Financial Statements and Independent Auditor's Report

Phoenix Power Company SAOG

31 December 2023

Contents

Abu Timam
Grant Thornton

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Independent Auditor's Report

To the Shareholders of
Phoenix Power Company SAOG
PO Box 96
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Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Independent Auditor's Report (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment of property, plant and equipment	
(Refer to Note 4.8 – "property, plant and equipment", Refer to Note 4.21 – "significant management judgement in applying accounting policies and estimation uncertainty – useful lives of depreciable assets" and Note 11– "Property, plant and equipment") Property, plant and equipment represents 90.20% of total assets on the statement of financial position. If these were to be impaired, it would have a significant impact on the reported profit and the statement of financial position of the Company. Impairment assessment requires judgements and estimates towards future results of business including key assumptions like discount rate, growth rate etc. The carrying value of assets is considered to be a key audit matter as the amount involved is significant and judgements	Our audit procedures included the following: • Evaluated the design implementation of controls for identification and assessment of any potential impairment related to property, plant and equipment. • Involved our own valuation specialist to assist in evaluating the appropriateness of the key inputs and assumptions. • Evaluated the appropriateness of the assumptions applied to key inputs such as estimate of future cash flows which included comparing these inputs with our own assessments based on our knowledge of the client and the industry. • Tested the mathematical accuracy of the assessment. • Performed sensitivity analysis and evaluated whether any reasonably possible changes in assumptions could lead to impairment of property, plant and equipment. • Evaluated the adequacy of the disclosures made in the financial statements.

Other Matter

The financial statements of the Company for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those statements on 22 February 2023.

Other Information

Management is responsible for the other information. The other information comprises the Annual report, Corporate Governance report and Analysis report and Management Discussion but does not include the financial statements and our auditor's report thereon.

Independent Auditor's Report (continued)

Other Information (continued)

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, on the other information obtained prior to the date of the audit report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, with the relevant disclosure requirements of the Capital Market Authority and with the applicable provisions of the Commercial Companies Law of the Sultanate of Oman, 2019, as amended, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements of the Company for the year ended 31 December 2023 comply, in all material respects, with the applicable provisions of the Commercial Companies Law of the Sultanate of Oman, 2019, as amended, and disclosure requirements issued by the Capital Market Authority.

Nasser Al Mugheiry
Licence No. L2054901
ABU TIMAM
(Chartered Certified Accountants)
27 February 2024

Phoenix Power Company SAOG

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2023

	Notes	Year ended 31 December 2023 RO'000	Year ended 31 December 2023 USD'000	Year ended 31 December 2022 RO'000	Year ended 31 December 2022 USD'000
Revenue	5	158,490	412,199	149,159	387,929
Operating costs	6	(119,816)	(311,613)	(111,202)	(289,209)
Gross profit		38,674	100,586	37,957	98,720
Other income		308	800	53	139
General and administrative expenses	7	(1,466)	(3,813)	(1,256)	(3,269)
Profit before interest and tax		37,516	97,573	36,754	95,590
Finance costs	8	(12,309)	(32,021)	(13,521)	(35,163)
Finance income		591	1,536	194	504
Profit before income tax		25,798	67,088	23,427	60,931
Income tax expense	9	(3,875)	(10,078)	(3,065)	(7,972)
Profit for the year		21,923	57,010	20,362	52,959
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss (net of tax):					
Net movement in fair value of cash flow hedges	21	(203)	(529)	24,253	63,077
Income tax effect	9	30	79	(3,638)	(9,461)
Other comprehensive (loss)/income		(173)	(450)	20,615	53,616
Total comprehensive income for the year		21,750	56,560	40,977	106,575
Basic and diluted earnings per share (Baisas/Cents)	10	0.015	0.039	0.014	0.036

The accompanying notes on pages 9 to 39 form an integral part of these financial statements

The report of the Auditor is set forth on pages 1 to 4.

Statement of financial position
at 31 December 2023

	Notes	31 December 2023 RO'000	31 December 2023 USD'000	31 December 2022 RO'000	31 December 2022 USD'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	472,363	1,228,508	488,166	1,269,612
Right-of-use assets	12	7,638	19,866	7,800	20,288
Derivative financial instruments	21(a)	300	779	4,594	11,948
		480,301	1,249,153	500,560	1,301,848
Current assets					
Trade and other receivables	13	8,751	22,759	7,933	20,631
Inventories	14	11,414	29,687	11,365	29,553
Short term deposits	15	7,306	19,000	-	-
Cash and cash equivalents	16	12,700	33,031	20,259	52,688
Derivative financial instruments	21(a)	3,184	8,282	1,020	2,652
		43,355	112,759	40,577	105,524
Total Assets		523,656	1,361,912	541,137	1,407,372
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	146,260	380,390	146,260	380,390
Legal reserve	18	17,225	44,799	15,033	39,098
Retained earnings		90,093	234,305	78,037	202,961
Equity before hedging reserve		253,578	659,494	239,330	622,449
Hedging reserve	21	(2,209)	(5,746)	(2,036)	(5,296)
Total equity		251,369	653,748	237,294	617,153
LIABILITIES					
Non-current liabilities					
Interest bearing loans and borrowings	20	148,198	385,431	183,690	477,734
Derivative financial instruments	21(b)	4,821	12,540	6,553	17,042
Provision for asset retirement obligation	22	5,376	13,983	5,120	13,317
Deferred tax liabilities	9(b)	45,790	119,089	42,348	110,138
Lease liabilities - non current	25	7,873	20,478	7,931	20,626
Employees' end of service benefits	24	38	99	32	83
		212,096	551,620	245,674	638,940
Current liabilities					
Interest bearing loans and borrowings	20	36,104	93,899	34,253	89,085
Dividend payable	19	2,925	7,608	3,045	7,917
Trade and other payables	23	18,968	49,333	18,908	49,169
Derivative financial instruments	21(b)	1,262	3,281	1,456	3,789
Lease liabilities	25	529	1,375	507	1,319
Provision for income tax	9(a)	403	1,048	-	-
		60,191	156,544	58,169	151,279
Total liabilities		272,287	708,164	303,843	790,219
Total equity and liabilities		523,656	1,361,912	541,137	1,407,372
Net assets per share (Baisas/Cents)	26	0.172	0.447	0.162	0.422

These financial statements were approved by the Board of Directors on 27 February 2024 and were signed on their behalf by:

Director   Director

The accompanying notes on pages 9 to 39 form an integral part of these financial statements

The report of the Auditor is set forth on pages 1 to 4

Phoenix Power Company SAOG

Statement of changes in equity

for the year ended 31 December 2023

	Notes	*Share capital RO'000*	*Legal reserve RO'000*	*Hedging reserve RO'000*	*Retained earnings RO'000*	*Total RO'000*
At 1 January 2022		146,260	12,997	(22,651)	66,293	202,899
Profit for the year		-	-	-	20,362	20,362
Other comprehensive income		-	-	20,615	-	20,615
Total comprehensive income for the year		-	-	20,615	20,362	40,977
Transfer to legal reserve	18	-	2,036	-	(2,036)	-
Dividends	19	-	-	-	(6,582)	(6,582)
At 31 December 2022		146,260	15,033	(2,036)	78,037	237,294
Profit for the year		-	-	-	21,923	21,923
Other comprehensive income				(173)		(173)
Total comprehensive income for the year		-	-	(173)	21,923	21,750
Transfer to legal reserve	18	-	2,192	-	(2,192)	-
Dividends	19	-	-	-	(7,675)	(7,675)
At 31 December 2023		**146,260**	**17,225**	**(2,209)**	**90,093**	**251,369**

	Notes	*Share capital USD'000*	*Legal reserve USD'000*	*Hedging reserve USD'000*	*Retained earnings USD'000*	*Total USD'000*
At 1 January 2022		380,390	33,802	(58,912)	172,416	527,696
Profit for the year		-	-	-	52,959	52,959
Other comprehensive income		-	-	53,616	-	53,616
Total comprehensive income for the year		-	-	53,616	52,959	106,575
Transfer to legal reserve	18	-	5,296	-	(5,296)	-
Dividends	19	-	-	-	(17,118)	(17,118)
At 31 December 2022		380,390	39,098	(5,296)	202,961	617,153
Profit for the year		-	-	-	57,010	57,010
Other comprehensive income		-	-	(450)	-	(450)
Total comprehensive income for the year		-	-	(450)	57,010	56,560
Transfer to legal reserve	18	-	5,701	-	(5,701)	-
Dividends	19	-	-	-	(19,965)	(19,965)
At 31 December 2023		**380,390**	**44,799**	**(5,746)**	**234,305**	**653,748**

The accompanying notes on pages 9 to 39 form an integral part of these financial statements.

The report of the Auditor is set forth on pages 1 to 4.

Statement of cash flows

for the year ended 31 December 2023

	Notes	*Year ended 31 December 2023 RO'000*	*Year ended 31 December 2023 USD'000*	*Year ended 31 December 2022 RO'000*	*Year ended 31 December 2022 USD'000*
Cash flows from operating activities					
Profit before income tax		**25,798**	**67,088**	23,427	60,931
Adjustments for:					
Depreciation on property, plant and equipment	11	**15,875**	**41,287**	15,865	41,263
Depreciation on right-of-use assets	12	**264**	**686**	253	657
Finance costs	8	**12,309**	**32,021**	13,521	35,163
Employees' end of service benefits	24	**6**	**16**	9	23
Finance income		**(591)**	**(1,536)**	(194)	(504)
Operating profit before working capital changes:		**53,661**	**139,562**	52,881	137,533
Changes in working capital:					
Inventories		**(49)**	**(134)**	(108)	(276)
Trade and other receivables		**(818)**	**(2,128)**	55,132	143,388
Trade and other payables		**60**	**164**	(47,824)	(124,386)
Cash generated from operations		**52,854**	**137,464**	60,081	156,259
Finance costs paid		**(11,043)**	**(28,733)**	(12,165)	(31,639)
Employees' end of service benefits paid	24	**-**	**-**	(24)	(62)
Net cash flows generated from operating activities		**41,811**	**108,731**	47,892	124,558
Cash flows from investing activities					
Purchase of property, plant and equipment	11	**(72)**	**(183)**	(14)	(35)
Short term deposits	15	**(7,306)**	**(19,000)**	-	-
Finance Income received		**591**	**1,536**	194	504
Net cash flows (used in) from investing activities		**(6,787)**	**(17,647)**	180	469
Cash flows from financing activities:					
Dividend paid	19	**(7,799)**	**(20,280)**	(5,950)	(15,477)
Repayment of interest bearing loans and borrowings	20	**(34,254)**	**(89,086)**	(31,700)	(82,444)
Payment of lease liabilities	25	**(530)**	**(1,375)**	(481)	(1,252)
Net cash flows used in financing activities		**(42,583)**	**(110,741)**	(38,131)	(99,173)
Net (decrease) / increase in cash and cash equivalents		**(7,559)**	**(19,657)**	9,941	25,854
Cash and cash equivalents at beginning of the year		**20,259**	**52,688**	10,318	26,834
Cash and cash equivalents at end of the year	16	**12,700**	33,031	20,259	52,688

The accompanying notes on pages 9 to 39 form an integral part of these financial statements.

The report of the Auditor is set forth on pages 1 to 4.

1 Nature of operations

Phoenix Power Company SAOG ("the Company") is registered under the Commercial laws of the Sultanate of Oman as a Public Joint Stock Company and principal activities of the Company are to develop, finance, design, construct, operate, maintain, insure and own a power generating station and associated gas interconnection facilities and other relevant infrastructure. The Company's registered address is P O Box 96, Postal Code 102, Muscat, Sultanate of Oman. The Company's principal place of business is located at Sur, Sultanate of Oman.

During the year 2015, the Company proceeded with initial public offering (IPO). The promoting shareholders at the Company's Extraordinary General Meeting held on 9 March 2015 approved the conversion of the Company from a Closed Joint Stock Company (SAOC) to a Public Joint Stock Company (SAOG) by offering their 511,910,511 shares for the public subscription. The Company closed its IPO on 8 June 2015 and its shares were listed on the Muscat Securities Market on 22 June 2015.

2 Significant agreements

The Company has entered into following significant agreements;

i. Power Purchase Agreement (PPA) with Oman Power and Water Procurement Company SAOC (OPWP) granting the Company the right to generate electricity in Sur for a period of fifteen years commencing from the 1 December 2014 based on a tariff structure.

ii. Natural Gas Sales Agreement (NGSA) with the Ministry of Oil and Gas of the Government of the Sultanate of Oman (MOG) for the purchase of natural gas for fifteen years at a pre-determined price.

iii. Usufruct Agreement with The Public Establishment For Industrial Estates of the Government of the Sultanate of Oman (PEIE) for grant of Usufruct rights over the plant site for twenty five years.

iv. Agreement with local and international financial institutions for long-term loan facilities and interest rate hedge arrangements.

v. Agreement with Siemens LLC Oman for long term service contract for maintenance service of the gas turbines.

vi. Agreement with Siemens Aktiengesellschaft for long term supply contract for supplying the spare parts of gas turbines.

vii. Agreement with Phoenix Operation and Maintenance Company LLC for the Operation and Maintenance (O&M) of the Sur IPP Project.

viii. Agreement with Daewoo Engineering and Construction Co. Ltd for engineering, procurement and construction of the Sur IPP Project.

ix. Project Founders' Agreement dated 13 July 2011 made between Electricity Holding Company SAOC, Marubeni Corporation; Chubu Electric Power Co; Qatar Electricity and Water Company (Q.S.C.); and Multitech LLC.

x. Shareholders' Agreement dated 13 July 2011, amended and restated dated 28 November 2011 made between Electricity Holding Company SAOC, Axia Power Holdings B.V; Chubu Electric Power Sur B.V; Qatar Electricity and Water Company (Q.S.C.); and Multitech LLC.

xi. Electrical Connection Agreement dated 13 July 2011 with Oman Electricity Transmission Company SAOC for connection of the Company's equipment to the transmission system.

3 New or revised Standards or Interpretations

3.1 New standards adopted as at 1 January 2023

Some accounting pronouncements which have become effective from 1 January 2023 have therefore been adopted do not have a significant impact on the Company's financial results or position.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the Company and no Interpretations have been issued that are applicable and need to be taken into consideration by the Company at either reporting date.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

4 Summary of material accounting policies

4.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) and the requirements of the Commercial Companies Law of the Sultanate of Oman, 2019, as amended and the Capital Market Authority.

Items included in the financial statements of the Company are measured and presented in US Dollars (USD) being the currency of the primary economic environment in which the Company operates.

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

4.2 Climate related matters

As at 31 December 2023, the Company has not identified significant risks induced by climate changes that could negatively and materially affect the Company's financial statements. Management continuously assesses the impact of climate-related matters.

Assumptions could change in the future in response to forthcoming environmental regulations, new commitments taken and changing consumer demand. These changes, if not anticipated, could have an impact on the Company's future cash flows, financial performance and financial position

4.3 Basis of measurement

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments.

The material accounting policies set out below have been applied consistently by the Company to all periods presented in these financial statements.

4.4 Financial Instruments

Initial recognition and subsequent measurement

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

Financial assets

Initial recognition and measurement

On initial recogniton, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of debt 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, 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.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income (FVOCI), 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 assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

4 Summary of material accounting policies (continued)

4.4 Financial Instruments (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income (FVOCI) with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss (FVTPL)

Financial assets at amortised cost
This category is the most relevant to the Company. 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:

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

Financial assets at amortised cost are subsequently measured using the effective interest rate (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.

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

a) The rights to receive cash flows from the asset have expired; or

b) 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) has transferred substantially all the risks and rewards, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

4 Summary of material accounting policies (continued)

4.4 Financial Instruments (continued)

When the Company has transferred its right 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 recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes 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 loss allowances for ECLs on financial assets measured at amortised cost.

Measurement of loss allowances
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).

The Company determines the amount of expected credit losses by evaluating the range of possible outcomes as well as incorporating the time value of money. These expected losses are discounted to the reporting date using the effective interest rate of the asset (or an approximation thereof) that was determined at initial recognition.

Expected credit losses are a probability-weighted estimate of credit losses.

Financial assets that are not credit-impaired at the reporting date

Measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Financial assets that are credit-impaired at the reporting date

Measured as the difference between the gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in the profit or loss account as an impairment gain or loss.

Presentation of expected credit losses
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and is charged to the statement of profit or loss and other comprehensive income.

Initial recognition and measurement
The Company's financial liabilities include interest bearing loans and borrowings, trade and other payables and derivative financial instruments

4 Summary of material accounting policies (continued)

4.4 Financial Instruments (continued)

Financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at FVTPL.

Subsequent measurement
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

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 comprehensive income.

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

Write - off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Derivative financial instruments and hedging
The Company uses derivative financial instruments to hedge its risks associated with interest rate, foreign currency, commodity price fluctuations and also to satisfy the requirements of its customers. 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 assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to the profit or loss account.

In accordance with IFRS 9, the Company applies hedge accounting only if all of the following conditions are met:

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

4 Summary of material accounting policies (continued)

4.4 Financial Instruments (continued)

Derivative financial instruments and hedging (continued)
For the purpose of hedge accounting, hedge is classified as hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

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

Hedges which meet the strict criteria for hedge accounting is accounted for as follows:

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss account.
Amounts recognised as OCI are transferred to the profit or loss account when the hedged transaction affects the profit or loss account, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss account.

The Company has entered into derivative financial instrument to manage its exposure to interest rate risk, which include interest rate swaps. Further details of derivative financial instruments are disclosed in Note 21.

4.5 Revenue
Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard establishes a five step model to account for revenue arising from contracts with customers. The Company's contract with its sole customer contains a lease, which is scoped out of IFRS 15. The Company recognised revenue in accordance with PPA as defined in Note 1 of the financial statements. The contract consists of two revenue streams, which are:

- Capacity charges
- Variable charges (i.e. Energy and fuel charges)

Capacity charges - IFRS 16
Capacity charges include investment charge and fixed O&M charge. Investment charge is treated as revenue under operating lease and recognised on straight line basis over the lease term or another systematic basis which is more representative of the pattern in which benefit from the use of the underlying asset is diminished. Fixed O&M charge is recognised based on the capacity made available in accordance with contractual terms stipulated in PPA.

Variable charges - IFRS 15
Variable charges (i.e. Energy and fuel charges) are recognised when electrical energy is delivered and control of electrical energy have been transferred to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the electrical energy delivered.

4 Summary of material accounting policies (continued)

4.5 Revenue (continued)

Variable charges - IFRS 15 (continued)
The Company has a long-term agreement with OPWP which determines 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.

The Company does not adjust any of the transaction prices for time value of money as the period between the transfer of the promised goods or services to the customer and payment by the customer does not exceed one year and the sales are made with agreed credit terms which is in line with the industry practice.

4.6 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

4.7 Income tax
Income tax on the profit or loss for the year comprises of current and deferred tax. Income tax is recognised in the statement of financial position and the statement of profit or loss and other comprehensive income comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claim from, Tax Authorities relating to the current or prior reporting period, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same Tax Authority.

4.8 Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs for long-term construction projects if the recognition criteria are met.

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

Depreciation is calculated using the straight-line method to allocate the cost less its residual value so as to write off items of property, plant and equipment over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of an item is depreciated separately.

4 Summary of material accounting policies (continued)

4.8 Property, plant and equipment (continued)

The following useful lives are applied:

	Years
Building	40
Plant and machinery	40
Strategic spares	15
Other assets	5

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

The assets' residual values, useful lives and depreciation methods are reviewed at each financial year end and adjusted prospectively, if applicable.

4.9 Inventories

Inventories comprises of fuel and stores and spares which are stated at the lower of cost and net realisable value. Costs comprise purchase cost, and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Obsolete inventory items are written down to their estimated net realizable value.

4.10 Foreign currency transactions and balances

Foreign currency transactions are translated into the presentation currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items, denominated in foreign currency at year end exchange rate, are recognised in the statement of profit or loss and other comprehensive income under 'Other income' or 'Other expenses'.

Non-monetary items are not retranslated at the period-end. They are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.11 Dividend

The Board of Directors takes into account appropriate parameters including the requirements of the Capital Market Authority while recommending the dividend. The Company recognises a liability to pay a dividend when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

4.12 Asset retirement obligation

The provision for asset retirement obligation arose on assets constructed on land under usufruct contracts with Public Establishment for Industrial Estate. A corresponding asset is recognised in property, plant and equipment. The asset retirement obligation is provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the asset retirement obligation. The unwinding of the discount is expensed as incurred and recognised 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.

4.13 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Company and they can be estimated reliably. Timing or amount of the outflow may still be uncertain.

A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management have at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

4 Summary of material accounting policies (continued)

4.13 Provisions, contingent liabilities and contingent assets (continued)

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Long term provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of the Company's management. In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, no liability is recognised.

Probable inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

4.14 Employees' end of service benefits

The provision for employee's terminal benefits is based upon the liability 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, 2023, the Social Security Law, 1991 and Royal Decree No. 53/2023.

Government of Oman Social Insurance Scheme (the "Scheme")

The Company contributes to the Scheme for all Omani employees. The Scheme, which is a defined contributions retirement plan, is administered by the Government of Oman. The Company and Omani employees are required to make monthly contributions to the Scheme.

Non-Omani employee terminal benefits

The provision for employee's terminal benefits for non-Omani employees is made in accordance with the requirements of the Oman Labor Law, 2023 and Royal Decree No. 53/2023. Employees are entitled to end of service benefits calculated at the rate of 30 days basic salary for each of the years of continuous service. This is an unfunded defined benefits retirement plan. Accrued non-Omani staff terminal benefits are payable on termination of employment.

4.15 Leases

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

Company as a lessee

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

a) Right of use assets

The Company recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. 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. Material residual value estimates and useful life estimates are updated as required, but at least annually.

4 Summary of material accounting policies (continued)

4.15 Leases (continued)

a) Right of use assets (continued)

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, as follows

	Years
Land	35
Connection equipment	35
Office	5

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 change in future payments resulting from a change in index or rate used to determine such lease payment) 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

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 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.

4.16 Fair values

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Company.

4 Summary of material accounting policies (continued)

4.16 Fair values (continued)

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

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

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

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. The fair value of unquoted derivatives is determined by reference to broker/dealer price.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 quotations.

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

4.17 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic decisions maker.

The Company's operating activities are disclosed in Note 1 to the financial statements. The strategic business unit offers similar products and services and is managed as one segment. For the strategic business unit, the Chief Executive Officer reviews internal management reports on a monthly basis.

Performance is measured based on the profit before income tax, as included in the internal management reports. The Chief Executive Officer considers the business of the Company as one operating segment and monitors accordingly. The Company has only one segment in accordance with IFRS 8. Segment information is, accordingly, presented in respect of the Company's business segments. The primary format, business segments, is based on the Company's management and internal reporting structure. All operation and revenue are generated and all non-current asset are situated in Sultanate of Oman.

4 Summary of material accounting policies (continued)

4.18 Current versus non-current classification

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

An asset as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

4.19 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable

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

Impairment calculation of the Company is based on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

Impairment losses are recognised in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset.

4.20 Cash and cash equivalents

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

4.21 Significant management judgement in applying accounting policies and estimation

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgments

The following are the judgements made by management in applying the accounting policies of the Company that have the most significant effect on the financial statements.

4 Summary of material accounting policies (continued)

4.21 Significant management judgement in applying accounting policies and estimation uncertainty (continued)

Significant management judgments

Classification of power plant as operating lease
The Company has entered into the Power Purchase Agreement ("PPA") with Oman Power and Water Procurement Company SAOC ("OPWP") to generate electricity and make available the power capacity from its Plant.

Management believes that IFRIC 12 is not applicable to the arrangement as the residual interest is controlled by the Company and not OPWP. The estimated useful life of the power plant of 40 years takes into account. Furthermore, the residual value of the assets will have substantial value at the conclusion of the PPA and the Company will be able to continue to generate revenue through supply of power taking into account the spot market for power sector.

Management considers the requirements of IFRS 16 Leases, which sets out guidelines to determine when an arrangement might contain a lease. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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

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

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

Estimation uncertainty
Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Estimating the incremental borrowing rate - Leases
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4 Summary of material accounting policies (continued)

4.21 Significant management judgement in applying accounting policies and estimation uncertainty (continued)

Estimation uncertainty (continued)

Income tax
Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Company establishes provisions, based on reasonable estimates, for possible consequences of finalization of tax assessments of the Company. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future.

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected usage of the assets. At 31 December 2023, management assesses that, the useful lives represent the expected usage of the assets to the Company. The useful lives are mentioned in Note 4.8

Inventories
Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future events or other market-driven changes that may reduce future selling prices.

Asset retirement obligation
Site restoration costs are based on technical assessment of the probable future costs to be incurred in respect of the decommissioning of the plant facilities. The significant uncertainty in estimating the provision is the cost that will be incurred and the applicable discount rate. It has been assumed that the site will be restored using technology and material that are currently available. The expected cost of decommissioning has been determined on the basis of a study by an independent contractor and discounted over 40 years using risk free adjusted discount rate.

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

5 Revenue

	Year ended 31 December 2023 RO'000	Year ended 31 December 2023 USD'000	Year ended 31 December 2022 RO'000	Year ended 31 December 2022 USD'000
Revenue from lease contract:				
Capacity charges	67,906	176,608	67,360	175,188
Revenue from contract with a customer:				
Energy and fuel charges	90,584	235,591	81,799	212,741
	158,490	412,199	149,159	387,929

The Company operates in one business segment, that of generation of power. No geographical analysis has been disclosed as 100% of the Company's revenue is from its only customer Oman Power and Water Procurement Company SAOC (OPWP) based in the Sultanate of Oman.

6 Operating costs

	Year ended 31 December 2023 RO'000	Year ended 31 December 2023 USD'000	Year ended 31 December 2022 RO'000	Year ended 31 December 2022 USD'000
Gas consumption	86,660	225,383	78,463	204,065
Depreciation on property, plant and equipment (Note 11)	15,860	41,249	15,860	41,249
Operation and maintenance costs (Note 28)	8,234	21,414	8,342	21,695
Contractual services maintenance costs	7,768	20,202	6,998	18,200
Insurance	859	2,236	1,189	3,092
Depreciation on right-of-use assets (Note 12)	253	657	253	657
Connection, license fee and others	182	472	97	251
	119,816	311,613	111,202	289,209

Operation and maintenance costs includes the cost of inventories amounting to USD 1.1 million (RO 0.42 million) [2022 USD 1.46 million (RO 0.56 million).

7 General and administrative expenses

	Year ended 31 December 2023 RO'000	Year ended 31 December 2023 USD'000	Year ended 31 December 2022 RO'000	Year ended 31 December 2022 USD'000
Staff costs and other benefits	771	2,005	631	1,642
Legal and professional charges	161	420	178	463
Listing expenses	143	370	137	357
Office related expenses	136	355	135	352
Corporate social responsibility	50	130	30	78
Short term lease rental	14	37	30	77
Depreciation on property, plant and equipment (Note 11)	15	38	5	14
Depreciation on right of use assets (Note 12)	11	29	-	-
Other expenses	165	429	110	286
	1,466	3,813	1,256	3,269

8 Finance costs

	Year ended 31 December 2023 RO'000	Year ended 31 December 2023 USD'000	Year ended 31 December 2022 RO'000	Year ended 31 December 2022 USD'000
Interest on term loans and swap settlements	10,895	28,336	12,041	31,317
Amortisation of transaction costs (Note 20)	613	1,597	711	1,848
Asset retirement obligation - unwinding of discount (Note 22)	256	666	244	634
Interest on lease liabilities (Note 25)	392	1,019	401	1,042
Debt service commission	58	155	124	322
Exchange loss	95	248	-	-
	12,309	32,021	13,521	35,163

9 Income tax

	Year ended 31 December 2023 RO'000	Year ended 31 December 2023 USD'000	Year ended 31 December 2022 RO'000	Year ended 31 December 2022 USD'000
Deferred tax expense recognised in the statement of profit or loss	(3,472)	(9,030)	(3,065)	(7,972)
Income tax expense	(403)	(1,048)	-	-
	(3,875)	(10,078)	(3,065)	(7,972)
Deferred tax expense recognised in other comprehensive income	30	79	(3,638)	(9,461)

For the purpose of determining the taxable results for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices. The adjustments to accounting profit for the year has resulted in a taxable profit which is adjusted against the brought forward tax losses.

a) Reconciliation of income tax expense

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

	Year ended 31 December 2023 RO'000	Year ended 31 December 2023 USD'000	Year ended 31 December 2022 RO'000	Year ended 31 December 2022 USD'000
Profit before income tax	25,798	67,088	23,427	60,931
Net effect of expenses that are not deductible and income not considered to be taxable in determining taxable profit:	(4,993)	(12,986)	(8,648)	(22,491)
Accumulated losses	(18,115)	(47,113)	(14,779)	(38,440)
Net taxable income/(loss)	2,690	6,989	-	-
Current tax is provided at the rate of 15%.	403	1,048	-	-

9 Income tax (continued)

a) Reconciliation of income tax expense (continued)

As of December 2023, the Company's tax assessments for 2020 have been completed by the Omani Taxation Authorities. The Company's assessment for the tax years 2021 and 2022 have not yet been finalised with the Taxation Authority. Management believes that additional taxes, if any, in respect of open tax years, would not be significant to the Company's financial position as at 31 December 2023.

b) Deferred tax assets/(liabilities)

31 December 2023	***At 1 January RO'000***	***Recognised in profit or loss RO'000***	***Recognised in other comprehensive income RO'000***	***At 31 December RO'000***
Property, plant and equipment	(47,641)	(840)	-	(48,481)
Provision for asset retirement obligation	809	52	-	861
Lease liabilities	1,380	20	-	1,400
Losses carried forward	2,717	(2,717)	-	-
Exchange loss	28	13	-	41
Fair value adjustment of derivatives through equity (Note 21)	359	-	30	389
Net deferred tax liabilities	(42,348)	(3,472)	30	(45,790)
	USD'000	***USD'000***	***USD'000***	***USD'000***
Property, plant and equipment	(123,905)	(2,185)	-	(126,090)
Provision for asset retirement obligation	2,105	136	-	2,241
Lease liabilities	3,588	51	-	3,639
Losses carried forward	7,067	(7,067)	-	-
Exchange loss	72	35	-	107
Fair value adjustment of derivatives through equity (Note 21)	935	-	79	1,014
Net deferred tax liabilities	(110,138)	(9,030)	79	(119,089)
31 December 2022	*RO'000*	*RO'000*	*RO'000*	*RO'000*
Property, plant and equipment	(46,260)	(1,381)	-	(47,641)
Provision for asset retirement obligation	759	50	-	809
Lease liabilities	1,354	26	-	1,380
Losses carried forward	4,485	(1,768)	-	2,717
Exchange loss	20	8	-	28
Fair value adjustment of derivatives through equity (Note 21)	3,997	-	(3,638)	359
Net deferred tax liabilities	(35,645)	(3,065)	(3,638)	(42,348)
	USD'000	*USD'000*	*USD'000*	*USD'000*
Property, plant and equipment	(120,313)	(3,592)	-	(123,905)
Provision for asset retirement obligation	1,974	131	-	2,105
Lease liabilities	3,521	67	-	3,588
Losses carried forward	11,665	(4,598)	-	7,067
Exchange loss	52	20	-	72
Fair value adjustment of derivatives through equity (Note 21)	10,396	-	(9,461)	935
Net deferred tax liabilities	(92,705)	(7,972)	(9,461)	(110,138)

10 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year.

	31 December 2023 RO'000	***31 December 2023 USD'000***	*31 December 2022 RO'000*	*31 December 2022 USD'000*
Profit for the year	**21,923**	**57,010**	20,362	52,959
Weighted average number of shares (in 000's)	**1,462,601**	**1,462,601**	1,462,601	1,462,601
Basic earnings per share (Baisas / Cents)	**0.015**	**0.039**	0.014	0.036

No figure for diluted earnings per share has been disclosed as the Company has not issued any instruments which would have an impact on earnings per share when exercised.

11 Property, plant and equipment

	Building RO'000	***Plant and equipment RO'000***	***Strategic spares RO'000***	***Asset retirement RO'000***	***Other assets RO'000***	***Total RO'000***
Cost						
At 1 January 2023	83,876	518,087	10,809	3,249	251	616,272
Addition	-	-	-	-	72	72
Disposal	-	-	-	-	(27)	(27)
At 31 December 2023	**83,876**	**518,087**	**10,809**	**3,249**	**296**	**616,317**
Accumulated depreciation						
At 1 January 2023	16,897	104,358	5,810	806	235	128,106
Charge for the year	2,095	12,954	721	90	15	15,875
Disposal	-	-	-	-	(27)	(27)
At 31 December 2023	**18,992**	**117,312**	**6,531**	**896**	**223**	**143,954**
Net book value						
At 31 December 2023	**64,884**	**400,775**	**4,278**	**2,353**	**73**	**472,363**

	Building RO'000	*Plant and equipment RO'000*	*Strategic spares RO'000*	*Asset retirement RO'000*	*Other assets RO'000*	*Total RO'000*
Cost						
At 1 January 2022	83,876	518,087	10,809	3,249	246	616,267
Addition	-	-	-	-	14	14
Disposal	-	-	-	-	(9)	(9)
At 31 December 2022	83,876	518,087	10,809	3,249	251	616,272
Accumulated depreciation						
At 1 January 2022	14,800	91,406	5,089	716	239	112,250
Charge for the year	2,097	12,952	721	90	5	15,865
Disposal	-	-	-	-	(9)	(9)
At 31 December 2022	16,897	104,358	5,810	806	235	128,106
Net book value						
At 31 December 2022	66,979	413,729	4,999	2,443	16	488,166

11 Property, plant and equipment (continued)

	Building USD'000	*Plant and equipment USD'000*	*Strategic spares USD'000*	*Asset retirement USD'000*	*Other assets USD'000*	*Total USD'000*
Cost						
At 1 January 2023	218,142	1,347,432	28,113	8,450	648	1,602,785
Addition	-	-	-	-	183	183
Disposal	-	-	-	-	(70)	(70)
At 31 December 2023	**218,142**	**1,347,432**	**28,113**	**8,450**	**761**	**1,602,898**
Accumulated depreciation						
At 1 January 2023	43,942	271,418	15,102	2,101	610	333,173
Charge for the year	5,454	33,686	1,874	235	38	41,287
Disposal	-	-	-	-	(70)	(70)
At 31 December 2023	**49,396**	**305,104**	**16,976**	**2,336**	**578**	**374,390**
Net book value						
At 31 December 2023	**168,746**	**1,042,328**	**11,137**	**6,114**	**183**	**1,228,508**

	Building USD'000	*Plant and equipment USD'000*	*Strategic spares USD'000*	*Asset retirement USD'000*	*Other assets USD'000*	*Total USD'000*
Cost						
At 1 January 2022	218,142	1,347,432	28,113	8,450	637	1,602,774
Addition	-	-	-	-	35	35
Disposal	-	-	-	-	(24)	(24)
At 31 December 2022	218,142	1,347,432	28,113	8,450	648	1,602,785
Accumulated depreciation						
At 1 January 2022	38,489	237,732	13,227	1,866	620	291,934
Charge for the year	5,453	33,686	1,875	235	14	41,263
Disposal	-	-	-	-	(24)	(24)
At 31 December 2022	43,942	271,418	15,102	2,101	610	333,173
Net book value						
At 31 December 2022	174,200	1,076,014	13,011	6,349	38	1,269,612

Depreciation charged for the year is allocated as follows:

	Year ended 31 December 2023 RO'000	***Year ended 31 December 2023 USD'000***	*Year ended 31 December 2022 RO'000*	*Year ended 31 December 2022 USD'000*
Operating costs (Note 6)	**15,860**	**41,249**	15,860	41,249
General and administrative expenses (Note 7)	**15**	**38**	5	14
	15,875	**41,287**	15,865	41,263

The Company's building and plant are constructed on land leased from Sur Industrial City (PEIE) (Notes 2 and 25).

The term loan facilities are secured by a comprehensive legal and commercial mortgages on all assets of the Company (Note 20).

Based on management assessment, there is no indication of impairment of property, plant and equipment.

12 Right-of-use assets

The land on which the plant and buildings are constructed has been leased from Sohar Industrial port Company SAOC for a period of 25 years. The Company has also acquired connection equipment on lease from Oman Electricity Transmission Company SAOC for the transmission through the system to the connection point for a period of 15 years.

	31 December 2023 RO'000	*31 December 2023 USD'000*	*31 December 2022 RO'000*	*31 December 2022 USD'000*
Cost:				
At 1 January	8,809	22,911	8,809	22,911
Addition during the year	102	264	-	-
At 31 December	8,911	23,175	8,809	22,911
Accumulated depreciation:				
At 1 January	1,009	2,623	756	1,966
Charge for the year	264	686	253	657
At 31 December	1,273	3,309	1,009	2,623
Net book value:				
At 31 December	7,638	19,866	7,800	20,288

Depreciation on right-of use-assets charged for the year is allocated as follows

	Year ended 31 December 2023 RO'000	*Year ended 31 December 2023 USD'000*	*Year ended 31 December 2022 RO'000*	*Year ended 31 December 2022 USD'000*
Operating costs (Note 6)	253	657	253	657
General and administrative expenses (Note 7)	11	29	-	-
	264	686	253	657

13 Trade and other receivables

	31 December 2023 RO'000	*31 December 2023 USD'000*	*31 December 2022 RO'000*	*31 December 2022 USD'000*
Trade receivables	8,178	21,270	7,166	18,636
Prepayments	373	970	328	854
Other receivables	200	519	439	1,141
	8,751	22,759	7,933	20,631

All amounts are short-term. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value.

Note 30(b) includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

14 Inventories

	31 December 2023 RO'000	*31 December 2023 USD'000*	*31 December 2022 RO'000*	*31 December 2022 USD'000*
Fuel	5,497	14,297	5,433	14,130
Stores and spares	5,917	15,390	5,932	15,423
	11,414	29,687	11,365	29,553

The management has assessed that as at 31 December 2023, there are no slow moving inventories for which provision is required (2022: RO Nil).

15 Short term deposits

	31 December 2023 RO'000	31 December 2023 USD'000	31 December 2022 RO'000	31 December 2022 USD'000
Short term deposits	7,306	19,000	-	-

Short term deposits placed with reputable financial institution for a period ranging from six months to one year carrying interest at the rates ranging from 5% to 5.5% (2022 Nil) per annum. These will mature latest by 26 June 2024. Short term deposits are placed with reputed financial institutions. Hence, the management believes that the ECL is immaterial to the financial statements as a whole.

16 Cash and cash equivalents

	31 December 2023 RO'000	31 December 2023 USD'000	31 December 2022 RO'000	31 December 2022 USD'000
Cash in hand	-	2	-	-
Cash at bank	12,700	33,029	20,259	52,688
	12,700	33,031	20,259	52,688

Cash at bank are placed with reputed financial institutions. Hence, the management believes that the ECL is immaterial to the financial statements as a whole There are no restrictions on cash at bank at the time of approval of the financial statements.

17 Share capital

	31 December 2023 RO'000	31 December 2023 USD'000	31 December 2022 RO'000	31 December 2022 USD'000
Authorised, issued and fully paid up share capital of 1,462,601,460 shares (2023 and 2022 - 1,462,601,460 shares of RO 0.1 each)	146,260	380,390	146,260	380,390

18 Legal reserve

As per article 132 of the Commercial Companies Law of the Sultanate of Oman, 2019, as amended, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance amounts to at least one third of the value of paid-up share capital of the Company This reserve is not available for distribution. During the year ended 31 December 2023, the Company transferred USD 5.7 million (RO 2.2 million) [2022 USD 5.3 million (RO 2.0 million)] to the legal reserve.

19 Dividend payable

	2023 RO'000	2023 USD'000	2022 RO'000	2022 USD'000
At 1 January	3,045	7,917	2,413	6,276
Dividend proposed - 3.25 Baisas per share (2022: 2.50 Baisas per share)	4,754	12,363	3,657	9,510
Dividend proposed - 2.0 Baisas per share (2022: 2.00 Baisas per share)	2,925	7,608	2,925	7,608
	7,679	19,971	6,582	17,118
Payments during the year	(7,799)	(20,280)	(5,950)	(15,477)
At 31 December	2,925	7,608	3,045	7,917

Pursuant to shareholders' resolution dated 20 March 23, the Board of Directors in their meetings held on 19 April 2023 and 24 October 2023 approved cash dividend of 3 25 Baisas per share and 2 0 Baisas per share, respectively for the year ended 31 December 2022. Accordingly, dividend amounting to USD 12.36 million (RO 4.75 million) was paid in July 2023 and USD 7 6 million (RO 2 92 million) is payable as of 31 December 2023 which was paid subsequently in January 2024.

Pursuant to shareholders' resolution dated 17 March 2022, the Board of Directors in their meetings held on 21 April 2022 and 28 October 2022 approved cash dividend of 2 50 Baisas per share and 2.0 Baisas per share, respectively for the year ended 31 December 2021. Accordingly, dividend amounting to USD 15.5 million (RO 6 million) was paid in July 2022 and USD 7.60 million (RO 2 92 million) is payable as of 31 December 2022 which was paid during the year.

The Board of Directors at the forthcoming Annual General Meeting will propose a cash dividend, provided that the aggregated amount of such dividend shall not exceed 5 25 Baisas per share.

20 Interest bearing loans and borrowings

	31 December 2023 RO'000	31 December 2023 USD'000	31 December 2022 RO'000	31 December 2022 USD'000
Term loans	185,779	483,171	220,033	572,257
Less: unamortised transaction costs	(1,477)	(3,841)	(2,090)	(5,438)
	184,302	479,330	217,943	566,819
Less: current portion of loans	(36,104)	(93,899)	(34,253)	(89,085)
Non-current portion of loans	148,198	385,431	183,690	477,734

The movement in interest bearing loans and borrowings at the reporting date is as below:

	31 December 2023 RO'000	31 December 2023 USD'000	31 December 2022 RO'000	31 December 2022 USD'000
At 1 January	220,033	572,257	251,733	654,701
Repayments of loan	(34,254)	(89,086)	(31,700)	(82,444)
At 31 December	185,779	483,171	220,033	572,257

Movement of unamortised transaction costs is as follows:

	31 December 2023 RO'000	31 December 2023 USD'000	31 December 2022 RO'000	31 December 2022 USD'000
At 1 January	2,090	5,438	2,801	7,286
Amortised during the year (Note 8)	(613)	(1,597)	(711)	(1,848)
At 31 December	1,477	3,841	2,090	5,438

The Company had entered into secured long term loan agreements in relation to the Project. The total amount of the term loan is USD 1,194 million (RO 459 million) at SOFR plus applicable margin.

The Company started drawdowns in 2012. The Company has fully drawn down the facility in 2014. The loans will be repayable in six months instalments of several denominations, started from 28 December 2014 till 28 December 2028. The Company in order to manage its interest rate risk has entered into interest rate swap arrangements, the details of which are set out in Note 21.

The above facilities are secured by comprehensive legal and commercial mortgages on all the assets of the Company (Note 11). The loan agreements contain certain restrictive covenants, which include, amongst other restrictions over debt service, pattern of shareholding, payment of dividends, asset sales/transfers, and amendment to significant agreements entered by the Company and creation of additional security under charge. The Company is in compliance with the covenants.

During the year company has successfully done transition from LIBOR to SOFR. The company do not foresee any impact on the company for this transition.

21 Derivative financial instruments

Derivative financial instruments comprises of interest rate swap agreements and currency swap agreements

Net movement in fair value of cash flow hedges is as follow:

	31 December 2023 RO'000	31 December 2023 USD'000	31 December 2022 RO'000	31 December 2022 USD'000
Interest rate swaps	(2,129)	(5,539)	5,614	14,600
Currency swaps	1,926	5,010	18,639	48,477
	(203)	(529)	24,253	63,077
Deferred tax impact	30	79	(3,638)	(9,461)
	(173)	(450)	20,615	53,616

(a) Interest rate swaps

In accordance with the requirements of its Commercial facilities, NEXI facilities and Term Loan facilities agreement with Japan Bank for International Corporation ("Secured Term Loan agreements"), the Company has entered into seven interest rate hedging agreements with a view to cap the Company's exposure to fluctuating interest rates. The maximum loan amount covered during the tenure is USD 1,152 million (RO 443 million). Under the hedging agreements, the Company pays a fixed interest rate between 3.102% to 3.75% per annum as per the respective swap agreement and receives a floating interest rate based on USD Secured Overnight Financing Rate (SOFR) with effective dates starting from 28 February 2013/28 March 2013 till 28 December 2028. As at 31 December 2023, an unrealised gain of USD 9.06 million (RO 3.48 million) [2022: Unrealised gain of USD 14.6 million (RO 5.6 million)] relating to measuring the financial instrument at fair value is included in equity in respect of these contracts.

21 Derivative financial instruments (continued)

(a) Interest rate swaps (continued)

All of these interest rate swaps are designated as effective cash flow hedges and the fair value thereof has been dealt with in equity.

	31 December 2023 RO'000	*31 December 2023 USD'000*	*31 December 2022 RO'000*	*31 December 2022 USD'000*
Fair value of interest rate swaps	**3,484**	**9,061**	5,614	14,600
Less: deferred tax effect	**(523)**	**(1,359)**	(843)	(2,191)
	2,961	**7,702**	4,771	12,409

The current and non-current portion of interest rate swaps is as follows:

	31 December 2023 RO'000	*31 December 2023 USD'000*	*31 December 2022 RO'000*	*31 December 2022 USD'000*
Non-current portion	**300**	**779**	4,594	11,948
Current portion	**3,184**	**8,282**	1,020	2,652
	3,484	**9,061**	5,614	14,600

The following table shows the fair value of interest rate swaps relating to secured term loan agreements, which is equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

31 December 2023		**Notional amounts by term to maturity**			
	Fair value of derivatives	***Notional amount***	***Less than 1 year***	***More than 1 up to 5 years***	***Over 5 years***
Interest rate swaps (RO'000)	**3,484**	**176,468**	**34,291**	**142,177**	**-**
Interest rate swaps (USD'000)	**9,061**	**458,955**	**89,183**	**369,772**	**-**

31 December 2022		Notional amounts by term to maturity			
	Fair value of derivatives	*Notional amount*	*Less than 1 year*	*More than 1 up to 5 years*	*Over 5 years*
Interest rate swaps (RO'000)	5,614	209,004	35,203	141,265	32,536
Interest rate swaps (USD'000)	14,600	543,574	91,556	367,399	84,619

(b) Currency swaps

In order to reduce its exposure to foreign exchange rates fluctuations relating to payments to be made to contractor for services rendered under long term supply and services contract for gas turbines, the Company has entered into a foreign exchange swap agreement with a bank for the foreign exchange amounts which are required to be paid in future. As at 31 December 2023, an unrealised loss of USD 15.82 million (RO 6.08 million) [2022: USD 20.8 million (RO 8.0 million)] relating to measuring the financial instrument at fair value is included in equity in respect of these contracts. The related details are set out below:

	31 December 2023 RO'000	*31 December 2023 USD'000*	*31 December 2022 RO'000*	*31 December 2022 USD'000*
Fair value of currency swaps	**(6,083)**	**(15,821)**	(8,009)	(20,831)
Less: deferred tax effect	**912**	**2,373**	1,201	3,125
	(5,171)	**(13,448)**	(6,808)	(17,706)

21 Derivative financial instruments (continued)

(b) Currency swaps (continued)

The current and non-current portion of currency swaps is as follows:

	31 December 2023 RO'000	*31 December 2023 USD'000*	*31 December 2022 RO'000*	*31 December 2022 USD'000*
Non-current portion	(4,821)	(12,540)	(6,553)	(17,042)
Current portion	(1,262)	(3,281)	(1,456)	(3,789)
	(6,083)	(15,821)	(8,009)	(20,831)

The following table shows fair value of the currency swaps, which is equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

31 December 2023		**Notional amounts by term to maturity**			
	Fair value of derivatives	*Notional amount*	*Less than 1 year*	*More than 1 up to 5 years*	*Over 5 years*
Currency swaps (RO'000)	(6,083)	(29,276)	(5,870)	(23,406)	-
Currency swaps (USD'000)	(15,821)	(76,140)	(15,267)	(60,873)	-

31 December 2022		Notional amounts by term to maturity			
	Fair value of derivatives	*Notional amount*	*Less than 1 year*	*More than 1 up to 5 years*	*Over 5 years*
Currency swaps (RO'000)	(8,009)	(35,126)	(5,838)	(23,438)	(5,850)
Currency swaps (USD'000)	(20,831)	(91,355)	(15,183)	(60,957)	(15,215)

22 Provision for asset retirement obligation

Under the Usufruct Agreement, the Company has a legal obligation to remove the plant at the end of its useful life and restore the land. The Company shall at its sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavation and return the surface to grade of the designated areas. The fair value of asset retirement obligation (ARO) provision has been calculated using an expected present value technique. This technique reflects assumptions such as costs, plant useful life, inflation and profit margin that third parties would consider to assume the settlement of the obligation.

The movement in ARO provision is as follows:

	31 December 2023 RO'000	*31 December 2023 USD'000*	*31 December 2022 RO'000*	*31 December 2022 USD'000*
As at 1 January	5,120	13,317	4,876	12,683
Unwinding of discount (Note 8)	256	666	244	634
As at 31 December	5,376	13,983	5,120	13,317

23 Trade and other payables

	31 December 2023 RO'000	31 December 2023 USD'000	31 December 2022 RO'000	31 December 2022 USD'000
Trade payable	5,626	14,633	6,790	17,659
Amounts due to a related party (Note 28)	3,220	8,374	3,377	8,782
Accrued expenses	8,510	22,134	6,665	17,328
VAT payable	1,612	4,192	2,076	5,400
	18,968	49,333	18,908	49,169

All amounts are short-term. The carrying values of trade and other payables are considered to be a reasonable approximation of fair values.

24 Employees' end of service benefits

	31 December 2023 RO'000	31 December 2023 USD'000	31 December 2022 RO'000	31 December 2022 USD'000
At 1 January	32	83	47	122
Charge for the year	6	16	9	23
Payments during the year	-	-	(24)	(62)
At 31 December	38	99	32	83

25 Lease liabilities

The Company recognised lease liabilities in relation to lease of land and connection equipment. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate.

	31 December 2023 RO'000	31 December 2023 USD'000	31 December 2022 RO'000	31 December 2022 USD'000
Land	1,758	4,573	1,758	4,573
Connection equipment	6,589	17,139	6,680	17,372
Office	55	141	-	-
	8,402	21,853	8,438	21,945

Movement in lease liabilities recognised in the statement of financial position is as follows

	31 December 2023 RO'000	31 December 2023 USD'000	31 December 2022 RO'000	31 December 2022 USD'000
At 1 January	8,438	21,945	8,518	22,155
Additions	102	264	-	-
Interest expense (Note 8)	392	1,019	401	1,042
Payments during the year	(530)	(1,375)	(481)	(1,252)
At 31 December	8,402	21,853	8,438	21,945

	31 December 2023 RO'000	31 December 2023 USD'000	31 December 2022 RO'000	31 December 2022 USD'000
Non-current	7,873	20,478	7,931	20,626
Current	529	1,375	507	1,319
	8,402	21,853	8,438	21,945

The following are the amounts recognised in the statement of comprehensive income:

	Year ended 31 December 2023 RO'000	Year ended 31 December 2023 USD'000	Year ended 31 December 2022 RO'000	Year ended 31 December 2022 USD'000
Depreciation on right-of-use assets (Note 12)	264	686	253	657
Interest on finance lease (Note 8)	392	1,019	401	1,042
	656	1,705	654	1,699

25 Lease liabilities (continued)

Lease payments not recognised as a liability
The Company has elected not to recognise lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	Year ended 31 December 2023 RO'000	Year ended 31 December 2023 USD'000	Year ended 31 December 2022 RO'000	Year ended 31 December 2022 USD'000
Short term lease rental	14	37	30	77

26 Net assets per share
Net assets per share is calculated by dividing the equity attributable to the shareholders of the Company at the reporting date by the number of shares outstanding as follows:

	31 December 2023	31 December 2023	31 December 2022	31 December 2022
Net assets (RO'000s/USD'000s)	251,369	653,748	237,294	617,153
Number of shares outstanding at 31 December (in 000's)	1,462,601	1,462,601	1,462,601	1,462,601
Net assets per share (RO BAISA/USD CENTS)	0.172	0.447	0.162	0.422

27 Contingencies
At 31 December 2023, the Company had no contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise [2022 USD Nil (RO Nil)].

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

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 agreed between the parties. Transactions with related parties are as follows:

Due to a related party	31 December 2023 RO'000	31 December 2023 USD'000	31 December 2022 RO'000	31 December 2022 USD'000
Company under common control - Phoenix Operation and Maintenance Company LLC (Note 23)	3,220	8,374	3,377	8,782

Related parties transactions	Year ended 31 December 2023 RO'000	Year ended 31 December 2023 USD'000	Year ended 31 December 2022 RO'000	Year ended 31 December 2022 USD'000
Consulting service fee charged:				
- Axia Power Holdings - shareholder	41	107	41	107
- JERA Co. Inc. - shareholder	25	64	25	64
	66	171	66	171
Operation and maintenance costs: Phoenix Operation and Maintenance Company LLC (Note 6)	8,234	21,414	8,342	21,695

28 Related party transactions and balances (continued)

Related parties transactions (continued)

	Year ended 31 December 2023 RO'000	***Year ended 31 December 2023 USD'000***	*Year ended 31 December 2022 RO'000*	*Year ended 31 December 2022 USD'000*
Key management compensation:				
Short term benefits	**249**	**647**	200	520
End of service benefits	**-**	**-**	3	8
	249	**647**	203	528

29 Commitments

Operation and maintenance (O&M) commitments

As per the O&M Agreement, Phoenix Operation and Maintenance Company LLC will operate and maintain the Company's plant until 31 March 2029. Under the O&M agreement, the Company has to pay the fixed fee which is subject to indexation based on Omani Price indices.

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

	Year ended 2023 RO'000	***Year ended 2023 USD'000***	*Year ended 2022 RO'000*	*Year ended 2022 USD'000*
Within one year	**1,730**	**4,500**	1,730	4,500
Between two and five years	**6,921**	**18,000**	6,921	18,000
After five years	**427**	**1,110**	2,157	5,610
	9,078	**23,610**	10,808	28,110

Other commitments

The Company has entered into agreements for purchase of natural gas with the Ministry of Energy and Minerals, long term supply of spare parts of gas turbines with Siemens Aktiengesellschaft and maintenance service of gas turbines with Siemens LLC Oman.

Operating lease agreement for which the Company acts as a lessor

The Company has entered into a PPA with OPWP in July 2011 for a substantial element of the production of power with 100% "take-or-pay" clauses in favour of the Company.

The Management has determined that the take-or-pay arrangement with OPWP under the PPA is subject to IFRS 16 - Leases. The Management further determined that such an arrangement in substance represents an operating lease. The lease commenced on 11 December 2014. The following is the total of minimum lease receipts expected to be received under the PPA, excluding indexation:

	31 December 2023 RO'000	***31 December 2023 USD'000***	*31 December 2022 RO'000*	*31 December 2022 USD'000*
Within one year	**65,511**	**170,380**	65,428	170,165
Between two and five years	**196,286**	**510,496**	196,286	510,496
After five years	**72,935**	**189,689**	138,447	360,069
	334,732	**870,565**	400,161	1,040,730

30 Financial risk management

The Company has exposure to the following risks arising from;

- Market risk
- Credit risk
- Liquidity risk

30 Financial risk management (continued)

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Board of Directors has overall responsibility for establishing and overseeing the Company's risk management framework. The Board has entrusted the management with the responsibility of developing and monitoring the Company's risk management policies and procedures and its compliance with them.

(a) Market risk

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

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. To manage this, the Company enters into interest rate swaps, in which the Company 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. These swaps are designated to hedge underlying debt obligations. The details of Company's interest rate swap agreements are set out in Note 21.

A 10% change in US SOFR rates at the reporting date would have increased/(decreased) equity and statement of profit or loss by the amounts of USD 68.4 thousands (RO 26.3 thousands) [2022: USD 28.0 thousands (RO 10.77 thousands)] before taking into account of interest rate swaps. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The management do not foresee any impact on the company related to transition from LIBOR to SOFR.

Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's majority of foreign currency transactions are denominated in US Dollar and Euro. As the Rial Omani is pegged to the US Dollar the transactions are not expected to have any significant currency risk. The Company has entered into forward foreign exchange contracts to hedge its Euro exchange risk arising on certain payments to be made in Euro as per its agreement with Siemens Aktiengesellschaft. The details of which are set out in Note 21. The Company's certain Cash at bank are denominated in Euro. The Company's bank balance denominated in Euro as of 31 December 2023 amounted to RO 0.385 thousands (USD 1 thousands) [(2022: RO 2 thousands (USD 5 thousands)]. Should the exchange rate between Euro and RO fluctuate by ± 5%, the impact on the Company's results will be USD:Nil (RO:Nil) [2022: USD:Nil (RO:Nil)].

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash balances held with banks. OPWP is the Company's sole customer and the Company analyses its credit risk with OPWP.

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

30 Financial risk management (continued)

(b) Credit risk (continued)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows

	31 December 2023 RO'000	***31 December 2023 USD'000***	*31 December 2022 RO'000*	*31 December 2022 USD'000*
Trade receivables (Note 13)	**8,178**	**21,270**	7,166	18,636
Short term deposits (Note 15)	**7,306**	**19,000**	-	-
Cash at bank (Note 16)	**12,700**	**33,029**	20,259	52,688
Other receivables	**200**	**519**	439	1,141
	28,384	**73,818**	27,864	72,465

Age analysis of trade receivables as at 31 December was:

	31 December 2023 RO'000 Trade receivables	***31 December 2023 RO'000 Expected credit losses***	*31 December 2022 RO'000 Trade receivables*	*31 December 2022 RO'000 Expected credit losses*
Not past due	**8,178**	-	7,166	-
Past due 0 < 3 months	-	-	-	-
Past due > 3 months	-	-	-	-
	8,178	-	7,166	-
Nominal value in USD '000	**21,270**	-	18,636	-

The table below shows the balances with banks categorized by short-term credit ratings as published by Moody' Service at the reporting date:

Description	**Ratings**	***31 December 2023 RO'000***	***31 December 2023 USD'000***	*31 December 2022 RO'000*	*31 December 2022 USD'000*
Cash at bank	Ba2 & A1	**12,700**	**33,029**	20,259	52,688

(c) Liquidity risk

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

The Company maintains sufficient and approved bank credit limits to meet its obligations as they fall due for payment and is therefore not subjected to significant liquidity risk. The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	Less than 3 months RO'000	***3 to 12 months RO'000***	***1 to 5 years RO'000***	***More than 5 years RO'000***	***Total RO'000***
2023					
Trade payable	5,626	-	-	-	**5,626**
Amounts due to a related party	3,220	-	-	-	**3,220**
Interest bearing loans and borrowings	-	44,878	166,605	-	**211,483**
Lease liabilities	529	-	2,099	13,162	**15,790**
Dividend payable	2,925	-	-	-	**2,925**
	12,300	**44,878**	**168,704**	**13,162**	**239,044**

	Less than 3 months RO'000	*3 to 12 months RO'000*	*1 to 5 years RO'000*	*More than 5 years RO'000*	*Total RO'000*
2022					
Trade payable	6,790	-	-	-	6,790
Amounts due to a related party	3,377	-	-	-	3,377
Interest bearing loans and borrowings	-	44,720	173,030	38,453	256,203
Lease liabilities	507	-	2,029	13,669	16,205
Dividend payable	3,045	-	-	-	3,045
	13,719	44,720	175,059	52,122	285,620

30 Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 3 months USD'000	*3 to 12 months USD'000*	*1 to 5 years USD'000*	*More than 5 years USD'000*	*Total USD'000*
2023					
Trade and other payables	14,633	-	-	-	14,633
Amounts due to a related party	8,374	-	-	-	8,374
Interest bearing loans and borrowings	-	116,718	433,303	-	550,021
Lease liabilities	1,375	-	5,458	34,231	41,064
Dividend payable	7,608	-	-	-	7,608
	31,990	**116,718**	**438,761**	**34,231**	**621,700**

	Less than 3 months USD'000	*3 to 12 months USD'000*	*1 to 5 years USD'000*	*More than 5 years USD'000*	*Total USD'000*
2022					
Trade and other payables	40,387	-	-	-	40,387
Amounts due to a related party	8,782	-	-	-	8,782
Interest bearing loans and borrowings	-	116,306	450,012	100,009	666,327
Lease liabilities	1,319	-	5,278	35,551	42,148
Dividend payable	7,917	-	-	-	7,917
	58,405	116,306	455,290	135,560	765,561

(d) Capital risk management

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

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

The Company monitors capital using a gearing ratio, which is debt (interest bearing loans and borrowings) divided by total equity.

	31 December 2023 RO'000	*31 December 2023 USD'000*	*31 December 2022 RO'000*	*31 December 2022 USD'000*
Debt (Interest bearing loans and borrowings - Note 20)	**185,779**	**483,171**	220,033	572,257
Less: Short term deposits (Note 15)	**(7,306)**	**(19,000)**	-	-
Less: Cash and cash equivalents (Note 16)	**(12,700)**	**(33,031)**	(20,259)	(52,688)
Net debt	**165,773**	**431,140**	199,774	519,569
Equity before hedging reserve	**253,575**	**659,494**	239,330	622,449
Net Debt to equity ratio	**65%**	**65%**	83%	83%

31 Fair value of financial instruments

Financial instruments comprise of financial assets, financial liabilities and derivatives.

Financial assets consist of cash and bank balances and trade and other receivables (excluding prepayments). Financial liabilities consist of interest bearing loans and borrowings and trade and other payables (excluding VAT). Derivatives consist of interest rate swap arrangements and forward foreign exchange currency contracts.

The fair values of financial instruments are not materially different from their carrying values. The derivatives are fair valued using level 2 technique with reference to broker/dealer price quotation.

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

31 Fair value of financial instruments (continued)

Measurement of fair values

Type	*Valuation technique*
Derivative instrument (level 2)	Market comparison technique: fair value is calculated by the respective financial institutions

Embedded derivatives

The following agreements contain embedded derivatives:

(a) The PPA between the Company and OPWP contains embedded derivatives in the pricing formula that adjusts the charge rates to reflect changes in USD / RO currency exchange rates and changes in US price index and the Oman price index.

(b) The O&M Agreement contains embedded derivatives in the pricing formula that adjust the payments to reflect changes in the relevant inflation indices.

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

32 Financial assets and liabilities

Financial assets	***31 December 2023 RO'000***	***31 December 2023 USD'000***	*31 December 2022 RO'000*	*31 December 2022 USD'000*
At amortised cost				
Trade and other receivables (excluding prepayments)	**8,378**	**21,789**	7,605	19,777
Short term deposits	**7,306**	**19,000**	-	-
Cash and cash equivalents	**12,700**	**33,031**	20,259	52,688
Financial assets at fair value				
Derivative financial instruments	**3,484**	**9,061**	5,614	14,600
	31,868	**82,881**	33,478	87,065
Financial liabilities at amortised cost				
Interest-bearing liabilities				
Interest bearing loans and borrowings	**184,302**	**479,330**	217,943	566,819
Lease liabilities	**8,402**	**21,853**	8,438	21,945
Dividend payable	**2,925**	**7,608**	3,045	7,917
Trade payable and accruals (excluding VAT)	**17,356**	**45,141**	16,832	43,769
Financial liabilities at fair value				
Derivative financial instruments	**6,083**	**15,821**	8,009	20,831
	219,068	**569,753**	254,267	661,281

33 Comparative figures

Certain comparative figures have been reclassified where necessary to conform to the current year presentation.

Following reclassification has been made in these financial statements.

Inventories The Company disclosed an amount of USD 6.25 million (RO 2.4 million) as non-current capital spares balances in the financial statement of 2022. However as the nature of capital spares is consumables, this has now been reclassified as current asset under inventories.