

# **DHOFAR GENERATING COMPANY SAOG**

## **Financial statements**

**For the nine months period ended 30 September 2023**

# DHOFAR GENERATING COMPANY SAOG

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## Financial statements

For the nine months period ended 30 September 2023

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# DHOFAR GENERATING COMPANY SAOG

## STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2023

	Notes	30-Sep-23 RO	31-Dec-22 RO
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	139,373,407	142,350,209
Finance lease receivable	5	35,726,721	37,945,699
Major maintenance accrued revenue	6	1,490,885	1,669,111
Fair value of the cash flow hedge	14	2,986,463	2,145,835
Right-of-use assets	18	1,691,789	1,728,835
Prepaid connection charges		782,926	693,152
<b>Total non-current assets</b>		<b>182,052,191</b>	<b>186,532,841</b>
<b>Current assets</b>			
Finance lease receivable	5	2,919,032	2,745,581
Major maintenance accrued revenue	6	566,238	638,631
Inventories	7	5,269,187	5,526,956
Trade and other receivables	8	5,719,419	3,794,599
Advances and prepayments	9	320,018	145,003
Cash and cash equivalents	10	2,844,740	6,527,193
Fair value of the cash flow hedge	14	842,336	605,235
<b>Total current assets</b>		<b>18,480,970</b>	<b>19,983,198</b>
<b>TOTAL ASSETS</b>		<b>200,533,161</b>	<b>206,516,039</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	11	22,224,000	22,224,000
Legal reserve	12	917,468	917,468
Retained earnings		28,537,328	26,965,524
Cash flow hedge reserve	13	3,254,478	2,338,408
<b>Net equity</b>		<b>54,933,274</b>	<b>52,445,400</b>
<b>Non-current liabilities</b>			
Long term loan	16	107,436,233	119,061,879
Provision for decommissioning costs	15	5,402,007	5,206,754
End of service benefits		105,655	99,232
Lease liabilities	18	1,820,488	1,867,885
Deferred tax	19	12,186,568	11,360,062
<b>Total non-current liabilities</b>		<b>126,950,951</b>	<b>137,595,812</b>
<b>Current liabilities</b>			
Long term loan	16	10,780,247	8,558,295
Short term borrowings		400,000	-
Lease liabilities	18	133,137	133,137
Trade and other payables	17	7,332,559	7,780,402
Income tax payable	19	2,993	2,993
<b>Total current liabilities</b>		<b>18,648,936</b>	<b>16,474,827</b>
<b>Total liabilities</b>		<b>145,599,887</b>	<b>154,070,639</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>200,533,161</b>	<b>206,516,039</b>
<b>Net assets per share</b>	31	<b>0.25</b>	0.236

The financial statements were approved by a resolution of the Board of Directors on 24 October

Chairman

Chief Executive Officer

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

# DHOFAR GENERATING COMPANY SAOG

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months period ended 30 September 2023

		Quarter ended 30-Sep-23 RO	9 months ended 30-Sep-23 RO	Quarter ended 30-Sep-22 RO	9 months ended 30-Sep-22 RO
	<i>Notes</i>				
Revenue	20	13,700,087	40,107,355	11,802,148	35,593,939
Operating costs	21	(11,406,140)	(32,247,053)	(9,510,472)	(27,171,198)
<b>Gross profit</b>		<b>2,293,947</b>	<b>7,860,302</b>	2,291,676	8,422,741
General and administrative expenses	22	(110,313)	(702,806)	(305,164)	(894,126)
Finance cost	24	(1,659,375)	(5,053,213)	(1,716,369)	(5,186,490)
Finance income	6	42,969	132,367	48,339	148,022
<b>Profit before tax</b>		<b>567,228</b>	<b>2,236,650</b>	318,482	2,490,147
Income tax expense	19	(231,818)	(664,846)	(241,605)	(408,063)
<b>Profit for the period</b>		<b>335,410</b>	<b>1,571,804</b>	76,877	2,082,084
<b>Other comprehensive income</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Fair value gain arising during the period on cash flow hedge net of tax	13	1,122,864	916,070	2,128,452	7,667,359
<b>Total comprehensive income for the period</b>		<b>1,458,274</b>	<b>2,487,874</b>	2,205,329	9,749,443
<b>Basic and diluted earnings per share</b>	25	<b>0.007</b>	<b>0.007</b>	(0.006)	0.009

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

## DHOFAR GENERATING COMPANY SAOG

### STATEMENT OF CHANGES IN EQUITY

For the nine months period ended 30 September 2023

	Share capital RO	Legal reserve RO	Retained earnings RO	Cash flow hedge reserve RO	Total RO
Balance at 1 January 2022	22,224,000	723,584	25,220,568	(5,561,527)	42,606,625
Profit for the period	-	-	2,082,084	-	2,082,084
Other comprehensive income for the period	-	-	-	7,667,359	7,667,359
Total comprehensive income for the period	-	-	2,082,084	7,667,359	9,749,443
Balance at 30 September 2022	22,224,000	723,584	27,302,652	2,105,832	52,356,068
<b>Balance at 1 January 2023</b>	<b>22,224,000</b>	<b>917,468</b>	<b>26,965,524</b>	<b>2,338,408</b>	<b>52,445,400</b>
Profit for the period	-	-	1,571,804	-	1,571,804
Other comprehensive income for the period	-	-	-	916,070	916,070
Total comprehensive income for the period	-	-	1,571,804	916,070	2,487,874
<b>Balance at 30 September 2023</b>	<b>22,224,000</b>	<b>917,468</b>	<b>28,537,328</b>	<b>3,254,478</b>	<b>54,933,274</b>

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

# DHOFAR GENERATING COMPANY SAOG

## STATEMENT OF CASH FLOWS

For the nine months period ended 30 September 2023

		<b>9 months ended 30-Sep-23</b>	9 months ended 30-Sep-22
	<i>Notes</i>	<b>RO</b>	RO
<b>OPERATING ACTIVITIES</b>			
Profit before tax		<b>2,236,650</b>	2,490,147
Adjustments for:			
Depreciation of property, plant and equipment	4	<b>2,976,801</b>	2,980,529
Depreciation of right-of-use asset	18	<b>37,046</b>	46,802
Finance costs	24	<b>5,053,213</b>	5,186,490
Finance income	6	<b>(132,367)</b>	(148,022)
Interest income on finance lease	20	<b>(2,446,410)</b>	(2,606,303)
Major maintenance revenue	20	<b>(239,411)</b>	(192,633)
Provision for end of service benefit net of payment		<b>6,423</b>	(9,734)
		<b>7,491,945</b>	7,747,276
Working capital changes:			
Inventories		<b>257,769</b>	143,674
Trade and other receivables		<b>(1,924,820)</b>	10,463,838
Trade and other payables		<b>279,054</b>	(9,813,114)
Prepaid connection charges		<b>(89,774)</b>	(89,775)
Advances and prepayments		<b>(175,015)</b>	304,207
Cash generated from operations		<b>5,839,159</b>	8,756,106
Income tax paid	19	-	-
Finance lease and major maintenance installments received		<b>5,114,337</b>	5,114,337
Net cash flows generated from operating activities		<b>10,953,496</b>	13,870,443
<b>FINANCING ACTIVITIES</b>			
Finance cost paid		<b>(5,390,142)</b>	(4,830,479)
Payment of lease liabilities	18	<b>(133,137)</b>	(144,014)
Repayment of long term loan	16	<b>(9,512,670)</b>	(9,924,794)
Short term borrowing - net		<b>400,000</b>	1,000,000
Net cash flows used in financing activities		<b>(14,635,949)</b>	(13,899,287)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(3,682,453)</b>	(28,844)
Cash and cash equivalents at beginning of the year		<b>6,527,193</b>	4,456,708
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	10	<b>2,844,740</b>	4,427,864

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

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# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 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 ACWA Power Company ("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 Public Service Regulation, Oman (APSR).

#### Significant agreements

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

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

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

The Company entered into 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

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

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.



# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2 Changes in accounting policies

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

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

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

In the current year, the company has applied a number of other amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2023. The adoption of the following IFRSs have not had any material impact on the disclosures or on the amounts reported in these financial statements and are listed below.

- Amendments to IFRS 3 – *Reference to the conceptual framework*
- Amendments to IAS 16 – *Property, plant and equipment – proceeds before intended use*
- Amendments to IAS 37– *Onerous contracts – cost of fulfilling a contract*
- Annual improvements to IFRS Standards 2018-2020 cycle. Amendments to IFRS 1 First-time adoption of IFRS, IFRS 9 Financial instruments, IFRS 16 Leases, and IAS 41 Agriculture

The above amendments had no impact on the financial statements of the Company.

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

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

<b>New and revised IFRSs</b>	<b>Effective for annual periods beginning on or after</b>
IFRS 17 Insurance Contracts	1 January 2023
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	
Amendments to IFRS 10 Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.
Amendments to IAS 1 – <i>classification of liabilities as current or non-current</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies	1 January 2023
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 8 - Definition of accounting estimates	1 January 2023

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.2.2 New and revised IFRS standards and interpretations but not yet effective (continued)

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

The United Kingdom Financial Conduct Authority (FCA), which regulates the London Interbank Offered Rate ('LIBOR') was effective till 30th June 2023 for overnight, 1, 3, 6 and 12 months tenors. From 1st July 2023, Secured Overnight Financing Rate (SOFR) is implemented which used as benchmark overnight interest rates. SOFR reforms and expectations of cessation of SOFR will impact the Company's current risk management strategy and possibly accounting for financial instruments. As at 30 September 2023, the Company has derivative asset of RO 3.83 million (2022: derivative liability of RO 2.75 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 till June 2023 and SOFR is implemented from July 2023. 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 LIBOR reform. The reliefs have the effect that LIBOR and SOFR reform should not generally cause hedge accounting to terminate.

### 2.3 Summary of significant accounting policies

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

#### 2.3.1 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### **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 advantages market must be accessible by the Company.

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

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

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 2023

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

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

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

###### i) Revenue from lease contracts (continued)

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 output. Amounts received in relation to electricity energy charges are contingent rental receipts. Revenue from contracts with customers is accounted under 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. The Company submits invoices on monthly basis in arrears and generally are submitted on or before the 5th day of the subsequent month.

The major maintenance revenue related to 273 MW power plant is estimated based on expected major maintenance cost over the term of PPA, as and when major maintenance is carried out by the Company. Interest income related to significant financing component is recognized using effective interest method.

##### **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 2023

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

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

##### **2.3.4 Taxes (continued)**

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 Property, plant and equipment**

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

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

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

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

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 2.3.6 Plant, equipment and capital work in progress (continued)

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement 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 2023

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

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

##### **2.3.7 Leases (continued)**

###### *a. Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date 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 indicators such as whether the lease is for the major part of the economic life of the asset.

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. 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 2023

### 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 2023

### **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 2023

### **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 2023

### 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 2023

### **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.

##### **2.3.12 Provisions**

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

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

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

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

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

##### **2.3.12 Provisions (continued)**

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

##### **2.3.13 Employee benefits**

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.

##### **2.3.14 Borrowing costs**

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

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

##### **2.3.15 Share capital**

Share capital is recorded at the proceeds received.

##### **2.3.16 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.

##### **2.3.17 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 2023

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

#### 3.1 Judgements

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

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

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

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

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

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

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

##### (I) Finance lease

Based on management's evaluation, the PPA with OPWP with respect to 273 MW power plant has been classified as a finance lease under IFRS 16, since significant risks and rewards associated with the ownership of the plant are transferred to OPWP. 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 2023

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

#### **3.1 Judgements (continued)**

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

###### **(I) Finance lease (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 an operating lease under IFRS 16 since significant risks and rewards associated with the ownership of the plant lies with the Company. The primary basis for this conclusion is that the PPA is for a term of fifteen years while the economic life of the power plant is estimated to be forty years. The present value of minimum lease payments under the PPA does not substantially recover the fair value of the plant at the inception of the lease. Further, the residual risk is borne by the Company.

##### **c) Revenue recognition**

The Company is entitled to receive various considerations 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 of 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 the estimates, the major maintenance revenue for the period would be impacted to such extent.

#### **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**

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

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

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

#### **3.2 Estimates and assumptions (continued)**

##### **c) Provision for expected credit losses of trade receivables (continued)**

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates 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.

The Company uses a provision matrix to calculate ECLs for trade receivables. 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, management has assessed that the Company will receive the benefits from connection assets till plant is in operation, accordingly, connection charges will be amortized over the estimated useful life of the plant.



## DHOFAR GENERATING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

#### 4 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Buildings, civil and structural works	Plant capital spares and other equipment	Decommissio- ning asset	Computers and equipment	Computer software	Motor vehicles	Furniture and fixture	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO
Cost:									
<b>At 1 January 2023</b>	<b>150,211,411</b>	<b>9,007,974</b>	<b>1,480,899</b>	<b>1,393,077</b>	<b>328,426</b>	<b>102,254</b>	<b>19,750</b>	<b>57,880</b>	<b>162,601,671</b>
Depreciation:									
At 1 January 2023	17,856,313	1,125,996	705,463	141,176	242,630	102,254	19,750	57,880	20,251,462
Depreciation for the period	2,686,210	168,900	61,704	26,827	33,161	-	-	-	2,976,802
<b>At 30 September 2023</b>	<b>20,542,523</b>	<b>1,294,896</b>	<b>767,167</b>	<b>168,003</b>	<b>275,791</b>	<b>102,254</b>	<b>19,750</b>	<b>57,880</b>	<b>23,228,264</b>
Net book value:									
<b>At 30 September 2023</b>	<b>129,668,888</b>	<b>7,713,078</b>	<b>713,732</b>	<b>1,225,074</b>	<b>52,635</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>139,373,407</b>
Cost:									
At 1 January 2022	150,211,411	9,007,974	1,480,899	1,393,077	328,426	102,254	19,750	57,880	162,601,671
At 31 December 2022	150,211,411	9,007,974	1,480,899	1,393,077	328,426	102,254	19,750	57,880	162,601,671
Depreciation:									
At 1 January 2022	14,274,700	900,797	623,191	105,408	195,755	101,127	19,530	57,880	16,278,388
Depreciation for the year	3,581,613	225,199	82,272	35,768	46,875	1,127	220	-	3,973,074
At 31 December 2022	17,856,313	1,125,996	705,463	141,176	242,630	102,254	19,750	57,880	20,251,462
Net book value:									
At 31 December 2022	132,355,098	7,881,978	775,436	1,251,901	85,796	-	-	-	142,350,209

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

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

	30-Sep-23 RO	30-Sep-22 RO
Operating costs (note 21)	2,975,206	2,975,294
General and administrative expenses (note 22)	1,595	5,235
	<b>2,976,801</b>	<b>2,980,529</b>

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

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 5 FINANCE LEASE RECEIVABLE

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

	30-Sep-23 RO	31-Dec-22 RO
Finance lease receivable	38,794,108	40,839,635
Less: allowance for expected credit losses	(148,355)	(148,355)
	<u>38,645,753</u>	<u>40,691,280</u>
<i>Non-current portion:</i>		
Finance lease receivable - non current	35,865,066	38,084,044
Less: allowance for expected credit losses	(138,345)	(138,345)
	<u>35,726,721</u>	<u>37,945,699</u>
<i>Current portion:</i>		
Finance lease receivable - current	2,929,042	2,755,591
Less: allowance for expected credit losses	(10,010)	(10,010)
	<u>2,919,032</u>	<u>2,745,581</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 2023</b>					
Gross finance lease receivables	5,989,248	5,989,248	17,468,641	25,953,410	55,400,548
Less: unearned finance income	(3,060,206)	(2,811,838)	(6,577,277)	(4,157,119)	(16,606,440)
	<u>2,929,042</u>	<u>3,177,411</u>	<u>10,891,364</u>	<u>21,796,291</u>	<u>38,794,108</u>
<b>31 December 2022</b>					
Gross finance lease receivables	5,989,248	5,989,249	17,967,746	29,946,242	59,892,485
Less: unearned finance income	(3,233,657)	(2,999,996)	(7,391,347)	(5,427,849)	(19,052,850)
	<u>2,755,591</u>	<u>2,989,253</u>	<u>10,576,399</u>	<u>24,518,393</u>	<u>40,839,635</u>

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

	30-Sep-23 RO	31-Dec-22 RO
At 1 January	148,355	156,980
Reversal of allowance during the period / year (note 22)	-	(8,625)
At 30 September / 31 December	<u>148,355</u>	<u>148,355</u>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 6 MAJOR MAINTENANCE ACCRUED REVENUE

	30-Sep-23 RO	31-Dec-22 RO
At 1 January	2,318,288	2,525,395
Add: major maintenance revenue recognised during the period / year (note 20)	239,411	428,202
Add: finance income recognised during the period / year	132,367	194,554
Less: payments received during the period / year	(622,397)	(829,863)
Closing balance	<u>2,067,669</u>	<u>2,318,288</u>
Less: allowance for expected credit losses	(10,546)	(10,546)
At 30 September / 31 December	<u><u>2,057,123</u></u>	<u><u>2,307,742</u></u>

	30-Sep-23 RO	31-Dec-22 RO
Current and non-current classifications as at the reporting date as follows:		
Non-current	1,499,299	1,677,525
Less: allowance for expected credit losses	(8,414)	(8,414)
	<u><u>1,490,885</u></u>	<u><u>1,669,111</u></u>

Current	568,370	640,763
Less: allowance for expected credit losses	(2,132)	(2,132)
	<u><u>566,238</u></u>	<u><u>638,631</u></u>

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

	30-Sep-23 RO	31-Dec-22 RO
At 1 January	10,546	10,546
Allowance charged during the year (note 22)	-	-
At 30 September / 31 December	<u><u>10,546</u></u>	<u><u>10,546</u></u>

### 7 INVENTORIES

	30-Sep-23 RO	31-Dec-22 RO
Spares and consumables	2,693,885	2,732,936
Fuel	2,575,302	2,794,020
	<u><u>5,269,187</u></u>	<u><u>5,526,956</u></u>

Management carries out an annual assessment of Inventories at every year-end and whenever provision is required for obsolescence/slow-moving items, it is considered to bring the assets to its lower of cost or net realizable value. Currently, no provision has been considered for the period ended 30 September 2023 (31 December 2022: RO Nil).

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 8 TRADE AND OTHER RECEIVABLES

	30-Sep-23 RO	31-Dec-22 RO
Trade receivables from OPWP	5,173,924	3,510,039
Less: allowance for expected credit losses	(471)	(471)
	<u>5,173,453</u>	<u>3,509,568</u>
Other receivables	437,086	260,627
Amount due from related parties (note 26)	108,880	24,404
	<u><u>5,719,419</u></u>	<u><u>3,794,599</u></u>

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

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

	30-Sep-23 RO	31-Dec-22 RO
At 1 January	471	471
Write off / reversal during the period / year	-	-
At 30 September / 31 December	<u>471</u>	<u>471</u>
Amount due from related parties (note 26)		

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

Less than 25 days	5,173,924	3,507,326
More than 360 days	-	2,712
	<u>5,173,924</u>	<u>3,510,038</u>

(iv) Trade receivable consists of Nill (2022 - RO 2,712) outstanding from OPWP against the fuel cost allowance.

### 9 ADVANCES AND PREPAYMENTS

	30-Sep-23 RO	31-Dec-22 RO
Prepaid expenses	318,351	143,140
Advances and others	1,667	1,863
	<u>320,018</u>	<u>145,003</u>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 10 CASH AND CASH EQUIVALENTS

	30-Sep-23 RO	31-Dec-22 RO
Cash at bank	2,871,031	6,553,137
Less: allowance for expected credit losses	(26,654)	(26,654)
	<u>2,844,377</u>	<u>6,526,483</u>
Cash in hand	363	710
	<u>2,844,740</u>	<u>6,527,193</u>
Cash and cash equivalents - gross	<u>2,871,394</u>	<u>6,553,847</u>

Bank balances are placed with reputed financial institutions in Sultanate of Oman and United Kingdom.

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

	30-Sep-23 RO	31-Dec-22 RO
At 1 January	26,654	16,949
Less: allowance charged during the period / year (note 22)	-	9,705
At 30 September / 31 December	<u>26,654</u>	<u>26,654</u>

### 11 SHARE CAPITAL

The authorised share capital of the Company as at 30 September 2023 is RO 120,000,000 (2022 : RO 120,000,000). Issued and paid up capital as at 30 September 2023 is RO 22,224,000 (2022 : RO 22,224,000) of 100 baiza. The Company has one class of ordinary shares which carry no right to fixed income.

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

	30-Sep-23		31-Dec-22	
	Percentage shareholding	No. of shares	Percentage shareholding	No. of shares
MAP Power Holding Company Limited	27%	60,004,800	27%	60,004,800
Mitsui & Co. Middle East and Africa Projects Investment & Development Limited	27%	60,004,800	27%	60,004,800

### 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 profit after the deduction of taxes will be transferred to a non-distributable statutory reserve each year until the amount of such legal reserve has reached a minimum of one third of that Company's issued share capital. This reserve is not available for distribution to shareholders as dividends.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 13 CASH FLOW HEDGE RESERVE

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

	30-Sep-23 RO	31-Dec-22 RO
At 1 January (A)	<u>2,338,408</u>	(5,561,527)
Change in fair value during the period / year	<b>1,077,729</b>	9,294,042
Less: related deferred tax asset (note 19)	<b>(161,659)</b>	(1,394,107)
Change in fair value of hedge during the period / year (B)	<b>916,070</b>	7,899,935
At 30 September / 31 December (C) = (A) + (B)	<b><u>3,254,478</u></b>	<b><u>2,338,408</u></b>

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 2.9% - 3.2% per annum. The Company's borrowings at variable rate are denominated in US Dollars.

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

	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 2023</b>					
Interest rate swaps	<u>3,828,799</u>	<u>68,449,060</u>	<u>4,203,751</u>	<u>16,618,606</u>	<u>47,626,703</u>
 31 December 2022					
Interest rate swaps	<u>2,751,070</u>	<u>72,407,657</u>	<u>4,232,249</u>	<u>18,253,355</u>	<u>49,922,053</u>

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

	30-Sep-23 RO	31-Dec-22 RO
Non-current	<b>2,986,463</b>	2,145,835
Current	<b>842,336</b>	605,235
	<b><u>3,828,799</u></b>	<b><u>2,751,070</u></b>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 15 PROVISION FOR DECOMMISSIONING COSTS

	30-Sep-23 RO	31-Dec-22 RO
At the beginning of the year	5,206,754	4,958,813
Unwinding of discount on decommissioning cost provision (note 24)	195,253	247,941
	<u>5,402,007</u>	<u>5,206,754</u>

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

### 16 LONG TERM LOAN

	30-Sep-23 RO	31-Dec-22 RO
At the beginning	128,598,870	138,523,664
Paid during the period / year	(9,512,670)	(9,924,794)
Gross loan amount	119,086,200	128,598,870
Less: unamortised arrangement fee	(869,720)	(978,696)
	<u>118,216,480</u>	<u>127,620,174</u>

Current and non-current classification of the term loan is as follows;

Non-current portion	107,436,233	119,061,879
Current portion	10,780,247	8,558,295
	<u>118,216,480</u>	<u>127,620,174</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	5.59% per annum	31 December 2032
2	USD	248,271,000	SOFR + 1.8% per annum	31 December 2032

The repayment schedule of term loan is as follows:

	30-Sep-23 RO	31-Dec-22 RO
Payable within one year	10,780,247	8,558,295
Payable between 1 and 2 years	11,093,863	10,780,247
Payable between 2 and 5 years	34,039,650	33,384,535
Payable after 5 years	63,172,440	75,875,793
	<u>119,086,200</u>	<u>128,598,870</u>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 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 to the financial statements.

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 5.43% per annum (2022: 4.10%) for USD facility and 5.11% per annum (2022: 5%) for RO Facility (overall effective rate 5.21% per annum) (2022: 4.46%). The loan is subject to certain covenants relating to maintenance of Debt Service Coverage Ratio.

Also as of 30 September 2023, the Company has undrawn working capital facility amounting to RO 7,300,000 (2022 - RO 7,700,000) with interest rate of 4.25% per annum (2022 - 3.75%).

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

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

	At 1 January	Repayments during year	Non-cash changes	At 30 September
	RO	RO	RO	RO
<b>30 September 2023</b>				
Senior facility loan	<u>127,620,174</u>	<u>(9,512,670)</u>	<u>108,976</u>	<u>118,216,480</u>
31 December 2022				
Senior facility loan	<u>137,351,727</u>	<u>(9,924,794)</u>	<u>193,241</u>	<u>127,620,174</u>

### 17 TRADE AND OTHER PAYABLES

	30-Sep-23 RO	31-Dec-22 RO
Trade payables	5,182,851	3,870,698
Accrued expenses	1,503,868	2,672,140
VAT and other payables	645,840	724,229
Amount due to related parties (note 26)	-	513,335
	<u>7,332,559</u>	<u>7,780,402</u>



# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 18 LEASES

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

- The Usufruct agreement with 40 years lease term.

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

	<b>30-Sep-23</b>	31-Dec-22
	<b>RO</b>	RO
At 1 January	<b>1,728,835</b>	1,787,985
Depreciation charged during the period / year (note 21)	<b>(37,046)</b>	(59,150)
At 30 September / 31 December	<b><u>1,691,789</u></b>	<u>1,728,835</u>

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

At 1 January	<b>2,001,022</b>	2,034,217
Interest accrued during the period / year (note 24)	<b>85,740</b>	115,853
Payments during the period / year	<b>(133,137)</b>	(149,048)
At 30 September / 31 December	<b><u>1,953,625</u></b>	<u>2,001,022</u>

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

Non-current lease liabilities	<b>1,820,488</b>	1,867,885
Current lease liabilities	<b>133,137</b>	133,137
	<b><u>1,953,625</u></b>	<u>2,001,022</u>

	<b>30-Sep-23</b>	31-Dec-22
	<b>RO</b>	RO
The following are the amounts recognised in the profit or loss;		
Depreciation of right-of-use assets (note 21)	<b>37,046</b>	59,150
Interest on lease liabilities (note 24)	<b>85,740</b>	115,853
	<b><u>122,786</u></b>	<u>175,003</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>133,137</b>	133,137
1 - 2 years	<b>133,137</b>	133,137
2 - 5 years	<b>399,411</b>	399,411
More than 5 years	<b>1,287,940</b>	1,335,337
	<b><u>1,953,625</u></b>	<u>2,001,022</u>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 19 TAXATION

	<b>9 Months ended 30-Sep-23 RO</b>	9 Months 30-Sep-22 RO
<b>Statement of profit or loss</b>		
Deferred tax charge	<u>664,846</u>	<u>408,063</u>
	<b>30-Sep-23 RO</b>	31-Dec-22 RO
<b>Statement of financial position</b>		
<b>Non-current liability:</b>		
Deferred tax-net	<u>12,186,568</u>	<u>11,360,062</u>
<b>Current tax liability</b>		
Current tax	<u>2,993</u>	<u>2,993</u>
	<b>30-Sep-23 RO</b>	31-Dec-22 RO
Movement for current tax liability:		
At 1 January	2,993	2,993
Payments during the period / year	-	-
At 30 September / 31 December	<u>2,993</u>	<u>2,993</u>

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

	<b>9 Months ended 30-Sep-23 RO</b>	9 Months 30-Sep-22 RO
Accounting profit before tax for the period	<u>2,236,650</u>	<u>2,490,147</u>
Tax at the rate of 15%	335,498	373,522
Add tax effect of:		
Expenses not allowed in tax	-	731
Deferred tax not recognised on tax losses	329,349	177,260
Deferred tax prior year	-	(337,283)
Tax expense for the period	<u>664,847</u>	<u>214,230</u>

The tax assessments upto the year 2017 has been completed by the tax authorities.

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 Law.

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

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 19 TAXATION (continued)

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

The carried forward tax losses will expire within 5 years except for the tax year 2020. Management believes that future taxable profit will not be sufficient to offset the carried forward tax losses which will expire within 5 years, hence deferred tax asset of RO 6,191,792 (2022 - RO 6,521,144) has not been recognized on carried forward tax losses.

#### 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;

	<u>Deferred tax recognised in</u>			At 30 September RO
	At 1 January RO	Profit or loss RO	OCI RO	
<b>30 September 2023</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
<i>Deferred tax asset / (liability)</i>				
Provision for decommissioning cost	781,013	29,288	-	810,301
Allowance for expected credit losses	27,904	-	-	27,904
Lease liabilities and right-of-use assets	40,827	(1,551)	-	39,276
Carried forward tax losses	1,203,252	-	-	1,203,252
Cash flow hedge reserve	(412,661)	-	(161,659)	(574,320)
Accelerated tax depreciation	(10,008,166)	(732,900)	-	(10,741,066)
Unrealised gain on recognition of finance lease	(2,559,540)	112,632	-	(2,446,908)
Finance lease receivable for decommissioning asset	(177,431)	19,396	-	(158,035)
Unamortised major maintenance revenue	(67,476)	(95,735)	-	(163,211)
Decommissioning asset	(187,784)	4,023	-	(183,761)
Cash flow hedge reserve	-	-	-	-
Deferred tax liability - net	<u>(11,360,062)</u>	<u>(664,847)</u>	<u>(161,659)</u>	<u>(12,186,568)</u>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 19 TAXATION (continued)

	At 1 January RO	Deferred tax recognised in		At 31 December RO
		Profit or loss RO	OCI RO	
31 Dec 2022				
<i>Deferred tax asset / (liability)</i>				
Provision for decommissioning cost	743,822	37,191	-	781,013
Allowance for expected credit losses	27,742	162	-	27,904
Lease liabilities and right-of-use assets	36,935	3,892	-	40,827
Carried forward tax losses	1,295,640	(92,388)	-	1,203,252
Cash flow hedge reserve	981,446	-	(1,394,107)	(412,661)
Accelerated tax depreciation	(9,193,151)	(815,015)	-	(10,008,166)
Unrealised gain on recognition of finance lease	(2,694,353)	134,813	-	(2,559,540)
Finance lease receivable for decommissioning asset	(203,694)	26,263	-	(177,431)
Unamortised major maintenance revenue	(125,233)	57,757	-	(67,476)
Decommissioning asset	(193,150)	5,366	-	(187,784)
Deferred tax liability - net	<u>(9,323,996)</u>	<u>(641,959)</u>	<u>(1,394,107)</u>	<u>(11,360,062)</u>

### 20 REVENUE

	9 Months ended 30-Sep-23 RO	9 Months 30-Sep-22 RO
<i>Revenue recognised over time</i>		
<i>Revenue from a contract with a customer</i>		
Fuel cost allowance	21,963,632	17,452,000
Fixed operation and maintenance allowance	5,747,880	5,638,896
Electrical energy allowance	146,888	122,174
Major maintenance (note 6)	239,411	192,633
	<u>28,097,811</u>	<u>23,405,703</u>
<i>Revenue from lease contracts</i>		
Interest income from finance lease	2,446,410	2,606,303
Investment charge from operating lease	9,563,134	9,581,933
	<u>12,009,544</u>	<u>12,188,236</u>
	<u>40,107,355</u>	<u>35,593,939</u>

### 21 OPERATING COSTS

	9 Months ended 30-Sep-23 RO	9 Months 30-Sep-22 RO
Fuel cost	22,211,837	17,501,534
Operation and maintenance charges	6,258,869	5,878,989
Depreciation (note 4)	2,975,206	2,975,294
Insurance	417,612	462,525
Transmission connection charges	122,781	138,363
Electricity import cost	38,322	46,802
Depreciation of right-of-use asset (note 18)	37,046	45,468
Major maintenance expenses	185,380	122,223
	<u>32,247,053</u>	<u>27,171,198</u>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 22 GENERAL AND ADMINISTRATIVE EXPENSES

	9 Months ended 30-Sep-23 RO	9 Months 30-Sep-22 RO
Employee costs (note 23)	372,723	426,197
Legal and professional charges	188,990	157,980
License fees to regulator	53,454	73,415
Information technology and software related expenses	36,963	87,571
Director sitting fee and remuneration (note 26)	20,550	26,550
Communication expenses	12,965	15,557
Corporate social responsibility expense	2,428	11,250
Travelling expenses	-	12,996
Depreciation (note 4)	1,595	5,235
Miscellaneous expenses	13,138	77,375
	<u>702,806</u>	<u>894,126</u>

### 23 EMPLOYEE COSTS

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

	9 Months ended 30-Sep-23 RO	9 Months 30-Sep-22 RO
Salaries, secondment charges and other benefits	351,549	407,019
Contributions to a defined contribution	9,267	8,679
Charge for employee end of service	11,907	10,499
	<u>372,723</u>	<u>426,197</u>

### 24 FINANCE COST

	9 Months ended 30-Sep-23 RO	9 Months 30-Sep-22 RO
Interest on long term loan	4,557,385	4,612,587
Unwinding of discount on decommissioning cost provision (note 15)	195,253	185,955
Amortisation of deferred financing cost on term loan (note 16)	108,975	146,092
LC commission	80,633	113,805
Interest on lease (note 18)	85,740	87,017
Interest on working capital loan	25,227	41,034
	<u>5,053,213</u>	<u>5,186,490</u>

### 25 EARNINGS PER SHARE

	9 Months ended 30-Sep-23 RO	9 Months 30-Sep-22 RO
Profit for the period (RO)	1,571,804	2,082,084
Weighted average number of ordinary shares	<u>222,240,000</u>	<u>222,240,000</u>
	<u>0.007</u>	<u>0.009</u>

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.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 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. Pricing policies and terms of these transactions are approved by the Board of directors.

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

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

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

	30-Sep-23 RO	31-Dec-22 RO
<b>Due to related parties (related to major shareholders)</b>		
Dhofar O&M Company LLC	-	494,087
ACWA Power Company	-	19,248
	<u>-</u>	<u>513,335</u>

#### Due from related parties

	30-Sep-23 RO	31-Dec-22 RO
First National Company for Operation and Maintenance - Oman	60,792	21,741
ACWA Power Oman LLC	44,593	2,372
Barka Water and Power Company SAOG	3,004	-
Mitsui & Co. Middle East and Africa Projects investment & Development	199	-
ACWA Power Global Services Ltd	291	291
	<u>108,880</u>	<u>24,404</u>

	9 Months ended 30-Sep-23 RO	9 Months 30-Sep-22 RO
<b>Transactions during the period</b>		
O&M fee and related charges	6,510,544	6,081,703
Other expenses and reimbursement	532,009	361,984
Services received	<u>7,042,553</u>	<u>6,443,687</u>
Services rendered	<u>(190,849)</u>	<u>119,440</u>

#### 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:

	9 Months ended 30-Sep-23 RO	9 Months 30-Sep-22 RO
Short-term employee benefits	60,854	92,394
Long-term employee benefits	3,645	6,495
Directors sitting fees and remuneration (note 22)	20,550	26,550
	<u>85,049</u>	<u>125,439</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.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 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 borrowings.

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

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

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

	<b>30-Sep-23</b>	31-Dec-22
	<b>RO</b>	RO
<b>Fixed rate</b>		
Term loan	<u><b>50,730,898</b></u>	<u>54,626,815</u>
<b>Variable rate instrument</b>		
Term loan	<u><b>68,355,302</b></u>	<u>73,972,055</u>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 27 FINANCIAL RISK MANAGEMENT (continued)

#### Interest rate risk (continued)

##### Interest rate sensitivity

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

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 2023</b>				
Variable rate financial liabilities	(683,553)	683,553	(581,020)	581,020
Interest rate swaps	682,596	(682,596)	580,207	(580,207)
Net sensitivity	(957)	957	(813)	813
	Profit or loss		Equity	
	100 bps	100 bps	100 bps	100 bps
31 December 2022				
Variable rate financial liabilities	(739,721)	739,721	(628,762)	628,762
Interest rate swaps	738,685	(738,685)	627,882	(627,882)
Net sensitivity	(1,036)	1,036	(880)	880

#### Foreign currency risk

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

#### Credit risk

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

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



# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 27 FINANCIAL RISK MANAGEMENT (continued)

#### Credit risk (continued)

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 period ended 30 September 2023. 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 owned entity.

#### Finance lease receivable

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

#### 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 year RO
<b>30 September 2023</b>				
<b>Non-derivative financial liabilities</b>				
Term loan	118,216,480	151,806,714	16,733,252	135,073,463
Trade payables	5,182,851	5,182,851	5,182,851	-
Lease liabilities	1,953,625	1,953,625	133,137	1,820,488
Accrued expenses	1,503,868	1,503,868	1,503,868	-
Due to related parties	-	-	-	-
	<u>126,856,824</u>	<u>160,447,058</u>	<u>23,553,108</u>	<u>136,893,951</u>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 27 FINANCIAL RISK MANAGEMENT (continued)

#### Liquidity risk (continued)

	Carrying value RO	Contractual cashflows RO	Less than 1 year RO	More than 1 year RO
31 December 2022				
<i>Non-derivative financial liabilities</i>				
Term loan	127,620,174	163,392,212	14,205,744	149,186,467
Trade payables	3,870,698	3,870,698	3,870,698	-
Lease liabilities	2,001,022	4,659,795	133,137	4,526,658
Accrued expenses	2,672,140	2,672,140	2,672,140	-
Due to related parties	513,335	513,335	513,335	-
	<u>136,677,369</u>	<u>175,108,180</u>	<u>21,395,054</u>	<u>153,713,125</u>

#### Categories of financial assets

	30-Sep-23 RO	31-Dec-22 RO
<i>Financial assets (at amortised cost)</i>		
Cash and cash equivalents	<b>2,844,740</b>	6,527,193
Finance lease receivable	<b>38,645,753</b>	40,691,280
Major maintenance receivables	<b>2,057,123</b>	2,307,742
Trade and other receivables	<b>5,719,419</b>	3,794,599
	<u><b>49,267,035</b></u>	<u>53,320,814</u>
<i>Financial liabilities (at amortised cost)</i>		
Long term loan	<b>118,216,480</b>	127,620,174
Lease liabilities	<b>1,953,625</b>	2,001,022
Trade and other payables	<b>7,332,559</b>	7,780,402
	<u><b>127,502,664</b></u>	<u>137,401,598</u>

### 28 FAIR VALUES

The carrying amount of financial assets and financial liabilities are approximately equivalent to their 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 values:

	30-Sep-23		31-Dec-22	
	Carrying value RO	Fair value RO	Carrying value RO	Fair value RO
<i>Financial assets</i>				
Cash and cash equivalents	<b>2,844,740</b>	<b>2,844,740</b>	6,527,193	6,527,193
Finance lease receivables	<b>38,645,753</b>	<b>38,645,753</b>	40,691,280	40,691,280
Major maintenance revenue receivable	<b>2,057,123</b>	<b>2,057,123</b>	2,307,742	2,307,742
Trade receivable	<b>5,173,453</b>	<b>5,173,453</b>	3,509,568	3,509,568
Other receivables	<b>437,086</b>	<b>437,086</b>	260,627	260,627
Due from related parties	<b>108,880</b>	<b>108,880</b>	24,404	24,404
Derivative financial assets	<b>3,828,799</b>	<b>3,828,799</b>	2,751,070	2,751,070
	<u><b>53,095,834</b></u>	<u><b>53,095,834</b></u>	<u>56,071,884</u>	<u>56,071,884</u>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 28 FAIR VALUES (continued)

	30-Sep-23		31-Dec-22	
	Carrying value RO	Fair value RO	Carrying value RO	Fair value RO
<b>Financial liabilities</b>				
Interest bearing loans and borrowings				
- Floating rate borrowings	<b>68,355,302</b>	<b>68,355,302</b>	73,972,055	73,972,055
- Fixed rate borrowings	<b>50,730,898</b>	<b>50,730,898</b>	54,626,815	54,626,815
Trade payables	<b>5,182,851</b>	<b>5,182,851</b>	3,870,698	3,870,698
Lease liabilities	<b>1,953,625</b>	<b>1,953,625</b>	2,001,022	2,001,022
Accrued expenses	<b>1,503,868</b>	<b>1,503,868</b>	2,672,140	2,672,140
Due to related parties	-	-	513,335	513,335
	<b>127,726,544</b>	<b>127,726,544</b>	137,656,065	137,656,065

### 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 and lease liabilities offset by cash and bank balances) 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 2023 is 213.58% (2022: 234.71%).

#### Gearing ratio

Gearing ratio at the reporting date as follows:

	30-Sep-23 RO	31-Dec-22 RO
Debt (i)	<b>120,170,105</b>	129,621,196
Less: cash and bank balances	<b>(2,844,740)</b>	(6,527,193)
Net debt	<b>117,325,365</b>	123,094,003
Equity (ii)	<b>54,933,274</b>	52,445,400
Net debt to equity ratio	<b>213.58%</b>	234.71%

(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.

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 30 COMMITMENTS AND CONTINGENCIES

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

At 30 September 2023, the Company had contingent liabilities in respect of Debt Service Reserve Account ('DSRA') letter of credit amounting to RO 2,550,409 and USD 11,264,717 (2022: RO 2,675,452 and USD 8,852,169) in accordance with the requirement of the Common Terms Agreement ('CTA') given in the normal course of business on which no material liabilities are expected to arise.

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

Under the Common Terms Agreement (CTA) the project's sponsors are required to provide the Fuel Reserve Account (FRA) commitment to the offshore trustee. The FRA commitment can be provided in the form of cash, letter of credit (LC) or letter of guarantee (LG). At 30 September 2023, Mitsui & Co., Ltd and ACWA Power provided their support through letter of guarantee and letter of credit respectively, whereas DIDIC deposited the cash of RO 311,930 (2022 : RO 311,930) in FRA bank account to comply with the CTA requirements. FRA bank balance and FRA support can only be utilized with lenders' and sponsors' consent, 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 2023 (2022: RO Nil ) with contractors for construction and other activities.

#### (iv) 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-23 RO	31-Dec-22 RO
Due within one year	13,474,970	13,420,288
Due after one year but within five years	53,685,856	53,730,867
Due after five years	57,066,439	67,114,373
	<u>124,227,265</u>	<u>134,265,528</u>

#### (v) 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-23 RO	31-Dec-22 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	799,536	1,003,504
	<u>2,159,326</u>	<u>2,363,294</u>

# DHOFAR GENERATING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

For the nine months period ended 30 September 2023

### 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.

	<b>30-Sep-23</b>	31-Dec-22
	<b>RO</b>	RO
Net assets - shareholder funds	<b>54,933,274</b>	52,445,400
Total number of ordinary shares	<b>222,240,000</b>	222,240,000
Net assets per share	<b>0.247</b>	0.236

### 32 SEGMENT REPORTING

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

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 peirod, the Company has paid Nil dividend (2022: Nil).