | (2,235,220) |
| Tax at statutory tax rate of 15% (2022: @15%) | **43,261** | (335,283) |
| Tax effect of items non-allowed for tax purposes | **(116,986)** | 362,333 |
| Income tax expense for the year | **(73,725)** | 27,050 |

The carried forward tax losses of year 2022 which will expire within 5 years against which deferred tax asset of RO 260,735 (2022 - RO 382,782) has not been recognized.

### (b) Deferred tax

The net deferred tax liability and deferred tax (reversal)/ charge in the statement of profit or loss are attributable to the following items:

| | At 1 January 2023 | Charge / (reversal) to statement of profit or loss | At 31 December 2023 |
|---|---|---|---|
| **Assets** | | | |
| Provision for site restoration expenses | **(565,603)** | **(13,237)** | **(578,840)** |
| ECL allowance | **(1,736)** | **(30,554)** | **(32,290)** |
| Lease liability | **(112,823)** | **(5,176)** | **(117,999)** |
| **Liabilities** | | | |
| Property, plant and equipment | **5,780,210** | **23,499** | **5,803,709** |
| Right-of-use assets | **61,884** | **(3,343)** | **58,541** |
| Decommissioning/ site restoration asset | **385,566** | **(44,914)** | **340,652** |
| | **5,547,498** | **(73,725)** | **5,473,773** |

## 18 TAXATION (continued)

### (b) Deferred tax (continued)

| | At 1 January 2022 | Charge / (reversal) to statement of profit or loss | At 31 December 2022 |
|---|---|---|---|
| **Assets** | | | |
| Provision for site restoration expenses | (535,702) | (29,901) | (565,603) |
| ECL allowance | (3,157) | 1,421 | (1,736) |
| Income tax losses available for carry forward | (17) | 17 | - |
| Lease liability | (108,828) | (3,995) | (112,823) |
| **Liabilities** | | | |
| Property, plant and equipment | 5,679,367 | 100,843 | 5,780,210 |
| Right of-use assets | 64,938 | (3,054) | 61,884 |
| Decommissioning/ site restoration asset | 406,663 | (21,097) | 385,566 |
| | 5,503,264 | 44,234 | 5,547,498 |

### (c) Status of tax assessments

**c.1 Prior to tax year 2009**

The assessments are completed up to tax year 2009 with no pending matters with the Tax Authority or Commercial Courts.

**c.2 Tax years 2010 to 2012**

The Company has lodged an Appeal with the Income Tax Grievance Committee (TGC) to claim: a) indefinite carry forward of tax losses incurred during the exemption period of five years from commercial operations date and b) reversal of additional tax levied for the tax years 2011 and 2012. TGC accepted to delete levy of additional tax however rejected the Company's contention to allow set off of brought forward losses. The company has filed a case in Primary Court against the TGC decision.

**c.2 (a) Tax losses incurred during the exempt period**

In accordance with Royal Decree No. 54/2000 ("RD 54/2000"), the Company was exempted from income tax for a period of five years with effect from commencement of commercial operations. The tax exemption was granted for a period of five years commencing from 11 June 2003 and expiring on 10 June 2008 (the Tax Holiday Period). At the time of issuance of RD 54/2000, the Company was eligible to carry forward its tax losses indefinitely under Article 14 of the applicable Income Tax Law.

## 18 TAXATION (continued)

### (c) Status of tax assessments (continued)

#### c.2 (a) Tax losses incurred during the exempt period (continued)

Amongst others, the Tax Authority ("TA"), in completed assessments of tax years 2006 to 2009 had not allowed to carry forward and set-off of tax losses incurred during the exemption period. The issue of tax losses was litigated before the commercial courts. In the year 2018, the Supreme Court issued its judgment on Appeal filed by the TA against the Appeal Court judgment and ruled against the Company in respect of carry forward of tax losses. The Company believes that position taken by TA has turned an incentive given under the RD 54/2000 into a disincentive. The impact of this ruling was an increase in income tax liability of the Company by RO 4,704,964 which was recognised in the financial statements for the year ended 31 December 2017.

Consequent to the judgment of the Supreme Court for tax years 2006 to 2009, the TA, in the year 2019, had issued the assessment orders under Article 148 of the Income Tax Law for the tax years 2010 to 2012 to give consequential effect of the judgment and raised a tax demand of RO 2,204,624 for the tax years 2011 and 2012. The Company settled this tax demand accordingly.

In the year 2019, the Supreme Court issued its judgment in case of another Power Company (exempt from income tax under the same RD 54/2000) and allowed indefinite carry-forward of tax losses incurred during the exemption period. The Company believes that Supreme Court judgment issued in case of that Power Company subject to same Royal Decree reflects the correct and final interpretation of the Law and should be applied in its case as well.

#### c.2 (b) Additional tax

During the year 2019, the Company has, under protest and without prejudice, paid an additional tax of RO 526,850 for the tax years 2011 and 2012 against a demand notice issued by the TA. The Company believes that demand raised by the TA was not payable because it had not given a consequential effect arising from a favourable ruling of the Appeal Court (for certain other tax years). The TA had issued the demand notice earlier, which was considered as cancelled based on favourable ruling of the Appeal Court. The Company's position is that tax liability for the subject years was payable only when once the order giving effect to the Supreme Court judgment (for certain other tax years) was issued reversing the ruling of the Appeal Court and not from the date of the original order. The Company believes that it has complied with the tax laws on a timely basis.

#### c.3 Tax year 2013

At the end of year 2019, the Company received an assessment order for the tax year 2013 assessing an additional tax payment of RO 372,716. The Company filed an objection in February 2020 along with a request to keep the tax demand raised in the order in abeyance which was rejected by the TA. Consequently, the Company settled this demand prior to lodging an Appeal against the rejection of the objection. The Company filed the Appeal on the same grounds claiming tax losses incurred during the exempt period (refer C.2 (a) above for tax years 2010-2012). During the year 2021, TA re-assessed tax return for year 2013 and made corrections previously highlighted by the Company in good faith. Consequently, TA demanded additional tax liability of RO 1,286,696 which was settled by the Company. As the assessment was revised, objection

## 18 TAXATION (continued)

### (c) Status of tax assessments (continued)

#### c.3 Tax year 2013 (continued)

submitted by the Company in the year 2020 was nullified and revised objection was filed on the same grounds. The Company has paid additional tax liability of RO 415,849 for tax year 2013 on 15 March 2022 and has submitted Grievance letter to the Tax Grievance Committee on 22 March 2022. TGC had rejected the company's appeal and the compeny has filed a case in primary court.

#### c.4 Tax years 2014 – 2016

In December 2020, TA issued assessment orders for the tax years 2014 to 2016 and raised a demand of RO 2,608,618 which was settled by the Company during the year 2021. The Company already had provided for this liability in its financial statements. The Company upon advice of its tax consultant, filed an objection on the same grounds claiming tax losses incurred during the exempt period (refer C.2 (a) above for tax years 2010-2012). TGC had rejected the company's appeal and the compeny has filed a case in primary court.

#### c.5 Tax years 2017 – 2020

In December 2022, TA issued assessment orders for the tax years 2017 to 2020 and raised a demand of RO 7,045,616 which Company has settled in January 2023. The Company has filed an objection on the same grounds claiming tax losses incurred during the exempt period [refer C.2 (a) above for tax years 2010-2012]. The object was rejected by tax authorities and the Company has filed appeal with TGC.

#### c.6 Tax Year 2021

The Company has already submitted assessment response for the tax year 2021 and the assessment is pending to be closed.

No other tax related matters are outstanding in Commercial Courts as at the financial statements date.

## 19 PROVISION FOR SITE RESTORATION

| | 2023 | 2022 |
|---|---|---|
| Opening balance | **3,788,134** | 3,571,362 |
| Remeasurment adjustment (Note 7(g)) | **65,569** | - |
| Accretion charge/ interest for the period (Note 28) | **233,859** | 216,772 |
| Closing balance | **4,087,562** | 3,788,134 |

(a) Plants are constructed on leasehold lands, (including seawater facility – Joint Operation) taken from the Ministry of Housing under the respective Usufruct Agreements which are originally given for a period of 25 years, with the Company having the right to renew the lease term. These contracts require decommissioning and restoration of land at the end of their respective contract terms. Company has assumed that provsion for site restoration cost will be incurred at the end of useful life of plants.

## 19 PROVISION FOR SITE RESTORATION (continued)

(b) The accretion charge for the period includes 50% share of BSFC amounting to RO 19,803 (31 December 2022: RO 17,433).

## 20 EMPLOYEE BENEFIT LIABILITIES

| | **2023** | 2022 |
|---|---|---|
| Opening balance | **29,084** | 80,688 |
| Provision for the year (Note 27) | **10,937** | 11,319 |
| Transfer adjustment | **4,401** | 19,823 |
| Payments made during the year | **(34,571)** | (82,746) |
| Closing balance | **9,851** | 29,084 |

## 21 LEASE LIABILITIES

| | **2023** | 2022 |
|---|---|---|
| Opening balance | **756,120** | 725,521 |
| Interest expense (Note 28) | **45,414** | 43,501 |
| Lease payments | **(11,240)** | (12,902) |
| Closing balance | **790,294** | 756,120 |

Lease payments under the Usufruct Agreements are as follows:

| | **2023** | 2022 |
|---|---|---|
| Within 1 year | **11,267** | 11,521 |
| Within 1 - 2 years | **12,799** | 12,504 |
| Within 2 - 5 years | **222,184** | 159,054 |
| More than 5 years | **1,104,292** | 1,178,703 |
| | **1,350,542** | 1,361,782 |
| Less: implicit finance costs | **(560,248)** | (605,662) |
| Present value of lease payments | **790,294** | 756,120 |

| | | |
|---|---|---|
| Lease liabilities as at the reporting date is classified as follows: | **11,267** | 11,521 |
| Current portion | **779,027** | 744,599 |
| Non-current portion | 790,294 | 756,120 |

(a) Intial lease term is for 25 years with an option to renew the lease. Company has considered that the lease term will be renewed and has calculated the Right-of-Use (ROU) asset and lease liability based on the useful life of the underlying assets. Lease liability as at the statement of financial position date include 50% share of the lease liability of BSFC which amounts to RO 64,868 (2022: RO 60,657). The component of interest expense recognised for the year in relation to BSFC is RO 4,211 (2022: RO 3,968).

## 22 TRADE AND OTHER PAYABLES

| | **2023** | 2022 |
|---|---|---|
| Trade payables | **38,635** | 696,234 |
| Amounts due to related parties (Note 23) | **7,137,504** | 6,840,182 |
| Accrued and other payables | **866,609** | 813,168 |
| | **8,042,748** | 8,349,584 |

Trade payables are generally settled within 30 to 60 days of the suppliers' invoice date and are denominated in RO.

The contractual maturity date for trade payables is due within 12 months from the statement of financial position date.

## 23 RELATED PARTY TRANSACTIONS AND BALANCES

The Company, in the normal course of business, enters into transactions with other enterprises, which fall within the definition of a related party contained in IAS 24. Such transactions are on agreed terms and conditions with related parties.

During the year, all transactions entered into by the Company with related parties are under common control, except for transactions amounting to RO 28,496 (2022: RO 58,017), which were classified under joint operation and included in the Operation and Maintenance fee.

| **Services received** | **2023** | 2022 |
|---|---|---|
| **Type of transactions** | **4,394,917** | 4,956,122 |
| Operations and Maintinance Fees (Note 25) | **137,607** | 137,607 |
| Seconded staff cost | **120,532** | 123,477 |
| Operating expenses | **31,731** | 5,292 |
| Others | **110,450** | 178,139 |
| Support services | **-** | 1,888,342 |
| Technical services fee | **4,795,237** | 7,288,979 |
| **Services Rendered** | | |
| **Type of transactions** | | |
| Expense on behalf of related party | **193,550** | 19,250 |
| Transfer of Employee end of service benefit | **4,401** | 19,823 |
| | **197,951** | 39,073 |

## 23 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

| **Due to related parties:** | **Nature of relationship** | **2023** | 2022 |
|---|---|---|---|
| ACWA Power Barka Services 1 (Mauritius) Limited | Under common control | **1,214,445** | 1,271,263 |
| ACWA Power Barka Services 2 (Mauritius) Limited | Under common control | **1,216,650** | 1,271,263 |
| ACWA Power Oman LLC, Oman | Under common control | **3,880** | - |
| ACWA Power Global Services LLC, Oman | Under common control | **1,677** | 1,677 |
| Barka Seawater Facilities Company SAOC, Oman | Joint Operation | **176,593** | 148,097 |
| Dhofar Desalination Company SAOC, Oman | Under common control | **63** | - |
| ACWA Power Company - Riyadh | Under common control | **2,400** | - |
| First National Company for Operation and Maintenance Services LLC, Oman | Under common control | **4,521,796** | 4,147,882 |
| | | **7,137,504** | 6,840,182 |

| **Due to related parties:** | **Nature of relationship** | **2023** | 2022 |
|---|---|---|---|
| ACWA Power Oman LLC, Oman | Under common control | **4,100** | 4,055 |
| ACWA Power Barka Project LLC, Oman | Under common control | **7,001** | 3,143 |
| ACWA Power Barka Services 1 (Mauritius) Limited | Under common control | **28,690** | - |
| ACWA Power Barka Services 2 (Mauritius) Limited | Under common control | **28,690** | - |
| ACWA Power Company - Riyadh | Under common control | **37,901** | 11,740 |
| | | **106,382** | 18,938 |

Outstanding balances at the year-end arise in the normal course of business and are entered into the terms and conditions approved by the management. Amounts due from/to related parties are interest free, unsecured and receivable/payable 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.

## 23 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

**Compensation of key management personnel**

| | **2023** | 2022 |
|---|---|---|
| Short-term benefits | **195,953** | 230,581 |
| Employee benefit liabilities | **11,914** | 28,697 |
| | **207,867** | 259,278 |
| Directors' sitting fees | **30,800** | 25,200 |
| Directors' remuneration | **-** | - |

## 24 REVENUE

| | **2023** | 2022 |
|---|---|---|
| **Power** | | |
| Capacity Charges | **-** | 2,409,591 |
| Energy and fuel charge | **-** | 543,790 |
| | **-** | 2,953,381 |
| **Water** | | |
| Capacity Charges | **10,556,880** | 9,102,679 |
| Output charge | **2,782,264** | 2,615,270 |
| | **13,339,144** | 11,717,949 |
| **Total Revenue** | **13,339,144** | 14,671,330 |

All the revenue of the Company accrues from contracts with customers within the Sultanate of Oman.

## 25 DIRECT COSTS

| | 2023 | 2022 |
|---|---|---|
| Operation and maintenance fee – NOMAC Oman (a) | **4,394,917** | 4,956,122 |
| Depreciation property, plant and equipment (Note 7) | **3,543,971** | 3,594,752 |
| Fuel cost | **-** | 519,500 |
| Electricity back-up maintenance | **2,179,292** | 2,069,609 |
| Operating and technical services fee | **-** | 1,888,342 |
| Insurance | **603,499** | 745,462 |
| Repairs and maintenance | **134,062** | 278,835 |
| Amortisation of intangible assets (Note 8) | **10,393** | 38,890 |
| Amortisation of right of-use-assets (Note 9) | **22,285** | 22,285 |
| | **10,888,419** | 14,113,797 |

(a) The Company had entered into an agreement with NOMAC Oman for the services to operate and maintain its Power and SWRO plants. Under this agreement, the Company pays monthly fixed and variable fees to NOMAC Oman in consideration of its undertaking of all planned and unplanned operating and maintenance activities over the terms of the PWPA /WPAs. During the period, the Company has not incurred any expenses in relation to the termination of the PWPA/WPAs of nil (31 December 2022: Nil). NOMAC Oman is related party of the Company.

## 26 OTHER INCOME

| | 2023 | 2022 |
|---|---|---|
| Interest income | **-** | 18,921 |
| Reversal of old outstanding provisions | **232,054** | - |
| Gain on sale of diesel inventory | **182,944** | 1,500 |
| Reversal of ECL on trade receivables (Note 11) | **-** | 7,600 |
| Reversal of ECL on bank balances (Note 12) | **-** | 1,874 |
| | **414,998** | 29,895 |

## 27 GENERAL AND ADMINISTRATIVE EXPENSES

| | **2023** | 2022 |
|---|---|---|
| Salaries and allowances | **557,420** | 699,867 |
| Legal and professional fees (a) | **216,567** | 190,868 |
| Fees and subscription | **117,296** | 119,826 |
| Directors' remuneration and sitting fees (Note 23) | **30,800** | 25,200 |
| Communication | **17,996** | 34,942 |
| Security and agency fees | **19,255** | 19,255 |
| Depreciation on property, plant and equipment (Note 7) | **9,368** | 16,802 |
| Employee benefit liabilities (Note 20) | **10,937** | 11,319 |
| Corporate Social Responsibility expenses | **10,000** | 4,862 |
| Miscellaneous expenses | **36,169** | 12,116 |
| Provision for ECL on bank (Note 12) | **3,864** | - |
| Events and office supplies | **6,450** | 5,544 |
| **Total** | **1,036,122** | 1,140,601 |

### (a) Professional services

The professional fees due to the external auditor for the year 2023 amount to RO 20,000 (2022: RO 14,000) plus out of pocket expenes, of which RO 18,000 pertains to the audit of financial statement and RO 2,000 relates to other services.

## 28 FINANCE COSTS

| | **2023** | 2022 |
|---|---|---|
| Interest on long-term loan | **1,034,795** | 1,288,236 |
| Accretion charge/ interest on provision for site restoration (Note 19) | **233,859** | 216,772 |
| Amortisation of finance costs (Note 17) | **27,303** | 133,538 |
| Interest on lease liabilities (Note 21) | **45,414** | 43,501 |
| | **1,341,371** | 1,682,047 |

## 29.a BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period with the weighted average number of shares issued and outstanding during the period.

| | **2023** | 2022 |
|---|---|---|
| Net profit for the period | **362,129** | (2,262,270) |
| Weighted average number of ordinary shares issued and outstanding during the period (number) | **160,000,000** | 160,000,000 |
| Basic and diluted earnings per share (RO) | **0.002** | (0.014) |

Since the Company has no potentially dilutive instruments, the basic and dilutive earnings per share are same.

## 29.b NET ASSETS PER SHARE

Net assets per share is calculated by dividing the shareholders' funds at the end of the year by the weighted average number of shares issued and outstanding as follows:

| | **2023** | 2022 |
|---|---|---|
| Shareholders' funds (RO) | **34,671,227** | 34,309,098 |
| Weighted average number of ordinary shares issued and outstanding during the year (number) | **160,000,000** | 160,000,000 |
| Net assets per share (RO) | **0.217** | 0.214 |

## 30 OPERATING SEGMENTS

Information regarding the Company's operating segments is set out below in accordance with IFRS 8 - "operating segments". IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the senior management and the Board of Directors in order to allocate resources to the segment and to assess its performance. There has not been any change in segment reporting compared to the previous year.

**Reportable segments**
At 31 December 2023, the Company is organised into two main operating segments:

**Base Plant**
Base Plant segment comprises of power production and Multi-Stage Flash Distillation (MSFD) facilities which commenced its commercial operations on 11 June 2003. MSFD was impaired in the year 2018 and has not been operational thereafter.

## 30 OPERATING SEGMENTS (continued)

**Expansion Plants**

Expansion Plants segment comprises of two SWRO based water production facilities which commenced their commercial operations on 29 May 2014 and 26 February 2016, respectively. In view of same operating, economic characteristics and product, these two plants have been aggregated as one reportable segment in line with the requirements of IFRS 8.

| **Segment revenues and results** | | | |
|---|---|---|---|
| **Year ended 31 December 2023** | **Base Plant** | **Expansion Plants** | **Total** |
| Revenue | **-** | **13,339,144** | **13,339,144** |
| Operation and maintenance fees – NOMAC Oman | **512,638** | **3,882,279** | **4,394,917** |
| Depreciation on property, plant and equipment | **2,519,609** | **1,024,362** | **3,543,971** |
| Interest on long-term loan | **320,173** | **714,622** | **1,034,795** |
| Other costs | **806,243** | **3,270,814** | **4,077,057** |
| **Total costs** | **4,158,663** | **8,892,077** | **13,050,740** |
| Segment (loss) / profit before income tax | **(4,158,663)** | **4,447,067** | **288,404** |

| Year ended 31 December 2022 | Base Plant | Expansion Plants | Total |
|---|---|---|---|
| Revenue | 2,953,381 | 11,717,949 | 14,671,330 |
| Natural gas | 519,500 | - | 519,500 |
| Operation and maintenance fee – NOMAC Oman | 1,376,174 | 3,579,948 | 4,956,122 |
| Depreciation on property, plant and equipment | 2,570,176 | 1,024,576 | 3,594,752 |
| Interest on long-term loan | 385,895 | 902,341 | 1,288,236 |
| Other costs | 3,517,651 | 3,030,289 | 6,547,940 |
| **Total costs** | 8,369,396 | 8,537,154 | 16,906,550 |
| **Segment profit before income tax** | (5,416,015) | 3,180,795 | (2,235,220) |

All the revenue and non current assets of the company are in Oman. 100% of the Company's revenue is based in Oman. There is no internal segment revenue.

## 31 CAPITAL RISK MANAGEMENT

The capital is managed by the Company in a way that it is able to continue to operate as a going concern while maximising returns to the shareholders.

The capital structure of the Company consists of share capital, reserves and retained earnings. The Company manages its capital by making adjustments in dividend payments and bringing in additional capital in light of changes in business conditions. No changes were made in the objectives, policies and processes during the year ended ended 31 December 2023.

**Capital management**

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Company monitors capital using a gearing ratio, which is debt divided by total capital plus debt. Current and non current components of long-term loan and lease liabilities comprise of debt while capital includes share capital, reserves and retained earnings.

| | **2023** | 2022 |
|---|---|---|
| Long-term loan | **15,236,374** | 19,237,682 |
| Lease liabilities | **790,294** | 756,120 |
| Total debt | **16,026,668** | 19,993,802 |
| Share capital | **16,000,000** | 16,000,000 |
| Legal reserve | **5,333,333** | 5,333,333 |
| Special reserve | **85,555** | 85,555 |
| Retained earnings | **13,252,339** | 12,890,210 |
| Total capital employed | **34,671,227** | 34,309,098 |
| Total capital and debt | **50,697,895** | 54,302,900 |
| Gearing ratio | **32%** | 37% |

In addition, the Company's activities expose it to a variety of financial risks: market risk (including currency rate risk, interest rate risk and price risk), credit risk and liquidity risk.

## 32 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT

**(a) Financial assets and liabilities**

Financial assets and liabilities carried on the statement of financial position include Cash and cash equivalents, trade and other receivables, lease liabilities, trade and other payables and long-term loans. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

## 32 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (continued)

### (b) Risk management

Risk management is carried out by the Finance Department of the Company under the guidance of the senior management and the Board of Directors. The senior management and the Board of Directors provide significant guidance for overall risk management covering specific areas such as credit risk, interest rate risk, foreign exchange risk and investment of excess liquidity.

### (c) Market risk

#### (i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's functional and presentation currency is RO and the Company's performance is substantially independent of changes in foreign currency rates. The Company has transactional currency exposures. There are no significant financial instruments denominated in foreign currencies, and consequently, foreign currency risk is not significant.

#### (ii) 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 interest rates.

As at the statement of financial position date, the Company does not have outstanding debt obligation obtained on variable interest rate. The Company adopts a policy of ensuring that major portion of its borrowings are on a fixed- rate basis.

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

| | **2023** | 2022 |
|---|---|---|
| Fixed rate instruments | | |
| Financial liabilities - long-term loans | **15,236,374** | 19,237,682 |
| | **15,236,374** | 19,237,682 |

#### (iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest-rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As the Company has no exposure to investments, it does not have the risk of fluctuation in prices.

### (d) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers.

## 32 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (continued)

The Company provides services to OPWPC, a Government entity in the Sultanate of Oman. This customer accounts for 100% of the outstanding trade receivables as at 31 December 2023: 100% (2022: 66%).

With respect to credit risk arising from other financial assets of the Company, including cash and cash equivalents, the Company's exposure to credit risk arises from default of the counter party, maximum exposure being equal to the carrying amount of these instruments. Management believes that the Company's other financial assets are not susceptible to significant credit risk.

The table below shows the rating as published by Moody's investor's service at the reporting date.

| Cash and cash equivalents (net) | **Rating** | **2023** | 2022 |
|---|---|---|---|
| Bank Muscat S.A.O.G | **Ba2** | **2,097,400** | 6,088,920 |

**Trade receivables and Material adverse claim (net)**

| | | | |
|---|---|---|---|
| Oman Power and Water Procurement Company SAOC | **Ba1** | **1,698,830** | 3,639,566 |

**(e) 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 maintains sufficient bank balances and cash to meet the Company's obligations as they fall due for payment.

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 is relying on short-term facilities from banks to manage liquidity on a need basis.

The tables below summarise the maturities of the Company's undiscounted financial liabilities at 31 December 2023 based on contractual payment dates and current market interest rates:

## 32 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (continued)

### (e) Liquidity risk (continued)

| | **Carrying value** | **Less than 1 year** | **1 - 2 years** | **More than 2 years** | **Contractual cash flow** |
|---|---|---|---|---|---|
| Term loan | **15,236,374** | **15,907,055** | **-** | **-** | **15,907,055** |
| Trade payables | **38,635** | **38,635** | **-** | **-** | **38,635** |
| Lease liabilities | **790,294** | **11,267** | **12,799** | **1,326,476** | **1,350,542** |
| Due to related parties | **7,137,504** | **7,137,504** | **-** | **-** | **7,137,504** |
| Other payables | **866,609** | **866,609** | **-** | **-** | **866,609** |
| | **24,069,416** | **23,961,070** | **12,799** | **1,326,476** | **25,300,345** |

| Year ended 31 December | Carrying value | Less than 1 year | 1 - 2 years | More than 2 years | Contractual cash flow |
|---|---|---|---|---|---|
| Term loan | 19,237,682 | 5,580,435 | 15,362,723 | - | 20,943,158 |
| Trade payables | 696,234 | 696,234 | - | - | 696,234 |
| Lease liabilities | 756,120 | 11,521 | 12,504 | 1,337,757 | 1,361,782 |
| Due to related parties | 6,840,182 | 6,840,182 | - | - | 6,840,182 |
| Other payables | 813,168 | 813,168 | - | - | 813,168 |
| | 28,343,386 | 13,941,540 | 15,375,227 | 1,337,757 | 30,654,524 |

## 33 FAIR VALUE OF FINANCIAL INSTRUMENTS

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. All the financial assets and liabilities of the Company are measured at amorised cost.

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).

## 33 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- 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).

| | Carrying Value | |
|---|---|---|
| **Financial assets at amortize cost** | **2023** | 2022 |
| Trade receivables and others (net) | **1,902,396** | 4,572,216 |
| Due from related parties | **106,382** | 18,938 |
| Cash and cash equivalents (net) | **2,097,400** | 6,088,920 |
| | **4,106,178** | 10,680,074 |
| **Financial liabilities at amortize cost** | **2023** | 2022 |
| Trade payables | **38,635** | 696,234 |
| Amounts due to related parties | **7,137,504** | 6,840,182 |
| Lease liabilities | **790,294** | 756,120 |
| Accrued and other payables | **866,609** | 813,168 |
| Provision for site restoration | **4,087,562** | 3,788,134 |
| | **12,920,604** | 12,893,838 |

## 34 SUBSEQUENT EVENTS

There were no events occuring subsequent to 31 December 2023 and before the date of issuance that are expected to have a significant impact on these financial statements.

## 35 NOTES SUPPORTING THE STATEMENT OF CASH FLOWS

Transactions from financing activities shown in the reconciliation of liabilities from financing transactions is as follows:

**Year ended**
**31 December 2023**

| **Particulars** | **1 January 2023** | **Cash inflows/ (outflows)** | **Non-cash changes** | **31 December 2023** |
|---|---|---|---|---|
| Long-term loan | **19,237,682** | **(4,028,610)** | **27,303** | **15,236,375** |
| Interest | **5,826** | **(1,040,621)** | **1,034,795** | **-** |
| Lease liabilities | **756,120** | **(11,240)** | **45,414** | **790,294** |

## 35 NOTES SUPPORTING THE STATEMENT OF CASH FLOWS (continued)

**Year ended**
31 December 2022

| Particulars | 1 January 2022 | Cash inflows/ (outflows) | Non-cash changes | 31 December 2022 |
|---|---|---|---|---|
| Long-term loan | 23,945,189 | (4,841,046) | 133,538 | 19,237,681 |
| Interest | 235,668 | (1,518,078) | 1,288,236 | 5,826 |
| Lease liabilities | 725,521 | (12,902) | 43,501 | 756,120 |

## 36 Contingencies

There are not contingencies at year end 31 December 2023 (2022: nil).

## 37 Commitments

There are not commitments at year end (2022: nil).