

**DHOFAR GENERATING COMPANY SAOG**  
**FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021**

# DHOFAR GENERATING COMPANY SAOG

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## FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

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DHOFAR GENERATING COMPANY SAOG

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months period ended 30 September 2021

	Notes	Quarter ended 30-Sep-21 RO	9 months ended 30-Sep-21 RO	Quarter ended 30-Sep-20 RO Restated	9 months ended 30-Sep-20 RO Restated
Revenue	20	11,291,320	31,006,774	10,236,971	31,713,760
Operating costs	21	(8,787,923)	(22,538,963)	(7,802,734)	(23,032,500)
<b>GROSS PROFIT</b>		<b>2,503,397</b>	<b>8,467,811</b>	2,434,237	8,681,260
Other Income		12,476	12,476	-	-
General and administrative expenses	22	(164,236)	(574,234)	(241,589)	(743,562)
Finance costs	24	(1,830,512)	(5,439,706)	(1,807,569)	(5,264,577)
Finance income	6	52,517	166,416	63,944	190,563
<b>PROFIT BEFORE TAX</b>		<b>573,642</b>	<b>2,632,763</b>	449,023	2,863,684
Income tax expense	19	(385,245)	281,160	(86,017)	(994,427)
<b>Net profit for the period</b>		<b>188,397</b>	<b>2,913,923</b>	363,006	1,869,257
<b>Other comprehensive income / (loss)</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Fair value loss arising during the year on cash flow hedge - net of tax	13	337,542	3,194,234	376,835	(5,157,673)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>525,939</b>	<b>6,108,157</b>	739,841	(3,288,416)
<b>Basic and diluted earnings per share</b>	25	<b>0.001</b>	<b>0.013</b>	0.002	0.008

The attached notes 1 to 34 form part of these financial statements.

# DHOFAR GENERATING COMPANY SAOG

## STATEMENT OF CASH FLOWS

For the nine months period ended 30 September 2021

	<i>Notes</i>	<b>9 months ended 30-Sep-21 RO</b>	9 months ended 30-Sep-20 RO Restated
<b>OPERATING ACTIVITIES</b>			
Profit before tax for the period		<b>2,632,763</b>	2,863,684
Adjustments for:			
Depreciation of plant and equipment	4	<b>2,986,845</b>	2,970,000
Depreciation of right of use asset	18	<b>50,812</b>	50,812
Finance costs	24	<b>5,439,706</b>	5,264,577
Finance income	6	<b>(166,416)</b>	(190,563)
Interest income on finance lease	20	<b>(2,753,697)</b>	(2,889,570)
Major maintenance revenue	20	<b>(119,712)</b>	(361,271)
Provision for end of service benefit		<b>18,640</b>	14,357
		<b>8,088,941</b>	7,722,026
Working capital changes:			
Inventories		<b>(72,348)</b>	123,346
Trade and other receivables		<b>11,895,641</b>	(16,321,071)
Trade and other payables		<b>(12,315,907)</b>	15,591,613
Prepaid connection charges		<b>(89,774)</b>	12,734
Advances and prepayments		<b>286,218</b>	57,027
Cash generated from operations		<b>7,792,771</b>	7,185,675
Income tax paid	19	-	(343,048)
Finance lease and major maintenance installments received		<b>5,114,333</b>	5,114,334
Net cash flows generated from operating activities		<b>12,907,104</b>	11,956,961
<b>INVESTING ACTIVITIES</b>			
Additions to equipment and capital work-in-progress	4	<b>(187,835)</b>	(36,645)
Net cash flows used in investing activities		<b>(187,835)</b>	(36,645)
<b>FINANCING ACTIVITIES</b>			
Finance cost paid		<b>(5,134,286)</b>	(4,783,365)
Payment of lease liabilities	18	<b>(156,761)</b>	(140,292)
Repayment of long term loan	16	<b>(7,057,926)</b>	(7,348,457)
Dividend payment	33	<b>(2,000,160)</b>	(4,000,320)
Net cash flows used in financing activities		<b>(14,349,133)</b>	(16,272,434)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,629,864)</b>	(4,352,118)
Cash and cash equivalents at beginning of the period		<b>4,648,738</b>	6,279,412
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	10	<b>3,018,874</b>	1,927,294

The attached notes 1 to 34 form part of these financial statements.

# DHOFAR GENERATING COMPANY SAOG

## STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2021

	Notes	30-Sep-21 RO	31-Dec-20 RO
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant, equipment and capital work in progress	4	147,294,395	150,093,406
Finance lease receivable	5	41,336,614	43,222,248
Right-of-use assets	18	1,804,924	1,855,736
Major maintenance accrued revenue	6	2,040,453	2,307,738
Prepaid connection charges		543,527	453,753
<b>Total non-current assets</b>		<b>193,019,913</b>	<b>197,932,881</b>
<b>Current assets</b>			
Inventories	7	5,742,753	5,670,405
Finance lease receivable	5	2,480,524	2,333,129
Major maintenance accrued revenue	6	515,751	584,735
Trade and other receivables	8	15,859,194	27,754,835
Advances and prepayments	9	138,408	424,626
Cash and cash equivalents	10	3,018,874	4,648,738
<b>Total current assets</b>		<b>27,755,504</b>	<b>41,416,468</b>
<b>TOTAL ASSETS</b>		<b>220,775,417</b>	<b>239,349,349</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	11	22,224,000	22,224,000
Legal reserve	12	439,457	439,457
Retained earnings		25,577,353	24,663,590
Cash flow hedge reserve	13	(6,576,739)	(9,770,973)
<b>Net equity</b>		<b>41,664,071</b>	<b>37,556,074</b>
<b>Non-current liabilities</b>			
Long term loan	16	131,154,066	138,578,204
Fair value of the cash flow hedge	14	5,725,632	9,541,067
Provision for decommissioning costs	15	4,899,779	4,722,679
End of service benefits payable		111,130	92,490
Lease liabilities	18	1,851,898	1,919,068
Deferred tax liability - net	19	8,863,274	8,580,746
<b>Total non-current liabilities</b>		<b>152,605,779</b>	<b>163,434,254</b>
<b>Current liabilities</b>			
Long term loan	16	7,452,454	6,957,669
Fair value of the cash flow hedge	14	2,011,708	1,954,195
Lease liabilities	18	152,716	152,716
Trade and other payables	17	16,853,367	29,259,119
Income tax payable	19	35,322	35,322
<b>Total current liabilities</b>		<b>26,505,567</b>	<b>38,359,021</b>
<b>Total liabilities</b>		<b>179,111,346</b>	<b>201,793,275</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>220,775,417</b>	<b>239,349,349</b>
<b>Net assets per share</b>	31	<b>0.187</b>	<b>0.169</b>

The financial statements were approved by a resolution of the Board of Directors on 26 October 2021

Chairman

Chief Executive Officer

The attached notes 1 to 34 form part of these financial statements.

## DHOFAR GENERATING COMPANY SAOG

### STATEMENT OF CHANGES IN EQUITY

For the nine months period ended 30 September 2021

	Share capital	Legal reserve	Retained earnings	Cash flow hedge reserve	Total
	RO	RO	RO	RO	RO
Balance at 1 January 2020	22,224,000	277,045	27,202,198	(5,374,064)	44,329,179
Profit for the period	-	-	1,869,257	-	1,869,257
Other comprehensive loss for the year	-	-	-	(5,157,673)	(5,157,673)
Total comprehensive loss for the year	-	-	1,869,257	(5,157,673)	(3,288,416)
Dividend paid (note 33)	-	-	(4,000,320)	-	(4,000,320)
Balance at 30 September 2020	22,224,000	277,045	25,071,135	(10,531,737)	37,040,443
Balance at 1 January 2021	<b>22,224,000</b>	<b>439,457</b>	<b>24,663,590</b>	<b>(9,770,973)</b>	<b>37,556,074</b>
Profit for the period	-	-	<b>2,913,923</b>	-	<b>2,913,923</b>
Other comprehensive profit for the period	-	-	-	<b>3,194,234</b>	<b>3,194,234</b>
Total comprehensive profit for the period	-	-	<b>2,913,923</b>	<b>3,194,234</b>	<b>6,108,157</b>
Dividend paid (note 33)	-	-	<b>(2,000,160.00)</b>	-	<b>(2,000,160)</b>
<b>Balance at 30 September 2021</b>	<b>22,224,000.000</b>	<b>439,457.000</b>	<b>25,577,353.000</b>	<b>(6,576,739.000)</b>	<b>41,664,071.000</b>

The attached notes 1 to 34 form part of these financial statements.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 1 ACTIVITIES

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

The ultimate investors include International Company for Water and Power Projects ("ACWA Power"), Mitsui & Co., Ltd., and Dhofar International Development & Investment Holding Company S.A.O.G ("DIDIC"). The registered address of ACWA Power is 22616, King Abdul Aziz Road, Riyadh, Kingdom of Saudi Arabia. The registered address of Mitsui & Co., Ltd. Marunouchi I-chime, Chiyoda—ku, Tokyo 100- 8631, Japan Nippon Life Marunouchi Garden Tower. The registered address of DIDIC is P.O.Box: 2163 Salalah, Postal Code: 211, Sultanate of Oman.

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

#### Agreements

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

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

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

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

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

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

The new Commercial Companies Law promulgated by the Royal Decree No. 18/2019 (the Commercial Companies Law of the Sultanate of Oman) was issued on 13 February 2019 which has replaced the Commercial Companies Law of 1974. As per the articles of the Royal Decree No. 18/2019, the new Commercial Companies Law has come into force on 17 April 2019 and the companies should comply with the new law within 1 year from 17 April 2019.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis of preparation (continued)

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments carried at fair value.

The financial statements have been presented in Rial Omani which is the functional and reporting currency of the Company.

#### 2.2 Changes in accounting policies

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

##### 2.2.1 New and amended IFRS applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these financial statements.

#### New and revised IFRSs

#### Effective for annual periods beginning on or after

Definition of a Business - Amendments to IFRS 3 *Business Combinations* 1 January 2020

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

Amendments to *References to the Conceptual Framework in IFRS Standards* 1 January 2020

Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

*IFRS 7 Financial Instruments: Disclosures and IFRS 9 - Financial Instruments* 1 January 2020

Amendments regarding pre-replacement issues in the context of the IBOR reform.

*Amendments to IAS 1 and IAS 8 Definition of material*

The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.



# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis of preparation (continued)

##### 2.2.1 New and amended IFRS applied with no material effect on the financial statements (continued)

###### New and revised IFRSs

Effective for annual periods  
beginning on or after

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

###### *Amendment to IFRS 16 'Leases'*

1 June 2020

To provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The application of above revised standards has not had impact on the amount reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

##### 2.2.2 New and amended IFRSs in issue but not yet effective and not early adopted

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

###### New and revised IFRSs

Effective for annual periods  
beginning on or after

IFRS 17 Insurance Contracts

1 January 2023

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 indefinitely

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

1 January 2023. Early application is permitted.

Amendments to IFRS 3 – Reference to the Conceptual Framework

1 January 2022

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

1 January 2022. Early application permitted.

Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

1 January 2022. Early application permitted

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

1 January 2021

Annual Improvements to IFRS Standards 2018–2020

1 January 2022. Early application permitted

- IFRS 1 First-time Adoption of International Financial Reporting Standards: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent to account for cumulative translation differences.
- IFRS 9 Financial Instruments: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability
- IFRS 16 Leases: The amendment removes the illustration of the reimbursement of leasehold improvements.
- IAS 41 Agriculture: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2.2 New and amended IFRSs in issue but not yet effective and not early adopted

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

#### 2.2.3 Interest Rate Benchmark Reform

In July 2017, the United Kingdom Financial Conduct Authority (FCA), which regulates the London Interbank Offered Rate ('LIBOR') announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates. LIBOR reforms and expectations of cessation of LIBOR will impact the Company's current risk management strategy and possibly accounting for financial instruments. As at 31 December 2020, the Company has derivative liability of RO 11.5 million (2019: RO 6.3 million).

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

These financial statements are reference to LIBOR. Refer note 14 to the financial statements for nominal value and details of derivatives contracts under hedging arrangements.

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

The Company is assessing the impact of IBOR amendments which are effective for annual periods beginning on or after 1 January 2021.

### 2.3 Summary of significant accounting policies

Following are the significant accounting policies adopted by the Company:

#### 2.3.1 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

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

#### **2.3 Summary of significant accounting policies (continued)**

##### **2.3.2 Fair value measurement**

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

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

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

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

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

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

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

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

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

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

##### **2.3.3 Revenue recognition**

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

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

The PPA of the Company is finance lease arrangement for the existing 273 MW power plant and operating lease arrangement for the new 445 MW power plant.

##### **i) Revenue from lease contracts**

The treatment for 273 MW plant is a finance lease arrangement and lease interest income is recognised in the statement of profit or loss and other comprehensive income. A portion of capacity charge covering the investment charge receiving under the PPA is finance lease payments and accounted based on IFRS 16.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

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

#### **2.3 Summary of significant accounting policies (continued)**

##### **2.3.3 Revenue recognition (continued)**

###### i) Revenue from lease contracts

The investment charge of 445 MW plant has been treated as containing an operating lease which conveys the right to use the underlying assets in exchange of consideration. This component of revenue is recognised on straight line basis over the lease term to the extent that capacity has been made available based on contractual terms of PPA and accounted based on IFRS 16.

###### ii) Revenue from contracts with customers

Fixed operation and maintenance charges are recognised as revenue when the capacity is made available by performing required planned and unplanned maintenance on timely basis so that the plant is in a position to run and generate required output and accrue to the business over time. Output charges are recognised as revenue upon delivery of electricity to the national grid which accrue over time when the customer accepts deliveries and there is no unfulfilled performance obligation that could affect the customer's acceptance of the project. Amounts received in relation to electricity energy charges are contingent rental receipts. Revenue from contracts with customers is accounted based on IFRS 15.

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

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

##### **2.3.4 Taxes**

###### *Current income tax*

Taxation is provided in accordance with Omani fiscal regulations.

Income tax is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised in the statement of profit or loss and other comprehensive income or directly in equity, in which case it is recognised in the statement of profit or loss and other comprehensive income or directly in equity, respectively. 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 income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax laws that have been enacted at the reporting date.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

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

#### **2.3 Summary of significant accounting policies (continued)**

##### **2.3.4 Taxes**

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

##### **2.3.5 Foreign currencies**

The Company's financial statements are presented in Omani Rials, which is also the company's functional currency. Transactions in foreign currencies are initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

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

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

##### **2.3.6 Plant and equipment**

Capital work in progress is stated at cost, net of accumulated impairment losses, if any.

Depreciation of capital work in progress commences when the assets are ready for the intended use.

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

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

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.3 Summary of significant accounting policies (continued)

##### 2.3.5 Plant and equipment (continued)

	Years
Plant, machinery, civil and structural works	40
Decommissioning assets	40
Plant capital spares and other equipment	18
Computer and equipment	5
Motor vehicle	5
Furniture and fixtures	5
Computer software	5

The carrying values of 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 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, equipment. All other expenditure is recognised in the statement of profit or loss and other comprehensive income as the expense is incurred.

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

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

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

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

##### 2.3.7 Leases

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

###### *Company as a lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

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

#### **2.3 Summary of significant accounting policies (continued)**

##### **2.3.7 Leases**

###### *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 less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. 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 lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., a 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.

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

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

###### *Company as a lessor*

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

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

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.3 Summary of significant accounting policies (continued)

##### 2.3.8 Financial assets

###### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (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 amortized cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial asset with cash flow that are not SPPI are classified and measured at fair value through profit and loss irrespective of business model.

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

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

###### *Financial assets at amortized cost (debt instruments)*

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

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

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



# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

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

#### **2.3 Summary of significant accounting policies (continued)**

##### **2.3.8 Financial assets (continued)**

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

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

##### **Derecognition**

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. 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-month 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 covering user IFRS 15, 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 provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For finance lease receivable and major maintenance revenue receivable, the Company applies general approach in calculating the ECL and is determined by using the probability of default ( PD), exposure at default ( EAD) and loss given default ( LGD).

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

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

#### **2.3 Summary of significant accounting policies (continued)**

##### **2.3.8 Financial assets (continued)**

###### Cash and cash equivalents

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

###### Trade receivable

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

##### **2.3.9 Financial liabilities**

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

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

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
- The liabilities are part of a Company of financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or
- The financial liability contains an embedded derivative that would otherwise need to be separately recorded.

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

###### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

###### *Financial liabilities at fair value through profit or loss*

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

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

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

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

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.3 Summary of significant accounting policies (continued)

##### 2.3.9 Financial liabilities (continued)

###### *Financial liabilities at amortized cost (loans and borrowings)*

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

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

###### *Derecognition*

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

###### *Trade and other payable*

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

##### 2.3.10 Derivative financial instruments and hedge accounting

###### *Initial recognition and subsequent measurement*

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

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

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

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

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

#### **2.3 Summary of significant accounting policies (continued)**

##### **2.3.10 Derivative financial instruments and hedge accounting (continued)**

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

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

##### *Cash flow hedges*

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

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

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

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

##### **2.3.11 Inventories**

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

##### *General*

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

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

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

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

#### **2.3 Summary of significant accounting policies (continued)**

##### **2.3.11 Inventories (continued)**

###### *Decommissioning liability*

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

##### **2.3.12 Employee benefits**

End of service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labor Law 2003 and its amendment and IAS-19 'Employee benefits' as amended. Employee entitlements to annual leave and Air passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability. Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991 are recognised as an expense in the statement of profit or loss and other comprehensive income as incurred.

##### **2.3.13 Borrowing costs**

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

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

##### **2.3.14 Share capital**

Share capital is recorded at the proceeds received.

##### **2.3.15 Dividend on ordinary shares**

The Board of Directors recommend to the shareholders the dividend to be paid out of the Company's profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law 2019, while recommending the dividend. The Company recognises a liability to pay a dividend when it is approved by Board of Directors upto the cap which is approved by the shareholders at the annual general meeting. A corresponding amount is recognised directly in equity.

##### **2.3.16 Directors' remuneration**

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

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

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

#### 3.1 Judgements

##### a) Classification of Generation plant as a lease

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

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

##### b) Leases - Identification of lease and lease classification

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

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

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

##### (I) Finance lease

Based on management's evaluation, the PPA with OPWP with respect to 273 MW power plant has been classified as a finance lease under IFRS 16, since significant risks and rewards associated with the ownership of the plant are transferred to OPWP. As per the terms of PPA, the power generation is dependent on the Company's plant and OPWP, being the sole procurer of power generation in Oman, obtains significant amount of the power generated by the Company's plant. Accordingly, management has concluded that the PPA satisfies the requirements of IFRS 16.

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

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### **3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

#### **3.2 Leases - Identification of lease and lease classification (continued)**

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

#### **(II) Operating lease**

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

#### **c) Novel Coronavirus (Covid-19)**

In January 2020, the World Health Organization ("WHO") announced a global health emergency due to the outbreak of coronavirus ("COVID-19"). Based on the rapid increase in exposure and infections across the world, WHO, in March 2020, classified the COVID-19 outbreak as a pandemic. Actions taken by governmental authorities, nongovernmental organizations, businesses and individuals around the world to slow the COVID-19 pandemic and associated consumer behaviour have negatively impacted forecasted global economic activity, thereby resulting in lower demand for oil. This has created a current and forecasted oversupply, precipitating the steep decline in oil prices and an increase in oil price volatility.

Management continues to closely monitoring the situation to manage the business disruption on its operations and financial performance. While circumstances are continually evolving, the risks are mitigated by the committed contract with its customer, preventive measures taken by management to mitigate operational risks; further cost cutting measures taken to improve financial resilience in the current environment.

Management has performed an assessment of the potential impact of the pandemic on its financial statements for the year ended and has concluded that there is no material impact to the operations or the profitability of the Company. As the situation is evolving, management will continue to monitor the situation and adjust its critical judgements and estimates, as necessary, during the course of 2021.

#### **d) Revenue Recognition**

The Company is entitled to receive various consideration under PPA related capacity allowance, operation & maintenance allowance, fuel allowance, electrical energy allowance etc. As per requirements of IFRS 15 'Revenue from contracts with customer', management had assessed the distinct performance obligations promised under PPA, determined the transaction price, allocated the transaction price to separate performance obligations and existence of significant financing component in the PPA. Accordingly, the revenue is recognized when control of goods or services is transferred to the customer.

Due to different performance obligations and considerations under PPA, management judgement is involved in assessment the above factors for revenue recognition. Further the major maintenance revenue related to 273 MW power plant is estimated based on expected major maintenance cost over the term of PPA. Accordingly if actual major maintenance cost differ from estimates, the major maintenance revenue for the period would be impacted to such extent.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

#### 3.2 Estimates and assumptions

##### a) Provision for decommissioning obligation

Upon expiry of their respective Usufruct, the Company will have an obligation to remove the facilities and restore the affected area. The estimated cost, discount rate and risk rate used in the provision for decommissioning costs calculation is based on management's best estimates.

##### b) Impairment of finance lease receivables and major maintenance receivable

The Company assesses on a forward looking basis the expected credit losses associated with its finance lease receivable and major maintenance receivable carried at amortized cost. The impairment provisions for financial lease receivable assessed based on the ECL model, using assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

##### c) Provision for expected credit losses of trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on the Company's historical observed default rates.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance). The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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

The Company had entered into electrical connection agreements with transmission company for connection to the transmission system. The Company applies judgement in evaluating the terms of the contract to determine the control of connection assets. As per management's assessment, considering the load dispatch center function of transmission company along with right to operate and maintain the connection assets, it is concluded that the control for connection assets remains with the transmission company. Further



# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 4 PLANT, EQUIPMENT AND CAPITAL WORK IN PROGRESS

	Plant	Plant capital spares and other equipment	Decommissio- ning asset	Computers and equipment	Computer software	Motor vehicles	Furniture and fixture	Sub total	Capital work-in- progress	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
Cost:										
At 1 January 2021	158,926,392	1,480,899	1,393,077	317,793	102,254	19,750	57,880	162,298,045	92,907	162,390,952
Additions	280,742	-	-	-	-	-	-	280,742	(92,907)	187,835
<b>At 30 September 2021</b>	<b>159,207,134</b>	<b>1,480,899</b>	<b>1,393,077</b>	<b>317,793</b>	<b>102,254</b>	<b>19,750</b>	<b>57,880</b>	<b>162,578,787</b>	<b>-</b>	<b>162,578,787</b>
Depreciation:										
At 1 January 2021	11,377,225	540,919	69,639	149,524	94,195	17,221	48,823	12,297,546	-	12,297,546
Depreciation for the period	2,848,220	61,704	26,826	34,438	5,199	2,302	8,157	2,986,846	-	2,986,846
<b>At 30 September 2021</b>	<b>14,225,445</b>	<b>602,623</b>	<b>96,465</b>	<b>183,962</b>	<b>99,394</b>	<b>19,523</b>	<b>56,980</b>	<b>15,284,392</b>	<b>-</b>	<b>15,284,392</b>
Net book value:										
<b>At 30 September 2021</b>	<b>144,981,689</b>	<b>878,276</b>	<b>1,296,612</b>	<b>133,831</b>	<b>2,860</b>	<b>227</b>	<b>900</b>	<b>147,294,395</b>	<b>-</b>	<b>147,294,395</b>
Cost:										
At 1 January 2020	158,926,392	1,480,899	928,519	265,758	102,254	19,750	57,880	161,781,452	8,165	161,789,617
Additions	-	-	-	52,035	-	-	-	52,035	84,742	136,777
Adjustments	-	-	464,558	-	-	-	-	464,558	-	464,558
At 31 December 2020	158,926,392	1,480,899	1,393,077	317,793	102,254	19,750	57,880	162,298,045	92,907	162,390,952
Depreciation:										
At 1 January 2020	7,585,062	458,647	46,426	109,614	84,520	13,271	37,539	8,335,079	-	8,335,079
Depreciation for the year	3,792,163	82,272	23,213	39,910	9,675	3,950	11,284	3,962,467	-	3,962,467
At 31 December 2020	11,377,225	540,919	69,639	149,524	94,195	17,221	48,823	12,297,546	-	12,297,546
Net book value:										
At 31 December 2020	147,549,167	939,980	1,323,438	168,269	8,059	2,529	9,057	150,000,499	92,907	150,093,406

(i) All plant and equipment are mortgaged with banks against the term loan (note 16)

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

	30-Sep-21 RO	30-Sep-20 RO
Operating costs (note 21)	2,968,316	2,924,081
General and administrative expenses (note 22)	18,529	43,192
	<b>2,986,845</b>	<b>2,967,273</b>

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

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 5 FINANCE LEASE RECEIVABLE

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

	30-Sep-21 RO	31-Dec-20 RO
Finance lease receivable - non current	41,494,196	43,379,830
Less: provision for expected credit losses (note 22)	(157,582)	(157,582)
	<u>41,336,614</u>	<u>43,222,248</u>
Finance lease receivable - current	2,489,030	2,341,635
Less: provision for expected credit losses (note 22)	(8,506)	(8,506)
	<u>2,480,524</u>	<u>2,333,129</u>
Finance lease receivable	43,983,226	45,721,465
Less: provision for expected credit losses (note 22)	(166,088)	(166,088)
	<u>43,817,138</u>	<u>45,555,377</u>

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

	Less than 1 year RO	Between 1 and 2 years RO	Between 2 and 5 years RO	More than 5 years RO	Total RO
<b>30 September 2021</b>					
Gross finance lease receivables	5,989,248	5,989,249	17,967,746	37,432,803	67,379,046
Less: unearned finance income	(3,500,219)	(3,289,161)	(8,414,453)	(8,191,987)	(23,395,820)
	<u>2,489,029</u>	<u>2,700,088</u>	<u>9,553,293</u>	<u>29,240,816</u>	<u>43,983,226</u>
<b>31 December 2020</b>					
Gross finance lease receivables	5,989,248	5,989,248	17,967,745	41,924,741	71,870,982
Less: unearned finance income	(3,647,613)	(3,449,054)	(8,980,176)	(10,072,674)	(26,149,517)
	<u>2,341,635</u>	<u>2,540,194</u>	<u>8,987,569</u>	<u>31,852,067</u>	<u>45,721,465</u>

As at 30 September 2021, expected credit loss of RO 166,088 (2020: RO 166,088) was recognised against finance lease receivables.

### 6 MAJOR MAINTENANCE ACCRUED REVENUE

	30-Sep-21 RO	31-Dec-20 RO
At 1 January	2,903,019	3,119,782
Add: major maintenance revenue recognised during the year (note 20)	119,712	361,271
Add: finance income recognised during the year	166,416	251,829
Less: payments received during the period/ year	(622,397)	(829,863)
Closing balance	<u>2,566,750</u>	<u>2,903,019</u>
Less: provision for expected credit losses	(10,546)	(10,546)
At 30 September and 31 December	<u>2,556,204</u>	<u>2,892,473</u>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 6 MAJOR MAINTENANCE ACCRUED REVENUE (Continued)

	30-Sep-21 RO	31-Dec-20 RO
Current and non-current classifications as at the reporting date as follows:		
Non-current	2,048,867	2,316,152
Less: provision for expected credit losses (note 22)	(8,414)	(8,414)
	<u>2,040,453</u>	<u>2,307,738</u>
Current	517,883	586,867
Less: provision for expected credit losses (note 22)	(2,132)	(2,132)
	<u>515,751</u>	<u>584,735</u>

### 7 INVENTORIES

	30-Sep-21 RO	31-Dec-20 RO
Spares and consumables	2,844,466	2,794,368
Fuel	2,898,287	2,876,037
	<u>5,742,753</u>	<u>5,670,405</u>

### 8 TRADE AND OTHER RECEIVABLES

	30-Sep-21 RO	31-Dec-20 RO
Trade receivables from OPWP	15,873,460	27,754,183
Less: provision for expected credit losses	(84,348)	(84,348)
	<u>15,789,112</u>	<u>27,669,835</u>
Other receivables	70,082	85,000
	<u>15,859,194</u>	<u>27,754,835</u>

(i) Trade receivables are non-interest bearing and are on terms of 25 days.

(ii) At 30 September 2021, trade receivables at nominal value of RO 84,348 (2020: RO 84,348) has been impaired. The movements in the allowance for impairment of receivables is as follows:

	30-Sep-21 RO	31-Dec-20 RO
At 1 January	84,348	89,901
Provision charged during the year (note 22)	-	(5,553)
At 30 September and 31 December	<u>84,348</u>	<u>84,348</u>

(iii) The aging of unimpaired trade receivables at the reporting date was:

Less than 25 days	6,872,966	2,689,603
25 to 90 days	2,717,105	2,410,663
90 to 360 days	6,205,898	14,376,842
More than 360 days	77,491	8,277,075
	<u>15,873,460</u>	<u>27,754,183</u>

(iv) Trade receivable consists of OMR 12,582,336 (2020 - OMR 24,968,287) outstanding from OPWP against the fuel cost allowance which is overdue as on reporting date.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 9 ADVANCES AND PREPAYMENTS

	30-Sep-21 RO	31-Dec-20 RO
Advances and others	1,863	1,863
Prepaid expenses	136,545	422,763
	<u>138,408</u>	<u>424,626</u>

### 10 CASH AND CASH EQUIVALENTS

	30-Sep-21 RO	31-Dec-20 RO
Cash at bank	3,035,087	4,665,002
Less: allowance for expected credit losses (note 22)	(16,949)	(16,949)
	<u>3,018,138</u>	<u>4,648,053</u>
Cash in hand	736	685
	<u>3,018,874</u>	<u>4,648,738</u>
Cash and cash equivalents - gross	<u>3,035,823</u>	<u>4,665,687</u>

### 10 CASH AND CASH EQUIVALENTS (continued)

Bank balances are placed with reputed financial institutions. Expected credit loss provision recognised on bank balances at 30 September 2021 is OMR 16,949 (2020 - OMR 16,949).

### 11 SHARE CAPITAL

The authorised share capital of the Company as at 30 September 2021 is RO 120,000,000 (31 December 2020 : RO 120,000,000). Issued and paid up capital as at 30 September 2021 is RO 22,224,000 (31 December 2020 : RO 22,224,000) of 100 baiza. The Company has one class of ordinary shares which carry no right to fixed income.

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

	30-Sep-2021		31-Dec-2020	
	Percentage shareholding	No. of shares	Percentage shareholding	No. of shares
MAP Power Holding Company Limite	27%	60,004,800	27%	60,004,800
Mitsui & Co. Middle East and Africa Projects Investment & Development Limited	27%	60,004,800	27%	60,004,800

### 12 LEGAL RESERVE

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

### 13 CASH FLOW HEDGE RESERVE

The USD long term facilities of the Company bear interest at US LIBOR plus applicable margins. The Company has fixed the rate of interest through Interest Rate Swap agreements ("IRS") entered into with various international banks for the facilities.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 13 CASH FLOW HEDGE RESERVE (continued)

	30-Sep-21 RO	31-Dec-20 RO
At 1 January (A)	<u>(9,770,973)</u>	<u>(5,374,064)</u>
Change in fair value during the year	3,757,922	(5,172,834)
Less: related deferred tax asset (note 19)	<u>(563,688)</u>	<u>775,925</u>
Change in fair value of hedge during the year (B)	<u>3,194,234</u>	<u>(4,396,909)</u>
At 30 September and 31 December (C) = (A) + (B)	<u><u>(6,576,739)</u></u>	<u><u>(9,770,973)</u></u>

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

### 14 DERIVATIVE FINANCIAL INSTRUMENTS

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. The Company has entered into five interest rate swap agreements with five international banks at fixed interest rates ranging from 2.15% - 3% per annum. During the current period, the Company's borrowings at variable rate were entirely denominated in US

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

	Negative fair value RO	Notional amount total RO	Notional amount by term to maturity		
			1-12 months RO	More than 1 up to 5 years RO	Over 5 years RO
<b>30 September 2021</b>					
Interest rate swaps	<u>7,737,340</u>	<u>76,564,042</u>	<u>4,156,385</u>	<u>14,696,697</u>	<u>57,710,960</u>
<b>31 December 2020</b>					
Interest rate swaps	<u>11,495,262</u>	<u>80,571,392</u>	<u>4,007,350</u>	<u>17,127,708</u>	<u>59,436,334</u>

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

	30-Sep-21 RO	31-Dec-20 RO
Non-current	5,725,632	9,541,067
Current	<u>2,011,708</u>	<u>1,954,195</u>
	<u><u>7,737,340</u></u>	<u><u>11,495,262</u></u>

### 15 PROVISION FOR DECOMMISSIONING COSTS

	30-Sep-21 RO	31-Dec-20 RO
At the beginning of the year	4,722,679	4,211,503
Additional provision made during year (note 4)	-	464,558
Reversal of provision during year	-	(103,105)
Unwinding of discount on decommissioning cost provision (note 24)	177,100	149,723
	<u><u>4,899,779</u></u>	<u><u>4,722,679</u></u>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 15 PROVISION FOR DECOMMISSIONING COSTS

The Company is committed under the lease agreement to decommissioning the site as a result of construction of the power plant. Decommissioning costs represents the present value of management's best estimate of the future outflow of the economic benefits that will be required to remove the facilities and restore the affected area at the Company's rented sites. The cost estimate has been discounted to present value using the pre tax rate that reflects the risk specific to the decommissioning liability. The provision has been calculated using a discount rate of 5% at the reporting date.

At 31 December 2020, the provision for the 273MW plant has decreased by RO 103,105 due to revision in discount rate and such reduction has been recognized in the statement of profit or loss.

At December 2020, the Company has reviewed the provision estimates for the 445MW plant and has revised the discount rate which has resulted an increase in the provision. The effect of this change has resulted in increase of provision for decommissioning cost and decommissioning asset by OMR 464,559. The asset is depreciated in accordance with IAS 16 - Property, plant and equipment. The expected costs of restoration are based on management's best estimates in line with the industry practice.

### 16 LONG TERM LOAN

	30-Sep-21 RO	31-Dec-20 RO
At the beginning	146,894,306	154,242,763
Paid during the year	<u>(7,057,926)</u>	<u>(7,348,457)</u>
Gross loan amount	139,836,380	146,894,306
Less: unamortised arrangement fee	<u>(1,229,860)</u>	<u>(1,358,433)</u>
	<u>138,606,520</u>	<u>145,535,873</u>
Current and non-current classification of the term loan is as follows;		
Non-current portion	131,154,066	138,578,204
Current portion	<u>7,452,454</u>	<u>6,957,669</u>
	<u>138,606,520</u>	<u>145,535,873</u>

The loan facility of RO 168,609,121 (USD 437,832,047) was provided by a consortium of local and international banks in pursuance with the PPA to finance the project cost. This loan is repayable in 31 semi-annual instalments starting from 31 July 2018.

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

	Currency	Total facility	Interest rates	Final repayment date
1	RO	72,999,959	5.0% per annum	31 December 2032
2	USD	248,271,000	LIBOR + 1.4% per annum	31 December 2032

The repayment schedule of gross term loan is as follows:

	30-Sep-21 RO	31-Dec-20 RO
Payable within one year	7,575,124	7,057,928
Payable between 1 and 2 years	7,715,864	7,575,124
Payable between 2 and 5 years	24,432,465	23,645,976
Payable after 5 years	<u>100,112,927</u>	<u>108,615,278</u>
	<u>139,836,380</u>	<u>146,894,306</u>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 16 LONG TERM LOAN (continued)

The Company hedges USD portion of the loan for interest rate risk via an interest rate swap arrangement as explained in note 13 and 14.

The loan is secured by a charge on all project assets, assignment of insurance / reinsurances, agreement for security over promoters' shares and charge over the Company's project accounts. The weighted average effective interest rate on the bank loans is 4.16% per annum (31 December 2020: 3.97%) for USD facility and 5% per annum (31 December 2020: 4.80%) for OMR Facility (overall effective rate 4.49% per annum) (31 December 2020: 4.29%). The loan is subject to certain covenants relating to maintenance

The Company's cash sweep obligation under the loan agreement is to take effect from 31 July 2021. The cash sweep mechanism requires that after operating costs and debt service payments have been accounted for, 95% of the free cash flows to be paid to the lenders towards prepayment of the loan amount ("Cash Sweep Mechanism"). The loan agreement has a provision to disapply the provisions of the Cash Sweep Mechanism by providing a Letter of Credit ("LC") to the lenders.

Due to various reasons including but not limited to the country credit rating and other issues prevalent in the local power sector, the international banks have refused to provide the required Backstop DSRA LC to disapply the Cash Sweep Mechanism. The project lenders have also indicated that the LC from a local bank who doesn't meet the required credit rating under the financing arrangements will not be accepted. In this regard, the Company requested its lenders for an amendment to the loan agreement to extend the Cash Sweep Start Date from 31 July 2021 to 28 October 2021.

Lenders unanimously approved to extend the Cash Sweep Start Date from 31 July 2021 to 28 October 2021 ("Extended Cash Sweep Start Date") with the conditions that no dividend shall be distributed to the shareholders until the Extended Cash Sweep Start Date (i.e. 28 October 2021) and the Backstop DSRA LC provider shall meet the required credit ratings as specified under the financing arrangements.

In case the Company is not able to arrange acceptable LC on or before the Extended Cash Sweep Start Date, the Cash Sweep Mechanism will kick-in from 28 October 2021 which will significantly reduce the future dividend distributions until the balloon amount is fully prepaid.

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

	At 1 January	Repayments during year	Non-cash changes	At 30 Sept/31 December
	RO	RO	RO	RO
<b>2021</b>				
Senior facility loan	<u>145,535,873</u>	<u>(7,057,926)</u>	<u>128,573</u>	<u>138,606,520</u>
<b>2020</b>				
Senior facility loan	<u>152,703,713</u>	<u>(7,348,457)</u>	<u>180,617</u>	<u>145,535,873</u>

### 17 TRADE AND OTHER PAYABLES

	30-Sep-21 RO	31-Dec-20 RO
Trade payables	12,880,088	25,912,935
Accrued expenses	2,774,119	2,864,269
Amount due to related parties (note 26)	721,076	481,915
Other payables	478,083	-
	<u>16,853,367</u>	<u>29,259,119</u>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 17 TRADE AND OTHER PAYABLES (continued)

Trade payables includes OMR 8,880,718 (2020 - OMR 23,632,106) payable to Ministry of Oil and Gas against the Fuel Cost which is overdue as on the reporting date.

### 18 LEASES

The Company, as a lessee, adopted IFRS 16 using retrospective method of adoption with the date of initial application on 1 January 2019. The following contracts are covered under IFRS 16:

- The Usufruct agreement with 40 years lease term.
- The office rent agreement with 3 years lease term.

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

	<b>30-Sep-21</b>	31-Dec-20
	<b>RO</b>	RO
At the beginning	<b>1,855,736</b>	1,923,487
Depreciation during the year (note 21)	<b>(50,812)</b>	(67,751)
	<b><u>1,804,924</u></b>	<u>1,855,736</u>

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

At the beginning	<b>2,071,784</b>	2,091,798
Interest accrued during the year (note 24)	<b>89,591</b>	120,278
Payments during the year	<b>(156,761)</b>	(140,292)
	<b><u>2,004,614</u></b>	<u>2,071,784</u>

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

Non-current lease liabilities	<b>1,851,898</b>	1,919,068
Current lease liabilities	<b>152,716</b>	152,716
	<b><u>2,004,614</u></b>	<u>2,071,784</u>

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

Depreciation of right-of-use assets (note 21)	<b>50,812</b>	67,751
Interest on finance lease (note 24)	<b>89,591</b>	120,278
	<b><u>140,403</u></b>	<u>188,029</u>

For leases where the Company is lessor, please refer note 5. The maturity of lease liability is as follows:

Not later than 1 year	<b>152,716</b>	152,716
1 - 2 years	<b>152,716</b>	152,716
2 - 5 years	<b>399,411</b>	458,148
More than 5 years	<b>1,299,771</b>	1,308,204
	<b><u>2,004,614</u></b>	<u>2,071,784</u>

### 19 TAXATION

	<b>Quarter</b>	<b>9 Months</b>	Quarter ended	9 months
	<b>30-Sep-21</b>	<b>30-Sep-21</b>	30-Sep-20	30-Sep-20
	<b>RO</b>	<b>RO</b>	RO	RO
			Restated	Restated
<b>Statement of profit or loss</b>				
Deferred tax charge	<b>385,245</b>	<b>(281,160)</b>	428,047	1,336,457
Income tax charge/(reversal)	-	-	(342,030)	(342,030)
	<b><u>385,245</u></b>	<b><u>(281,160)</u></b>	<u>86,017</u>	<u>994,427</u>



# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 19 TAXATION (continued)

	30-Sep-21 RO	31-Dec-20 RO
<b>Statement of financial position</b>		
<b>Non-current liability:</b>		
Deferred tax-net	<b>8,863,274</b>	8,580,746

#### Current tax liability

Current year	<b>35,322</b>	35,322
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	30-Sep-21 RO	31-Dec-20 RO
Movement for current tax liability:		
At 1 January	<b>35,322</b>	383,438
Charge for prior years	-	83,241
Reversal of prior year provision	-	(342,030)
Payments during the year	-	(89,327)
At 30 September and 31 December	<b>35,322</b>	35,322

	Quarter 30-Sep-21 RO	9 Months 30-Sep-21 RO	Quarter ended 30-Sep-20 RO Restated	9 months 30-Sep-20 RO Restated
Profit before tax	<b>573,642</b>	<b>2,632,763</b>	449,023	2,863,684
Tax at the rate of 15%	<b>86,046</b>	<b>394,914</b>	67,354	429,553
Add tax effect of:				
Expenses not allowed in tax	<b>561</b>	<b>1,190</b>	-	765
Deferred tax not recognised on tax lc	<b>298,638</b>	<b>686,439</b>	359,409	913,854
Deferred tax on carried forward tax lc	-	<b>(1,295,640)</b>	-	-
Deferred tax prior year	-	<b>(68,063)</b>	-	-
(Reversal)/Provision of Prior period t	-	-	(342,030)	(342,030)
Tax expense for the year	<b>385,245</b>	<b>(281,160)</b>	84,733	1,002,142

Tax assessments of tax years 2013, 2014 were completed during 2019 with additional tax claim of OMR 383,438 which was fully provided in the 2019 financial statements. During 2019, the Company filed an objection under the Income Tax law with the Tax Authority relating to 2013 and 2014 assessments. During 2020, the Objection was resolved in Company's favour and the final tax liability for 2013 and 2014 was determined as OMR 41,408. Accordingly, the excess provision of OMR 342,030 was reversed during the year 2020 after netting of the payment for 2013 and 2014 tax assessments.

During 2020, 2015 tax assessment was completed with an additional tax assessment of OMR 47,919 on thin capitalisation rules. The additional claim for 2015 was paid during the year. The additional tax for open tax years was recognised as OMR 35,322 based on the disallowances applied by Tax Authority for 2015 tax year.

The provision for the current and deferred tax have been recorded based on the finance lease model. Further, in respect of the unrealised gain of RO 22,989,752 (the difference between the fair value of plant and finance lease receivable) management has taken a view that this gain will be realised as a part of tariff received over the life of the PPA and only realised gain should be subjected to tax as per the Income Tax

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 19 TAXATION (continued)

The government of Sultanate of Oman has announced an Economic Stimulus Plan on 9 Mar 2021 to support the Sultanate's efforts to counter Covid effects on the economy. Under this, companies are allowed to carry forward their tax losses incurred for tax year 2020 for an unlimited period to be adjustable against future taxable income. Company incurred tax loss of OMR 8,637,600 for 2020. In view of the above, Company has recognised a deferred tax asset of OMR1,295,640 in 2020 in these financial

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

#### Deferred tax

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

30 September 2021	Deferred tax recognised in			
	At 1 January RO	Profit or loss RO	OCI RO	At 30 Sept RO
<i>Deferred tax asset</i>				
Provision for decommissioning cost	708,402	26,565	-	734,967
Allowance for ECL	41,690	-	-	41,690
Lease liabilities and right-of-use asse	32,408	(2,455)	-	29,953
Carried forward tax losses	-	1,295,640	-	1,295,640
Cash flow hedge reserve	1,724,289	-	(563,688)	1,160,601
	<u>2,506,789</u>	<u>1,319,750</u>	<u>(563,688)</u>	<u>3,262,851</u>
<i>Deferred tax liability</i>				
Accelerated tax depreciation	(7,563,280)	(1,258,989)	-	(8,822,269)
Unrealised gain on recognition of finance lease	(2,815,375)	90,767	-	(2,724,608)
Finance lease receivable for decommissioning asset	(230,124)	19,823	-	(210,301)
Unamortised major maintenance rev	(212,177)	37,722	-	(174,455)
Prepaid rentals	(68,063)	68,063	-	-
Decommissioning asset	(198,516)	4,024	-	(194,492)
	<u>(11,087,535)</u>	<u>(1,038,590)</u>	<u>-</u>	<u>(12,126,125)</u>
Deferred tax liability - net	<u>(8,580,746)</u>	<u>281,160</u>	<u>(563,688)</u>	<u>(8,863,274)</u>

31 Dec 2020	Deferred tax recognised in			
	At 1 January RO	Profit or loss RO	OCI RO	At 31 December RO
<i>Deferred tax asset</i>				
Provision for decommissioning cost	631,725	76,677	-	708,402
Allowance for ECL	13,485	28,205	-	41,690
Lease liabilities and right-of-use asse	25,248	7,160	-	32,408
Cash flow hedge reserve	948,364	-	775,925	1,724,289
	<u>1,618,822</u>	<u>112,042</u>	<u>775,925</u>	<u>2,506,789</u>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 19 TAXATION (continued)

#### Deferred tax liability

Accelerated tax depreciation	(5,546,648)	(2,016,632)	-	(7,563,280)
Unrealised gain on recognition of finance lease	(2,924,017)	108,642	-	(2,815,375)
Finance lease receivable for decommissioning asset	(256,524)	26,400	-	(230,124)
Unamortised major maintenance revenue	(277,695)	65,518	-	(212,177)
Prepaid rentals	(38,720)	(29,343)	-	(68,063)
Decommissioning asset	(132,314)	(66,202)	-	(198,516)
	<u>(9,175,918)</u>	<u>(1,911,617)</u>	<u>-</u>	<u>(11,087,535)</u>
Deferred tax liability - net	<u>(7,557,096)</u>	<u>(1,799,575)</u>	<u>775,925</u>	<u>(8,580,746)</u>

### 20 REVENUE

	Quarter ended 30-Sep-21 RO	9 Months ended 30-Sep-21 RO	Quarter ended 30-Sep-20 RO Restated	9 months ended 30-Sep-20 RO Restated
<b>Revenue recognised over time</b>				
<i>Revenue from a contract with a customer</i>				
Fuel cost allowance	5,516,992	12,892,903	4,436,325	13,115,584
Fixed operation and maintenance all	1,688,894	5,549,111	1,697,172	5,570,165
Electrical energy allowance	34,365	82,047	30,870	82,211
Major maintenance (note 6)	98,028	119,712	39,329	361,271
	<u>7,338,279</u>	<u>18,643,773</u>	<u>6,203,696</u>	<u>19,129,231</u>
<i>Revenue from lease contracts</i>				
Interest income from finance lease	906,070	2,753,697	952,286	2,889,570
Investment charge from operating le:	3,046,971	9,609,304	3,080,989	9,694,959
	<u>3,953,041</u>	<u>12,363,001</u>	<u>4,033,275</u>	<u>12,584,529</u>
	<u>11,291,320</u>	<u>31,006,774</u>	<u>10,236,971</u>	<u>31,713,760</u>

### 21 OPERATING COSTS

	Quarter 30-Sep-21 RO	9 Months 30-Sep-21 RO	Quarter ended 30-Sep-20 RO	9 months 30-Sep-20 RO Restated
Fuel cost	5,558,598	12,959,504	4,427,376	12,974,410
Operation and maintenance charges	1,800,631	5,398,216	1,918,491	5,585,198
Depreciation (note 4)	992,168	2,968,316	982,333	2,946,997
Insurance	164,452	493,313	184,832	512,048
Employee costs (note 23)	124,158	367,607	158,677	452,434
Major maintenance expenses	70,973	88,383	28,883	265,310
Depreciation of right of use asset (nc	16,936	50,812	16,937	50,812
Electricity import cost	18,417	88,043	43,067	118,874
Transmission connection charges	41,590	124,769	42,138	126,417
	<u>8,787,923</u>	<u>22,538,963</u>	<u>7,802,734</u>	<u>23,032,500</u>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 22 GENERAL AND ADMINISTRATIVE EXPENSES

	Quarter ended 30-Sep-21 RO	9 Months ended 30-Sep-21 RO	Quarter ended 30-Sep-20 RO	9 months ended 30-Sep-20 RO
Legal and professional charges	32,008	188,273	68,426	205,277
Allowance for ECL (note 7)	-	-	38,678	116,765
Information technology and software	38,822	110,933	36,415	109,244
License fees to regulator	17,773	53,880	16,177	48,532
Director sitting, remuneration and tra	3,400	13,600	7,002	30,269
Depreciation (note 4)	5,735	18,529	6,545	23,003
Entertainment	8,486	25,472	6,625	19,876
Communication expenses	7,510	22,441	7,960	23,868
Corporate social responsibility expen	3,750	11,250	3,750	11,250
Travelling expenses	10,802	32,410	16,751	49,256
Training expenses	4,173	11,673	3,750	11,250
Office rent	-	-	4,895	14,684
Miscellaneous expenses	31,777	85,773	24,615	80,288
	<b>164,236</b>	<b>574,234</b>	<b>241,589</b>	<b>743,562</b>

### 23 EMPLOYEE COSTS

	Quarter ended 30-Sep-21 RO	9 Months ended 30-Sep-21 RO	Quarter ended 30-Sep-20 RO	9 months ended 30-Sep-20 RO
Salaries, wages and other benefits	115,098	337,662	151,058	427,065
Contributions to a defined	2,961	10,839	3,210	11,012
Charge for employee end of	6,099	19,106	4,409	14,357
	<b>124,158</b>	<b>367,607</b>	<b>158,677</b>	<b>452,434</b>

### 24 FINANCE COST

	Quarter ended 30-Sep-21 RO	9 Months ended 30-Sep-21 RO	Quarter ended 30-Sep-20 RO	9 months ended 30-Sep-20 RO
Interest on long term loan	1,637,530	4,897,161	1,660,062	4,815,081
Interest on finance lease (note 18)	29,603	89,591	30,069	90,208
Amortisation of deferred financing co	42,536	128,573	44,903	135,835
Unwinding of discount on decommis:	59,033	177,100	37,431	112,293
LC commission	56,913	126,125	29,247	93,437
Interest on working capital loan	4,897	21,156	5,857	17,723
	<b>1,830,512</b>	<b>5,439,706</b>	<b>1,807,569</b>	<b>5,264,577</b>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 25 EARNINGS PER SHARE

	Quarter ended 30-Sep-21 RO	9 Months ended 30-Sep-21 RO	Quarter ended 30-Sep-20 RO	9 months ended 30-Sep-20 RO
Profit for the period (RO)	188,397	2,913,923	363,006	1,869,257
Weighted average number of ordinary shares	222,240,000	222,240,000	222,240,000	222,240,000
	<b>0.001</b>	<b>0.013</b>	<b>0.002</b>	<b>0.008</b>

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

### 26 RELATED PARTY TRANSACTIONS

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

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

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

#### Balances at the reporting date (Note 8 and 17)

#### Balances at the reporting date (Note 17)

	30-Sep-21 RO	31-Dec-20 RO
<b>Due to related parties (related to major shareholders)</b>		
Dhofar O&M LLC	645,645	453,790
First National Company for Operation and Maintenance - Oman	75,431	25,326
Director sitting fee payable	-	1,200
Development Limited	-	800
International Company for Water and Power Projects - KSA	-	799
	<b>721,076</b>	<b>481,915</b>

### 26 RELATED PARTY TRANSACTIONS

	Quarter ended 30-Sep-21 RO	9 Months ended 30-Sep-21 RO	Quarter ended 30-Sep-20 RO	9 months ended 30-Sep-20 RO
<b>Transactions during the period</b>				Restated
O&M Fee and related charges	2,204,299	6,174,542	1,916,772	5,585,440
Secondment charges and expense re	28,959	101,508	58,528	274,265
Director sitting, remuneration and tra	3,400	13,600	7,002	30,269
Goods and services received	2,236,658	6,289,650	1,982,302	5,889,974
Goods and services rendered	118,503	139,651	138,687	179,653

#### Key management personnel compensation

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

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 26 RELATED PARTY TRANSACTIONS (Continued)

	Quarter ended 30-Sep-21 RO	9 Months ended 30-Sep-21 RO	Quarter ended 30-Sep-20 RO	9 months ended 30-Sep-20 RO Restated
Short-term employee benefits	21,953	83,303	41,835	128,503
Long-term employee benefits	2,579	7,656	2,171	5,830
Director sitting fees, remuneration ar	3,400	13,600	7,002	30,269
	<u>27,932</u>	<u>104,559</u>	<u>51,008</u>	<u>164,601</u>

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

### 27 FINANCIAL RISK MANAGEMENT

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

#### Market risk

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

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

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

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

#### Interest rate risk

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

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

At reporting date, after excluding the effect of interest rate swaps, 42% of the Company's borrowings are at a fixed rate of interest (31 December 2020: 42%).

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

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 27 FINANCIAL RISK MANAGEMENT (continued)

	9 Months ended 30-Sep-21 RO	9 months ended 30-Sep-21 RO
<b>Fixed rate</b>		
Term loan	<u>59,241,681</u>	<u>62,081,331</u>
<b>Variable rate instrument</b>		
Term loan	<u>80,594,699</u>	<u>84,812,975</u>

#### Interest rate sensitivity

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

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

	Profit or loss		Equity	
	100 bps	100 bps	100 bps	100 bps
<b>30 September 2021</b>				
Variable rate financial liabilities	(80,419)	80,419	(68,356)	68,356
Interest rate swaps	76,398	(76,398)	64,938	(64,938)
Net sensitivity	<u>(4,021)</u>	<u>4,021</u>	<u>(3,418)</u>	<u>3,418</u>
	100 bps	100 bps	100 bps	100 bps
<b>31 December 2020</b>				
Variable rate financial liabilities	(509,282)	509,282	(432,890)	432,890
Interest rate swaps	483,818	(483,818)	411,245	(411,245)
Net sensitivity	<u>(25,464)</u>	<u>25,464</u>	<u>(21,645)</u>	<u>21,645</u>

#### Foreign currency risk

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

#### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables and finance lease receivable).

#### Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables is regularly monitored. Trade receivable balance represents receivables from OPWP, a Government customer in Oman.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 27 FINANCIAL RISK MANAGEMENT (continued)

This customer is transacting with the Company for number of years. Accordingly the balance due from this customer is assessed to have a strong high credit quality or limited credit risk. At reporting date, the Company had one customer (31 December 2020: one customer).

The Company recognised an allowance for ECL in the financial statements for the period ending 31 December 2020. An impairment analysis is performed at each reporting date as per IFRS 9 expected credit loss method. The provision rates are based on days past due for the outstanding balance. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets and the amount is immaterial to the financial statements for the year ending 30 September 2021. The Company does not hold collateral as security.

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

#### *Finance lease receivable*

Finance Lease receivable has been recorded in accordance with the terms of the PPA with OPWP, a Government customer in Oman and a provision for ECL is recognised at the reporting date.

#### *Cash at bank*

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

#### *Credit Concentration*

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

#### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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

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

	Carrying value RO	Contractual cashflows RO	Less than 1 year RO	More than 1 RO
<b>30 September 2021</b>				
<b><i>Non-derivative financial liabilities</i></b>				
Term loan	138,606,520	185,372,286	13,429,457	171,942,829
Trade payables	12,880,088	12,880,088	8,880,718	2,003,731
Lease liabilities	2,004,614	2,004,614	152,716	1,851,898
Accrued expenses	2,774,119	2,774,119	2,774,119	-
Due to related parties	721,076	721,076	721,076	-
	<u>156,986,417</u>	<u>203,752,183</u>	<u>25,958,086</u>	<u>175,798,458</u>
<b><i>Derivative financial liabilities</i></b>				
Gross payable under IRS	7,737,340	7,737,340	2,011,708	5,725,632
	<u>164,723,757</u>	<u>211,489,523</u>	<u>27,969,794</u>	<u>181,524,090</u>



# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 27 FINANCIAL RISK MANAGEMENT

	Carrying value RO	Contractual cashflows RO	Less than 1 year RO	More than 1 RO
31 December 2020				
<i>Non-derivative financial liabilities</i>				
Term loan	145,535,873	199,321,640	13,303,455	186,018,185
Trade payables	25,912,935	25,912,935	18,114,031	7,798,904
Lease liabilities	2,071,784	2,071,784	152,716	1,919,068
Accrued expenses	2,864,269	2,864,269	2,864,269	-
Due to related parties	481,915	481,915	481,915	-
	<u>176,866,776</u>	<u>230,652,543</u>	<u>34,916,386</u>	<u>195,736,157</u>
<i>Derivative financial liabilities</i>				
Gross payable under IRS	11,495,262	11,495,262	1,954,195	9,541,067
	<u>188,362,038</u>	<u>242,147,805</u>	<u>36,870,581</u>	<u>205,277,224</u>

### Categories of financial assets

	30-Sep-21 RO	31-Dec-20 RO
Financial assets (at amortised cost)		
Cash and cash equivalents	3,018,874	4,648,738
Finance lease receivable	43,817,138	45,555,377
Major maintenance receivables	2,556,204	2,892,473
Trade and other receivables	15,859,194	27,754,835
	<u>65,251,410</u>	<u>80,851,423</u>
Financial liabilities (at amortised cost)		
Long term loan	138,606,520	145,535,873
Lease liabilities	2,004,614	2,071,784
Trade and other payables	16,853,367	29,259,119
	<u>157,464,501</u>	<u>176,866,776</u>

### 28 FAIR VALUES

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair

	30-Sep-21		31-Dec-20	
	Carrying RO	Fair value RO	Carrying Amount RO	Fair value RO
<i>Financial assets</i>				
Finance lease receivables	43,983,226	43,817,138	45,555,377	45,555,377
Major maintenance revenue receivables	2,566,750	2,556,204	2,892,473	2,892,473
Trade receivable	15,789,112	15,789,112	27,669,835	27,669,835
Other receivables	70,082	70,082	85,000	85,000
	<u>15,859,194</u>	<u>15,859,194</u>	<u>27,754,835</u>	<u>27,754,835</u>
	Carrying RO	Fair value RO	Carrying Amount RO	Fair value RO

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 28 FAIR VALUES (continued)

#### *Financial liabilities*

Interest bearing loans and borrowings				
- Floating rate borrowings	<b>80,594,699</b>	<b>80,594,699</b>	84,812,975	84,812,975
- Fixed rate borrowings	<b>59,241,681</b>	<b>59,241,681</b>	62,081,331	60,679,867
Trade payables	<b>12,880,088</b>	<b>12,880,088</b>	25,912,935	25,912,935
Lease liabilities	<b>2,004,614</b>	<b>2,004,614</b>	2,071,784	2,071,784
Accrued expenses	<b>2,774,119</b>	<b>2,774,119</b>	2,864,269	2,864,269
Due to related parties	<b>721,076</b>	<b>721,076</b>	481,915	481,915
Derivative financial liabilities	<b>7,737,340</b>	<b>7,737,340</b>	11,495,262	11,495,262
	<b><u>165,953,617</u></b>	<b><u>165,953,617</u></b>	<u>189,720,471</u>	<u>188,319,007</u>

### 29 CAPITAL MANAGEMENT

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

The capital structure of the Company comprises of net debt (borrowings as detailed in notes 16 offset by cash and bank balances), lease liabilities and equity of the Company (comprising the share capital, reserves and retained earnings). The Company is not subject to externally imposed capital requirements other than the requirements of the Commercial Companies Law.

The Board regularly reviews the capital structure of the Company. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The gearing ratio at 30 September 2021 of 330.24% (31 December 2020: 380.65%) (see below).

#### *Gearing ratio*

Gearing ratio at the reporting date as follows:

	<b>30-Sep-21</b>	31-Dec-20
	<b>RO</b>	RO
Debt (i)	<b>140,611,134</b>	147,607,657
Cash and bank balances	<b>(3,018,874)</b>	(4,648,738)
Net debt	<b><u>137,592,260</u></b>	<u>142,958,919</u>
Equity (ii)	<b><u>41,664,071</u></b>	<u>37,556,074</u>
Net debt to equity ratio	<b><u>330.24%</u></b>	<u>380.65%</u>

(i) Debt is defined as long- and short-term borrowings (excluding derivatives) as described in note 16 and lease liabilities (note 18).

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

### 30 COMMITMENTS AND CONTINGENCIES

#### **(i) Debt Service Reserve Account Letter of Credit**

At 30 September 2021, the Company had contingent liabilities in respect of Debt Service Reserve Account ('DSRA') letter of credit amounting to RO 3,309,004 and USD 11,342,251 (31 December 2020 : RO 2,609,818 and USD 9,082,298) in accordance with the requirement of the Common Terms Agreement ('CTA') given in the normal course of business on which no material liabilities are expected to arise.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 30 COMMITMENTS AND CONTINGENCIES (continued)

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

Under the Common Terms Agreement (CTA) the project's sponsors are required to provide the Fuel Reserve Account (FRA) commitment to the offshore trustee. The FRA commitment can be provided in the form of cash, letter of credit (LC) or letter of guarantee (LG) . At 31 December 2020, Mitsui & Co., Ltd and ACWA Power provided their support through letter of guarantee and letter of credit respectively, whereas DIDIC deposited the cash of OMR 311,930 (31 December 2019 : OMR 311,930) in FRA bank account to comply with the CTA requirements. FRA bank balance and FRA support can only be utilized with lenders' and sponsors' consent, therefore DGC do not have any control on these amounts and the amount received from DIDIC is held in a fiduciary capacity and not accounted in these financial statements.

#### (iii) Capital commitments

The Company has no capital commitments as of 30 September 2021 (31 December 2020: RO 275,494) with contractors for construction and other activities.

#### (iii) Operating lease arrangement where the Company acts as a lessor

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

	30-Sep-21 RO	31-Dec-20 RO
Due within one year	16,822,637	13,445,683
Due after one year but within five years	53,758,692	53,772,103
Due after five years	83,891,385	93,924,626
	<u>154,472,714</u>	<u>161,142,412</u>

#### (iv) Capital connection fee charges

The Company had entered into agreements for connection to the transmission system and has to pay the fixed and variable connection charges related to connection assets and operation and maintenance fee.

The minimum fixed future payments under the electrical connection agreements are as follow:

	30-Sep-21 RO	31-Dec-20 RO
Due within one year	271,958	271,958
Due after one year but within five years	1,087,832	1,087,832
Due after five years	760,866	1,547,420
	<u>2,120,656</u>	<u>2,907,210</u>

### 31 NET ASSETS PER SHARE

Net assets per share is calculated by dividing the net assets attributable to the ordinary shareholders of the Company by the ordinary shares outstanding at the reporting date.

	30-Sep-21 RO	31-Dec-20 RO Restated
Net assets – shareholder funds	41,664,071	37,556,074
Total number of ordinary shares	<u>222,240,000</u>	<u>222,240,000</u>
	<u>0.187</u>	<u>0.169</u>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 32 SEGMENT REPORTING

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

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 chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Company operates in one business segment that of generation of power. All relevant information relating to this primary segment is disclosed in the statement of financial position, statement of comprehensive income and notes to the financial statements.

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

### 33 DIVIDEND PAYMENT

During the period, the Company paid dividends of 18 Baiza per share for 22,224,000 number of shares amounting to RO 2,000,160 (31 December 2020:RO 4,000,320). These dividends were approved at the Annual General Meeting held on 16 March 2020. Refer to note 16 for the application of Cash Sweep Mechanism which will have a potential impact on future dividends.

### 34 PRIOR YEAR RESTATEMENT

The corresponding figures have been restated in these financial statements to rectify the following in the accounting records of previous years:

(1) Provision for major maintenance of RO 7.5 million was recorded in year 2016 with respect to major maintenance obligation under PPA for 273 MW power plant and increased the finance lease receivables carrying value with same amount. However, as per IFRS 15 major maintenance is treated as a separate performance obligation and a part of the consideration under PPA is also allocated to this performance obligation. Accordingly, the cost of the major maintenance and related revenue are recognized in the profit or loss in the period in which major maintenance is carried out.

The Company continues to receive capacity payments based on the plant availability. The split of capacity revenue in to lease and non lease components is as per IFRS requirements and has no impact for net cashflows of the Company.

(2) Right of use assets were recognized for connection assets agreement with OETC in year 2019 and the same was amortized based on 15 years. Management has reassessed the terms of the contract to determine the control of the connection assets and considering the load dispatch center function of OETC along with right to operate and maintain the connection assets, it has been concluded that the control for connection assets remains with OETC.

Accordingly, right of use assets, lease liability, related depreciation expense and finance cost have been retrospectively adjusted. Further as per management assessment, the Company will receive benefits from connection assets until the plant is in operation, accordingly the connection charges will be expensed over the estimated useful life of the plant.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2021

### 34 PRIOR YEAR RESTATEMENT (continued)

These prior period adjustments have been corrected with retrospective effect by restating the prior period financial statements as per the requirements of IAS 8 - Accounting Policies, Changes in the Accounting Estimates and Errors.

Effects of prior year adjustment on the financial statements for the period ended 30 September 2020:

	Originally reported RO	Effect of prior years adjustment RO	As restated RO
<b>At 30 September 2020</b>			
<i>Statement of profit or loss and other comprehensive income</i>			
Revenue	31,752,864	(39,104)	31,713,760
Operating costs	(22,794,366)	(238,134)	(23,032,500)
Finance costs	(5,458,037)	193,460	(5,264,577)
Finance income	-	190,563	190,563
Income tax expense	(986,124)	(8,303)	(994,427)
Net profit	1,770,775	98,482	1,869,257