

**SEMBCORP SALALAH POWER and WATER
COMPANY SAOG**

**UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024**

Registered office:

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Postal Code 211
Salalah
Sultanate of Oman

Principal place of business:

Salalah
Sultanate of Oman

SEMBCORP SALALAH POWER and WATER COMPANY SAOG

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024

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Independent Auditors' Report on Review of Interim Financial Statements

To the Shareholders of Sembcorp Salalah Power and Water Company SAOG

Introduction

We have reviewed the accompanying 30 September 2024 interim financial statements of Sembcorp Salalah Power and Water Company SAOG ("the Company") which comprises:

- the statement of financial position as at 30 September 2024;
- the statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2024;
- the statement of changes in equity for the nine-month period ended 30 September 2024;
- the statement of cash flows for the nine-month period ended 30 September 2024; and
- notes to the interim financial statements.

Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) including the requirements of IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim financial statements based on our review.

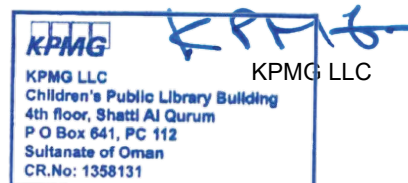
Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2024 interim financial statements do not present fairly, in all material respects, the financial position, financial performance and cash flows of the entity in accordance with IFRS Accounting Standards including the requirements of IAS 34, 'Interim Financial Reporting'.

Kenneth Macfarlane
27 October 2024



SEMBCORP SALALAH POWER and WATER COMPANY SAOG
**UNAUDITED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024**

	Note	Unaudited for three months period ended 30 September 2024 RO	Unaudited for three months period ended 30 September 2023 RO	Unaudited for Nine months period ended 30 September 2024 RO	Unaudited for Nine months period ended 30 September 2023 RO
Revenue	3	20,809,505	19,897,494	62,203,436	59,254,712
Cost of sales	4	(13,706,121)	(12,888,805)	(39,131,077)	(36,422,829)
Gross profit		7,103,384	7,008,689	23,072,359	22,831,883
Administrative and general expenses	5	(225,793)	(158,058)	(606,611)	(464,887)
Other income	6	93,628	88,141	251,309	256,586
Profit before interest and tax		6,971,219	6,938,772	22,717,057	22,623,582
Finance income	7.1	242,837	273,446	659,111	678,607
Finance costs	7	(1,243,465)	(1,670,430)	(3,937,322)	(5,301,747)
Profit before income tax		5,970,591	5,541,788	19,438,846	18,000,442
Income tax expense	18(a)	(897,335)	(833,009)	(2,968,770)	(2,705,515)
Profit after tax for the period		5,073,256	4,708,779	16,470,076	15,294,927
Other comprehensive income					
Items that may be reclassified to profit or loss					
Fair value of cash flow hedge adjustments – gross	11	(423,246)	368,527	239,473	986,803
Reclassification to profit or loss - gross	7	(197,585)	(188,430)	(629,705)	(366,538)
Deferred tax liability / (asset) on change in fair value of cash flow hedge	18	93,125	(27,015)	58,535	(93,040)
Other comprehensive income for the period		(527,706)	153,082	(331,697)	527,225
Total comprehensive income for the period		4,545,550	4,861,861	16,138,379	15,822,152
Earnings per share:					
Basic and diluted earnings per share	26	0.0053	0.0049	0.0173	0.0160

The notes on pages 6 to 44 are an integral part of these financial statements.

Independent auditors' review report – page 1.

SEMBCORP SALALAH POWER and WATER COMPANY SAOG

UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2024

	Note	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
Assets				
Non-current assets				
Property, plant and equipment	8	230,096,060	240,724,751	238,116,599
Right of use assets	9	582,106	627,369	601,689
Derivative financial instruments	11	-	232,421	-
Total non-current assets		230,678,166	241,584,541	238,718,288
Current assets				
Inventories	12	6,136,311	5,694,256	5,795,556
Trade and other receivables	13	8,587,310	8,086,400	9,115,180
Current portion of derivative financial instruments	11	35,051	825,373	456,508
Bank deposits	14	11,484,012	12,357,800	17,615,780
Cash and cash equivalents	14	8,320,726	8,044,144	1,326,499
Total current assets		34,563,410	35,007,973	34,309,523
Total assets		265,241,576	276,592,514	273,027,811
Equity and Liabilities				
Equity				
Share capital	15 (a)	95,457,195	95,457,195	95,457,195
Legal reserve	15 (b)	18,522,198	16,352,066	16,875,190
Retained earnings		60,904,370	50,918,903	48,467,732
Hedging reserve	11 & 15(c)	(81,853)	871,922	249,844
Total Equity		174,801,910	163,600,086	161,049,961
Liabilities				
Non-current liabilities				
Long term loans	20	25,310,083	50,707,437	50,787,450
Long term lease liabilities	22	622,773	584,757	593,820
Asset retirement obligation	21	851,389	818,053	811,813
Deferred tax liabilities	18	24,380,269	24,792,711	24,644,492
Deferred revenue	23	730,767	930,390	880,348
Derivative financial instruments	11	122,312	-	137,837
Total non-current liabilities		52,017,593	77,833,348	77,855,760
Current liabilities				
Current portion of long term loans	20	25,691,129	23,517,264	23,517,264
Trade and other payables	16	9,544,103	8,810,680	6,810,040
Current tax payable	18 (d)	3,186,841	2,831,136	3,794,786
Total current liabilities		38,422,073	35,159,080	34,122,090
Total liabilities		90,439,666	112,992,428	111,977,850
Total equity and liabilities		265,241,576	276,592,514	273,027,811
Net assets per share	27	0.183	0.171	0.169

The financial statements on pages 2 to 44 were approved and authorised for issue in accordance with a resolution of the Board of Directors on 24 October 2024.


Director


Chief Executive Officer

The notes on pages 6 to 44 are an integral part of these financial statements.

Independent auditors' review report – page 1.

SEMBCORP SALALAH POWER and WATER COMPANY SAOG
**UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024**

	Share capital RO	Legal reserve RO	Retained earnings RO	Hedging reserve RO	Total RO
At 1 January 2023	95,457,195	14,822,573	37,153,469	344,697	147,777,934
Profit for the period	-	-	15,294,927	-	15,294,927
Other comprehensive income					
Fair value of cash flow hedge adjustments – gross	-	-	-	986,803	986,803
Reclassification to profit or loss - gross (note 7)	-	-	-	(366,538)	(366,538)
Deferred tax asset on change in fair value of cash flow hedge	-	-	-	(93,040)	(93,040)
Total comprehensive income for the period	-	-	15,294,927	527,225	15,822,152
Transactions with owners of the Company, recognised directly in equity					
Transfer to legal reserve (Note 15 b)	-	1,529,493	(1,529,493)	-	-
Total transactions with owners of the Company, recognised directly in equity	-	1,529,493	(1,529,493)	-	-
At 30 September 2023 (Unaudited)	95,457,195	16,352,066	50,918,903	871,922	163,600,086
At 1 January 2024	95,457,195	16,875,190	48,467,732	249,844	161,049,961
Profit for the period	-	-	16,470,076	-	16,470,076
Other comprehensive income					
Fair value of cash flow hedge adjustments – gross	-	-	-	239,473	239,473
Reclassification to profit or loss - gross (note 7)	-	-	-	(629,705)	(629,705)
Deferred tax asset on change in fair value of cash flow hedge	-	-	-	58,535	58,535
Total comprehensive income for the period	-	-	16,470,076	(331,697)	16,138,379
Transactions with owners of the Company, recognised directly in equity					
Dividend (Note 31)	-	-	(2,386,430)	-	(2,386,430)
Transfer to legal reserve (Note 15 b)	-	1,647,008	(1,647,008)	-	-
Total transactions with owners of the Company, recognised directly in equity	-	1,647,008	(4,033,438)	-	(2,386,430)
At 30 September 2024 (Unaudited)	95,457,195	18,522,198	60,904,370	(81,853)	174,801,910

The notes on pages 6 to 44 are an integral part of these financial statements.

Independent auditors' review report – page 1.

SEMBCORP SALALAH POWER and WATER COMPANY SAOG

**UNAUDITED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024**

	Unaudited For Nine months period ended 30 September 2024 RO	Unaudited For Nine months period ended 30 September 2023 RO
Cash flows from operating activities		
Profit for the period	16,470,076	15,294,927
Adjustments for:		
Income tax expense	2,968,770	2,705,515
Depreciation and amortization	8,391,113	8,426,602
Amortization of deferred revenue	(149,581)	(148,492)
Finance costs	3,937,211	5,301,205
Finance income	(659,111)	(678,607)
Provision for asset retirement obligation	39,576	37,917
<i>Changes in:</i>		
Inventories	(340,755)	(174,975)
Trade and other receivables	341,842	168,870
Trade and other payables	2,649,415	1,624,378
Cash generated from operations	33,648,556	32,557,340
Income tax paid	(3,782,403)	(3,261,341)
Finance cost paid	(3,594,149)	(6,823,366)
Net cash from operating activities	26,272,004	22,472,633
Cash flows from investing activities		
Acquisition of property, plant and equipment	(350,991)	(322,869)
Bank deposits	6,131,768	4,975,740
Finance income received	845,141	827,010
Net cash from investing activities	6,625,918	5,479,881
Cash flows from financing activities		
Repayment of term loan	(23,517,265)	(27,159,193)
Dividends paid	(2,386,430)	-
Net cash used in financing activities	(25,903,695)	(27,159,193)
Net increase in cash and cash equivalents	6,994,227	793,321
Cash and cash equivalents as at 1 January	1,326,499	7,250,823
Cash and cash equivalents at 30 September (note 14)	8,320,726	8,044,144

Reconciliation of liabilities arising from financing activities (note 14.1)

The notes on pages 6 to 44 are an integral part of these financial statements.

Independent auditors' review report – page 1.

SEMBCORP SALALAH POWER and WATER COMPANY SAOG

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024

1 Legal status and principal activities

Sembcorp Salalah Power and Water Company SAOG (“the Company”) was registered as a closed Omani Joint Stock Company in the Sultanate of Oman on 29 September 2009. The Company registered office address is P.O Box 1466, Postal Code 211, Salalah, Sultanate of Oman.

The Company entered into a Shareholders Agreement (“the Shareholders Agreement”) dated 17 November 2009 between Sembcorp Oman First Investment Holding Co Ltd (“SOFIH”) 40% shareholder, Sembcorp Oman IPO Holding Co Ltd (“SOIHL”) 20% shareholder and Inma Power & Water Company LLC (“IPWC”) 40% shareholder. On 8 October 2013, the Company was listed on the Muscat Stock Exchange Company (formerly known as Muscat Securities Market) and became a listed public joint stock company (“SAOG”). For current shareholding refer note 15.

The Company was awarded a tender by the Nama Power & Water Procurement Company SAOC (“NPWP”) to build, own and operate an electricity generation and seawater desalination plant together with the associated facilities in the Salalah region (“the Plant”).

Significant agreements

The Company has entered into the following major agreements:

- (i) Power and Water Purchase Agreement (“the PWPA”) dated 23 November 2009 with Nama Power & Water Procurement Company SAOC (“NPWP”) for a period of fifteen years commencing from the date of commercial operations (“Operation period”) to procure the power and water produced by the Company;
- (ii) Natural Gas Sales Agreement (“NGSA”) dated 23 November 2009 with the Ministry of Oil and Gas (“MOG”) of the Government for the supply of natural gas;
- (iii) Usufruct Agreement (“Usufruct Agreement”) dated 23 November 2009 with the Ministry of Housing for grant of Usufruct rights over the project site;
- (iv) Long Term Service Agreement (“LTSA”) with General Electric International LLC (“GEIL”) for maintenance services on gas turbines and generators;
- (v) Government Guarantee Agreement (“Government Guarantee”) dated 23 November 2009 with the Government represented by the Ministry of Finance (“MOF”), whereby the MOF is prepared to guarantee the payment by NPWP of its financial obligations to the Company’s Senior Lenders under the PWPA; and
- (vi) Operation and Maintenance (“O&M”) agreement with Sembcorp Salalah O&M Services Company LLC (“SSOM”) dated 8 February 2010 for a period of 15 years from the scheduled commercial operation date.

2 Basis of preparation and material accounting policies

2.1 Basis of preparation

(a) Statement of compliance

These interim unaudited financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) including the requirements of IAS 34, the rules and guidelines on disclosures issued by the Financial Services Authority formerly known as Capital Market Authority of the Sultanate of Oman and the applicable requirements of the Commercial Companies Law of 2019.

SEMBCORP SALALAH POWER and WATER COMPANY SAOG

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024

2 Basis of preparation and material accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(b) Basis of measurement

These financial statements are prepared on a historical cost basis except where otherwise described in the accounting policies below.

(c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas where accounting assumptions and estimates are significant to the financial statements are disclosed in notes 2.2 and 2.3 below and also in the relevant notes to the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, estimates that involve uncertainties and judgments which have a significant effect on the financial statements include useful lives and residual value of property, plant and equipment measuring / impairment allowance, effectiveness of hedge relationship and asset retirement obligation.

2.2 Judgements

Management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Classification of plant as lease (IFRS 16) or concession arrangement (IFRIC 12)

Judgement is required to ascertain whether the PWPA agreement with NPWP is a concession arrangement as per IFRIC 12 Service Concession Arrangements or contains a lease as per IFRS 16 Leases and if the agreement contains a lease, judgement is required to classify the lease as an operating lease or a finance lease as per IFRS 16 Leases. Management has evaluated the applicability of IFRIC 12 Service Concession Arrangements and concluded that IFRIC 12 is not applicable to the arrangement as the residual risk is borne by the Company and not NPWP. The estimated useful life of the power plant of 35 years takes into account the Company's right to extend the land lease under a Usufruct Agreement for an additional term. As the Company will extend the land lease until the end of useful life of the plant, lease term of the land has also been considered to expire at the end of the useful life of the plant.

Furthermore, the residual value of the assets will have substantial value at the conclusion of the PWPA and the Company will be able to continue to generate revenue through supply of power and water taking into account the government's future plans to deregulate the power and water sector in Oman.

(b) Operating lease and useful life of assets

The Company and NPWP have entered into a PWPA containing a take-or-pay clause favouring the Company. The management had applied the guidance of IFRS 16 'Leases'. Based on management's evaluation, the PWPA with NPWP was considered as a lease within the context of IFRS 16 and has been classified as an operating lease since significant risks and rewards associated with the ownership of the plant lies with the Company and not with NPWP. The primary basis for this conclusion being that the PWPA is for a term of 15 years while the economic life of the power plant is estimated to be 35 years. The present value of minimum lease payments under the PWPA does not substantially recover the fair value of the plant at the inception of the lease.

SEMBCORP SALALAH POWER and WATER COMPANY SAOG

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024

2 Basis of preparation and material accounting policies *(continued)*

2.3 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are included in the following notes:

- Note 11: determining the fair value of the derivative financial instruments.
- Note 8: useful life and impairment of the property, plant and equipment.
- Note 21: determination of asset retirement obligation.

(a) Effectiveness of hedge relationship

At the inception of the hedge, the management documents the hedging strategy and performs hedge effectiveness testing to assess whether the hedge is effective. This exercise is performed at each reporting date to assess whether the hedge will remain effective throughout the term of the hedging relationship. As at the reporting date, the cumulative fair value of the interest rate swaps was RO 0.08 million as liability (30 September 2023 – RO 1.01 million as asset and 31 December 2023 –RO 0.3 million as asset).

(b) Useful lives of property, plant and equipment

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates. The nature of the assets are buildings, roads and pipelines and plant and machinery. Refer note 8 for carrying values of the nature of the assets.

(c) Asset retirement obligation

Asset retirement obligation is based on management's technical assessment of the probable future costs to be incurred in respect of the decommissioning of the plant and restoration of land. 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.

(d) Impairment of non-financial assets

The Company determines whether its non-financial assets are impaired when there are indicators of impairment as defined in IAS 36. This requires an estimation of the value-in-use of the cash-generating unit ('the CGU'), which constitutes the carrying value of property, plant and equipment and right of use assets as at 30 September 2024. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the CGU as at 30 September 2024 was RO 230.678 million (30 September 2023 – RO 241.352 million and 31 December 2023 - RO 238.718 million).

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

SEMBCORP SALALAH POWER and WATER COMPANY SAOG

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024

2 Basis of preparation and material accounting policies *(continued)*

2.4 Material accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

(a) Foreign currency

(i) Functional and presentation currency

The financial statements have been presented in Rial Omani (“RO”) which is the functional currency of the Company.

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Company at foreign exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency at the exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign currency differences arising on translation of monetary items are recognised in profit or loss, except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Financial instruments

(i) Financial assets

Classification

The Company on initial recognition classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (FVOCI), or through profit or loss (FVTPL)), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows. The Company reclassifies these financial assets, when and only when its business model for managing those financial assets changes.

Recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company becomes a counterparty to a contract..

Derecognition

Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
 - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

SEMBCORP SALALAH POWER and WATER COMPANY SAOG

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024

2 Basis of preparation and material accounting policies *(continued)*

2.4 Material accounting policies *(continued)*

(b) Financial instruments (continued)

Derecognition (continued)

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost for financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its financial assets:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial instruments carried at amortised cost and debt instrument classified as FVOCI.

SEBFCORP SALALAH POWER and WATER COMPANY SAOG

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024

2 Basis of preparation and material accounting policies *(continued)*

2.4 Material accounting policies *(continued)*

(b) Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

General approach

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

Simplified approach

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

Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward- looking information.

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

SEMBCORP SALALAH POWER and WATER COMPANY SAOG

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024

2 Basis of preparation and material accounting policies *(continued)*

2.4 Material accounting policies *(continued)*

(b) Financial instruments (continued)

Significant increase in credit risk (continued)

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

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

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Credit-impaired financial assets

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

(ii) Derivatives and hedging activities

Derivative financial instruments

All derivatives in scope of IFRS 9, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Fair value changes are recognised in profit or loss unless the entity has elected to apply hedge accounting by designating the derivative as a hedging instrument in an eligible hedging relationship.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or is exercised, then hedge accounting is discontinued prospectively.

The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, then hedge accounting is discontinued prospectively. The cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in profit or loss.

SEMBCORP SALALAH POWER and WATER COMPANY SAOG**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024****2 Basis of preparation and material accounting policies (continued)****2.4 Material accounting policies (continued)***(b) Financial instruments (continued)**(ii) Derivatives and hedging activities (continued)**Embedded derivatives*

An embedded derivative is a component of a contract that also includes a non-derivative host with the effect that some of the cash flows of the combined contract vary in a way similar to a stand-alone derivative.

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and if the criteria below is met:

- a. The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;
- b. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and;
- c. The contract is not measured at fair value with changes in fair value recognised in profit or loss.

Embedded derivatives which are required to be separated are recognised at fair value with all subsequent changes in fair value recognised in profit or loss. Embedded derivatives that are not required to be separated are considered as part of the host contract and not accounted for separately.

(c) Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable costs such as loan arrangement fee. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit and loss over the expected period of borrowings on an effective interest rate basis.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

(d) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(e) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 25 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

SEMBCORP SALALAH POWER and WATER COMPANY SAOG

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024

2 Basis of preparation and material accounting policies *(continued)*

2.4 Material accounting policies *(continued)*

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and other short-term, highly liquid investments with original maturities of ninety days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. 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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates.

Subsequent expenditure relating to property, plant and equipment that has already been incurred is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Depreciation

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. The estimated useful lives are as follows:

	Years
Buildings	30 to 35
Roads and pipelines	10 to 35
Plant and machinery	20 to 35
Plant and machinery (Tools and equipment)	2 to 12
Office equipment	3 to 10
Motor vehicles	5 to 10
Computer equipment	3 to 5

Certain items of property, plant and equipment are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the estimated costs of the next overhaul and are separately depreciated in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to the profit or loss.

SEMBICORP SALALAH POWER and WATER COMPANY SAOG

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024

2 Basis of preparation and material accounting policies *(continued)*

2.4 Material accounting policies *(continued)*

(g) Property, plant and equipment (continued)

(iv) Capital work in progress

Capital work in progress is measured at cost less impairment (if any), and is not depreciated until it is transferred into one of the above categories, which occurs when the asset is ready for its intended use.

(v) Site restoration

A liability for future site restoration is recognized as the activities giving rise to the obligation of future site restoration. The liability is measured at the present value of the estimated future cash outflows to be incurred on the basis of current technology. The liability includes all costs associated with site restoration, including plant closure and monitoring costs.

(h) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets. Impairment losses are recognised in the profit and loss statement unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then, to reduce the carrying amounts of the other assets in cash-generating units on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 or cash-generating unit.

Management determines whether there are any indications of impairment to the carrying values of property, plant and equipment on an annual basis because of the difference between the duration of contracted cash flows and accounting depreciation of assets. This requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Company to make an estimate of the expected future cash flows for the period lying beyond the term of the initial PWPA and also choose a suitable discount rate in order to calculate the present value of those cash flows.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Leases

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

(i) Company as a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

SEMBICORP SALALAH POWER and WATER COMPANY SAOG

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024

2 Basis of preparation and material accounting policies *(continued)*

2.4 Material accounting policies *(continued)*

(i) Leases *(continued)*

(i) Company as a lessee *(continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

The lease term is considered to be the non-cancellable period for which the Company has the right to use an underlying asset. The lease term is adjusted for periods covered by an option to extend; if it is reasonably certain that the option will be exercised as well as periods covered by an option to terminate the lease; if it is reasonably certain that the option will not be exercised.

(ii) Company as lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

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

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'other revenue'.

SEMBICORP SALALAH POWER and WATER COMPANY SAOG

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024

2 Basis of preparation and material accounting policies *(continued)*

2.4 Material accounting policies *(continued)*

(j) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Contracts with customers

The Company recognized revenue in accordance with PWPA as defined in note 1 of the financial statements. The contract consists of two revenue streams, which are:

- 1.) Capacity charge
 - a. Investment charge
 - b. Fixed operation and maintenance charge
- 2.) Variable charge (i.e. energy, water and fuel charge)

Capacity charge

Capacity charge includes 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.

Fixed O&M charge is recognised based on the capacity made available in accordance with contractual terms stipulated in PWPA and recognised under IFRS15.

Variable charge

Energy charge, water output charge and fuel charge are recognised when electricity and water are delivered; which is taken to be over time when the customer has accepted the deliveries, the control of utilities have been transferred to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the utilities.

There are no significant judgements that are involved while recognising revenue from contracts with customers.

Performance obligation

The Company sells electricity and water to NPWP in Oman which is the only customer of the Company. The contracts with the customer give rise to performance obligation namely production/ supply of electricity and water and making available the capacity for production. Transaction price is identifiable in the named contracts with NPWP separately and are equal to stand-alone selling prices of performance obligation under PWPA.

The Company satisfies performance obligation upon actual delivery of water and electricity output and by making capacity available.

Determination of transaction price

Invoicing is as per transaction price (tariff) based on contracts. The payment terms are for less than a month and accordingly, transaction price does not contain any significant financing component.

The Company has a long term agreement with NPWP which determines performance obligation, transaction price and allocates the transaction price to each of the separate performance obligations.

SEMBCORP SALALAH POWER and WATER COMPANY SAOG

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024

2 Basis of preparation and material accounting policies *(continued)*

2.4 Material accounting policies *(continued)*

(k) Revenue recognition (continued)

Determination of transaction price (continued)

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.

(l) Finance income and cost

Finance income/cost comprises interest received on bank deposits, foreign exchange gains and losses and interest expense that are recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(m) Borrowing costs

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

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition. The cost of raw materials and consumables and goods for resale is based on weighted average method and consists of direct costs of materials and related overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made where necessary for obsolete, slow moving and defective items, based on management's assessment.

SEMBCORP SALALAH POWER and WATER COMPANY SAOG

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024

2 Basis of preparation and material accounting policies *(continued)*

2.4 Material accounting policies *(continued)*

(o) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of profit and loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The assessment regarding adequacy of tax liability for open tax year relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Company has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences.

The Company previously accounted for deferred tax on leases and decommissioning liabilities by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Company has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Company relates to disclosure of the deferred tax assets and liabilities recognised.

(p) Employee benefits

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

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

In accordance with the provisions of IAS 19, Employee benefits, management carries an exercise to assess the present value of the Company's obligations as of reporting date, using the actuarial techniques, in respect of employees' end of service benefits payable under the Oman aforesaid Labour Law. Under this method, an assessment is made of an employee's expected service life with the Company and the expected basic salary at the date of leaving the service.

SEMBICORP SALALAH POWER and WATER COMPANY SAOG

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024

2 Basis of preparation and material accounting policies *(continued)*

2.4 Material accounting policies *(continued)*

(q) Directors' remuneration

Directors' remunerations are computed in accordance with the Commercial Companies Law, as per the requirements of Capital Market Authority and are recognised as an expense in the statement of profit or loss.

(r) Dividend

The Board of Directors takes into account appropriate parameters including the requirements of the Commercial Companies Law while recommending the dividend.

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholders.

(s) Earnings and net assets per share

The Company presents earnings per share (EPS) and net assets per share data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Net assets per share is calculated by dividing the net assets attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the year. Net assets for the purpose is defined as total equity less hedging deficit/surplus. Net assets per share is not a defined performance measure in IFRS standards.

(t) Segmental reporting

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 Chief Executive Officer who manages the company on a day-to-day basis, as per the directives given by the board of directors that makes strategic decisions.

(u) Share capital

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

(v) Determination of fair values

(i) Trade and other receivables

The fair value of trade and other receivables including cash and bank balances approximates to their carrying amount due to their short-term maturity.

(ii) Derivatives

The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. This calculation is tested for reasonableness through comparison with the valuations received from the parties issuing the instruments.

(iii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

SEMBCORP SALALAH POWER and WATER COMPANY SAOG**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024****2 Basis of preparation and material accounting policies (continued)****2.4 Material accounting policies (continued)**

(w) New standards or amendments for 2024 and forthcoming requirements

A number of new standards, amendments to standards and interpretations are effective for the periods beginning on or after 1 January 2024. Those, which are relevant to the Company, are set out below.

New and revised IFRS in issue and effective

- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities;
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Amendment to IAS 7 and IFRS 7, Supplier Finance Arrangements; and
- Non-current Liabilities with Covenants (Amendments to IAS 1);
- IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 - Climate-related Disclosures.

These standards do not have any material impact on these financial statements

New and revised IFRS in issue but not yet effective

The following new or amended standards are not expected to have a significant impact on the Company's financial statements.

- Amendments to IAS 21, Lack of Exchangeability). Effective date of this amendment is for annual periods beginning on or after 1 January 2025;
- Presentation and Disclosure in Financial Statements issued (IFRS 18). Effective date of this amendment is for annual periods beginning on or after 1 January 2027.

There are no other IFRS standards, amendments or interpretations that are expected to have a material impact on the Company.

SEMBCORP SALALAH POWER and WATER COMPANY SAOG

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024**

3 Revenue

	Unaudited Three months period ended 30 September 2024 RO	Unaudited Three months period ended 30 September 2023 RO	Unaudited Nine months period ended 30 September 2024 RO	Unaudited Nine months period ended 30 September 2023 RO
Operating lease income - Investment charges	10,534,580	10,462,602	32,609,367	32,415,645
Revenue from contracts with customers				
Fixed operation and maintenance charge	2,390,940	2,345,406	7,528,157	7,243,966
Fuel charges	7,257,421	6,626,133	20,310,143	18,309,730
Energy charges	388,699	263,626	1,074,277	779,009
Water output charges	237,865	199,727	681,492	506,362
	20,809,505	19,897,494	62,203,436	59,254,712

Disaggregation of revenue

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

Allocation of transaction price to remaining performance obligations

The Company has no unsatisfied performance obligations with respect to the billed revenue. The Company has right to invoice for every unit of output and making available the designated capacity. Actual invoicing for the delivered output is done at the end of every month.

The Company has recognized impairment losses on receivables arising from Company's contract with customer (note 13.1).

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

4 Cost of sales

	Unaudited Three months period ended 30 September 2024 RO	Unaudited Three months period ended 30 September 2023 RO	Unaudited Nine months period ended 30 September 2024 RO	Unaudited Nine months period ended 30 September 2023 RO
Fuel cost	7,157,845	6,535,791	19,906,957	17,984,527
Depreciation (note 8 and 9)	2,814,611	2,813,358	8,369,935	8,403,962
Operation and maintenance cost (note 19)	2,118,785	2,034,329	6,166,317	5,670,105
Contractual services maintenance cost	1,234,512	1,168,025	3,493,373	3,248,594
Insurance cost	218,709	208,341	654,466	625,023
Incentive payments (note 19)	80,169	57,686	307,804	261,510
Security charges	18,176	25,540	69,235	75,929
License and permits	20,304	21,257	63,100	63,773
Provision for asset retirement obligation (note 21)	13,192	15,204	39,576	37,917
Other overheads	21,539	9,157	40,139	26,094
Electricity import cost	8,279	117	20,175	25,395
	13,706,121	12,888,805	39,131,077	36,422,829

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5 Administrative and general expenses

	Unaudited Three months period ended 30 September 2024 RO	Unaudited Three months period ended 30 September 2023 RO	Unaudited Nine months period ended 30 September 2024 RO	Unaudited Nine months period ended 30 September 2023 RO
Staff costs	70,649	64,693	221,448	205,870
Directors' remuneration and sitting fees (note 19)	33,114	32,614	105,888	98,842
Legal and professional charges	68,657	6,799	90,679	38,011
Fee and subscription	22,955	22,955	72,479	69,065
Charity and Donations	12,800	12,000	64,000	12,000
Depreciation and amortization (notes 8 and 10)	7,211	8,150	21,178	22,641
Others	7,018	7,457	16,013	14,684
Travelling expenses	3,389	3,390	14,926	3,774
	<u>225,793</u>	<u>158,058</u>	<u>606,611</u>	<u>464,887</u>

6 Other income

	Unaudited Three months period ended 30 September 2024 RO	Unaudited Three months period ended 30 September 2023 RO	Unaudited Nine months period ended 30 September 2024 RO	Unaudited Nine months period ended 30 September 2023 RO
Material adverse change claim	43,042	38,100	101,728	108,094
Amortization of deferred revenue (note 23)	50,586	50,041	149,581	148,492
	<u>93,628</u>	<u>88,141</u>	<u>251,309</u>	<u>256,586</u>

Material adverse change claim is a reimbursement of increase in the Company's cost resulting from buyer risk event in accordance with PWPA.

7 Finance costs

	Unaudited Three months period ended 30 September 2024 RO	Unaudited Three months period ended 30 September 2023 RO	Unaudited Nine months period ended 30 September 2024 RO	Unaudited Nine months period ended 30 September 2023 RO
Interest expense on project financing	1,355,443	1,786,954	4,296,999	5,367,826
Interest expense on interest rate swap	(197,585)	(188,430)	(629,705)	(366,538)
Deferred financing cost (note 14.1)	66,875	94,665	213,763	298,399
Interest expense on short term borrowing	-	-	11,501	6,329
Interest expense on lease liabilities (note 22)	9,651	9,063	28,953	27,189
Ineffective portion of cashflow hedge	9,081	(32,000)	15,700	(32,000)
Commission and bank charges	-	178	111	542
	<u>1,243,465</u>	<u>1,670,430</u>	<u>3,937,322</u>	<u>5,301,747</u>

7.1 Finance income

	Unaudited Three months period ended 30 September 2024 RO	Unaudited Three months period ended September 30 2023 RO	Unaudited Nine months period ended 30 September 2024 RO	Unaudited Nine months period ended 30 September 2023 RO
Interest income on short term deposits	242,837	273,446	659,111	678,607

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8 Property, plant and equipment

Unaudited	Buildings RO	Roads and pipelines RO	Plant and machinery RO	Office equipment RO	Motor vehicles RO	Computer equipment RO	Total RO
Cost							
At 1 January 2024	48,652,121	26,649,367	291,700,679	219,776	292,183	994,486	368,508,612
Additions	-	5,220	319,206	843	8,400	17,322	350,991
At 30 September 2024	48,652,121	26,654,587	292,019,885	220,619	300,583	1,011,808	368,859,603
Accumulated depreciation							
At 1 January 2024	17,306,032	9,588,767	102,470,933	201,752	288,232	536,297	130,392,013
Charge for the period	1,099,980	619,773	6,530,864	4,935	3,326	112,652	8,371,530
At 30 September 2024	18,406,012	10,208,540	109,001,797	206,687	291,558	648,949	138,763,543
Carrying amount							
At 30 September 2024	30,246,109	16,446,047	183,018,088	13,932	9,025	362,859	230,096,060

Unaudited	Buildings RO	Roads and pipelines RO	Plant and machinery RO	Office equipment RO	Motor vehicles RO	Computer equipment RO	Total RO
Cost							
At 1 January 2023	48,652,121	26,612,446	291,243,381	210,046	292,183	970,786	367,980,963
Additions	-	3,963	288,921	6,455	-	23,530	322,869
At 30 September 2023	48,652,121	26,616,409	291,532,302	216,501	292,183	994,316	368,303,832
Accumulated depreciation							
At 1 January 2023	15,836,716	8,765,264	93,708,314	196,447	277,561	388,532	119,172,834
Charge for the period	1,098,968	615,313	6,569,765	3,748	8,488	109,965	8,406,247
At 30 September 2023	16,935,684	9,380,577	100,278,079	200,195	286,049	498,497	127,579,081
Carrying amount							
At 30 September 2023	31,716,437	17,235,832	191,254,223	16,306	6,134	495,819	240,724,751

Audited	Buildings RO	Roads and pipelines RO	Plant and machinery RO	Office equipment RO	Motor vehicles RO	Computer equipment RO	Total RO
Cost							
At 1 January 2023	48,652,121	26,612,446	291,243,381	210,046	292,183	970,786	367,980,963
Additions	-	36,921	457,298	9,730	-	23,700	527,649
At 31 December 2023	48,652,121	26,649,367	291,700,679	219,776	292,183	994,486	368,508,612
Accumulated depreciation							
At 1 January 2023	15,836,716	8,765,264	93,708,314	196,447	277,561	388,532	119,172,834
Charge for the year	1,469,316	823,503	8,762,619	5,305	10,671	147,765	11,219,179
At 31 December 2023	17,306,032	9,588,767	102,470,933	201,752	288,232	536,297	130,392,013
Carrying amount							
At 31 December 2023	31,346,089	17,060,600	189,229,746	18,024	3,951	458,189	238,116,599

The property, plant and equipment are subject to operating lease arrangement with NPWP as mentioned in note 2.2(a) of these unaudited interim financial statements.

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8 Property, plant and equipment (continued)

(a) Leased land

Land on which the plant is constructed has been leased by the Government of Sultanate of Oman to the Company for a period of 25 years expiring on 23 November 2034 under the term of the Usufruct Agreement, which can be extended for an additional 25 years. Lease rental for the initial term of 25 years has already been paid in advance. (note 9).

(b) Security

The Company's property, plant and equipment are pledged as security against the term loans (note 20).

(c) The depreciation charge has been allocated as set out below:

	Unaudited Three months period ended 30 September 2024 RO	Unaudited Three months period ended 30 September 2023 RO	Unaudited Nine months period ended 30 September 2024 RO	Unaudited Nine months period ended 30 September 2023 RO
Cost of sales (note 4)	2,808,035	2,806,556	8,350,352	8,383,781
Administrative expenses (note 5)	7,209	8,150	21,178	22,466
	<u>2,815,244</u>	<u>2,814,706</u>	<u>8,371,530</u>	<u>8,406,247</u>

9 Right of use assets

Unaudited	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
Cost			
At 1 January	813,149	832,028	832,028
Revision in estimate of site restoration cost	-	-	(18,879)
At 30 September / 31 December	813,149	832,028	813,149
Accumulated depreciation			
At 1 January	211,460	184,479	184,479
Charge for the period (note 4)	19,583	20,180	26,981
At 30 September / 31 December	231,043	204,659	211,460
Carrying amount at 30 September / 31 December	582,106	627,369	601,689

10 Intangible assets

Intangible assets mainly consist of the ERP software and DuPont STOP program.

	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
Cost			
At 1 January	<u>173,937</u>	173,937	173,937
Accumulated amortisation			
At 1 January	(173,937)	(173,762)	(173,762)
Charge for the period (note 5)	-	(175)	(175)
	<u>(173,937)</u>	(173,937)	(173,937)
Carrying amount	<u>-</u>	-	-

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11 Hedging reserve

	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
<u>Interest rate swaps:</u>			
SMBC Capital Market Limited	(30,570)	178,506	40,889
Standard Chartered Bank	(32,950)	716,917	238,227
KfW-IPEX	(23,741)	162,371	39,555
Hedging instruments at the end of the period	(87,261)	1,057,794	318,671
Less: ineffective portion of cashflow hedge charged to P&L	(9,033)	(32,000)	(24,733)
Effective portion of cashflow hedge	(96,294)	1,025,794	293,938
Deferred tax asset / (liability) [note 18(c)]	14,441	(153,872)	(44,094)
Hedging reserve at the end of the period (net of tax)	(81,853)	871,922	249,844
Less: Hedging reserve at the beginning of the period	(249,844)	(344,697)	(344,697)
Effective portion of change in fair value of cash flow hedge for the period	(331,697)	527,225	(94,853)
<u>Hedging instruments classification:</u>			
Non-current portion of hedging instruments (liability) / asset	(122,312)	232,421	(137,837)
Current portion of hedging instruments asset	35,051	825,373	456,508
	(87,261)	1,057,794	318,671
	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
Change in fair value of outstanding hedging instruments since 1 January	239,473	986,803	508,180
Change in value of hedged item used to determine hedge effectiveness	(239,473)	(954,803)	(483,447)

On 19 November 2009, the Company entered into a Common Terms Agreement (“CTA”), for credit facilities with a consortium of international and local banks with Standard Chartered Bank as the Dollar Commercial Facility Agent, Bank Muscat SAOG as the Rial Commercial Facility Agent and Bank of China, Shan dong Branch as the Sinosure Facility Agent. The Dollar Commercial Facility and the Sinosure Facility bear interest at USD LIBOR plus applicable margins.

On September 27, 2023, the Company amended its Dollar Commercial Facility and Sinosure Facility agreements. Under the amendment, the reference rate for Dollar Commercial Facility and Sinosure Facility was switched from LIBOR to the Daily Cumulative Compounded Secured Overnight Financing Rate (SOFR) and Daily Simple SOFR rate respectively, incorporating the International Swaps and Derivatives Association (ISDA) fallback Credit Adjustment Spread.

In accordance with the CTA, the Company has fixed the rate of interest through Interest Rate Swap Agreements (“IRS”) entered into with SMBC Capital Market Limited, KfW IPEX Bank GmbH and Standard Chartered Bank dated 20 November 2009, 23 March 2010 and 8 April 2010 respectively, for 95.32% of its USD loan facility.

The Company does not hedge the entire amount of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps.

In July 2017, the United Kingdom Financial Conduct Authority (“FCA”), which regulates the London Interbank Offered Rate (“LIBOR”), announced that 6-month USD Libor would cease after September 2023. In a process of Libor transition to new benchmark, the Company entered into revised IRS Confirmation Agreements on 27 September 2023, by which, the Company changed the reference rate from Libor to Daily Cumulative Compounded Secured Overnight Financing Rate (SOFR) with the adjustment of International Swaps and Derivatives Association (ISDA) fallback Credit Adjustment Spread.

After the transition, the interest rate swaps have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount except Sinosure Covered Facility has slightly different reference rate than the hedging instrument because it does not account for compounding effect. The Company applies hedge accounting and the mismatch between the hedging instrument and the hedged item is charged to profit or loss.

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11 Hedging reserve (continued)

The corresponding hedged notional amount outstanding as of 30 September 2024 is approximately RO 32 million (USD 83 million) at a fixed interest rate of 4.345% (31 December 2023 - 4.345%) and approximately RO 8 million (USD 22 million) at a fixed interest rate of 3.8% (31 December 2023 - 3.8%) per annum respectively.

12 Inventories

	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
Fuel inventories	1,297,444	1,232,649	1,289,659
Spare parts and consumables	4,838,867	4,461,607	4,505,897
	<u>6,136,311</u>	<u>5,694,256</u>	<u>5,795,556</u>

13 Trade and other receivables

	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
Trade receivable (snote 13.1)	6,939,961	6,573,116	6,623,652
Advances to vendors	1,455,001	1,409,874	1,416,399
Prepayments	151,439	102,080	503
Other receivable	40,909	1,330	1,074,626
	<u>8,587,310</u>	<u>8,086,400</u>	<u>9,115,180</u>

The Company has one customer (NPWP) which accounts for the trade receivables balance as at 30 September 2024 (30 September 2023 and 31 December 2023 - one customer).

13.1 Trade receivable

	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
Gross trade receivable	6,963,896	6,597,051	6,647,587
Allowance for impairment	(23,935)	(23,935)	(23,935)
	<u>6,939,961</u>	<u>6,573,116</u>	<u>6,623,652</u>

The ageing of trade receivables at the reporting date disclosed in note 24 (b).

14 Cash and cash equivalents

	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
Cash in hand	995	496	727
Cash at bank	8,319,731	8,043,648	1,325,772
Cash and cash equivalents	<u>8,320,726</u>	<u>8,044,144</u>	<u>1,326,499</u>
Fixed term deposits (3 to 6 months) and DSRA	11,484,012	12,357,800	17,615,780
Bank deposits	<u>11,484,012</u>	<u>12,357,800</u>	<u>17,615,780</u>

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14 Cash and cash equivalents (continued)

Debt Service Reserve Account (DSRA) (Restricted cash)

As at 30 September 2024, the Company has placed funds in the bank accounts to meet the Debt Service Reserve Account (DSRA) minimum required balance of RO 11,484,012 (30 September 2023: RO 12,219,207 and 31 December 2023: RO 12,219,107) [note 20].

Fixed term deposits

The fixed term deposits including DSRA of RO 11,484,012 (30 September 2023: RO 12,357,800 and 31 December 2023: RO 17,615,780) have a weighted average interest rate of 4.27% per annum (30 September 2023: 5.19% and 31 December 2023: 5.34% per annum).

14.1 Reconciliation of liabilities arising from financing activities

Unaudited	1 January 2024 RO	Cash flows RO	Non-cash items		30 September 2024 RO
			Interest Cost RO	Deferred finance cost RO	
Long term loans (notes 7 and 20)	74,304,714	(23,517,265)	-	213,763	51,001,212
Long term Lease liability (notes 7 and 22)	593,820	-	28,953	-	622,773

Unaudited	1 January 2023 RO	Cash flows RO	Non-cash items		30 September 2023 RO
			Interest Cost RO	Deferred finance cost RO	
Long term loans (notes 7 and 20)	101,085,495	(27,159,193)	-	298,399	74,224,701
Long term Lease liability (notes 7 and 22)	557,568	-	27,189	-	584,757

Audited	1 January 2023 RO	Cash flows RO	Non-cash items		31 December 2023 RO
			Interest Cost RO	Deferred finance cost RO	
Long term loans (notes 7 and 20)	101,085,495	(27,159,193)	-	378,412	74,304,714
Long term Lease liability (notes 7 and 22)	557,568	-	36,252	-	593,820

15 Equity

(a) Share capital

The Company's registered capital (issued and fully paid) amount to RO 95,457,195 comprising of 954,571,950 shares at nominal value of 100 Baiza each (2023: 954,571,950 of 100 Baiza each).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

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15 Equity (continued)

(a) Share capital (continued)

The details of Shareholders are as follows:

Unaudited	Nationality	30 September 2024 Number of shares held of nominal value 100 baiza each	% of total
SOFIH	British Virgin Island	381,828,780	40.00%
IPWC	Oman	125,431,511	13.14%
Public		447,311,659	46.86%
		<u>954,571,950</u>	<u>100.00%</u>

Unaudited	Nationality	30 September 2023 Number of shares held of nominal value 100 baiza each	% of total
SOFIH	British Virgin Island	381,828,780	40.00%
IPWC	Oman	125,431,511	13.14%
Public		447,311,659	46.86%
		<u>954,571,950</u>	<u>100.00%</u>

Audited	Nationality	31 December 2023 Number of shares held of nominal value 100 baiza each	% of total
SOFIH	British Virgin Island	381,828,780	40.00%
IPWC	Oman	125,431,511	13.14%
Public		447,311,659	46.86%
		<u>954,571,950</u>	<u>100.00%</u>

(b) Legal reserve

Article 132 of the Oman Commercial Companies Law of 2019 requires that 10% of a company's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to at least one-third of the company's issued share capital. This reserve is not available for distribution to shareholders.

(c) Hedging reserve

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (note 11).

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16 Trade and other payables

	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
Accrued expenses and other payable	3,123,323	2,420,596	2,840,363
Due to related parties (note 19)	3,091,897	2,599,583	1,560,880
Trade payable	2,442,089	2,881,373	143,684
VAT Payable	873,586	850,672	788,940
Interest payable	13,208	58,456	1,476,173
	<u>9,544,103</u>	<u>8,810,680</u>	<u>6,810,040</u>

17 Short term borrowings

The Company has entered into working capital facility agreement with Bank Muscat on 26 February 2013, last amended on 22 January 2023. The working capital facility (“the Facility”) limit is RO 3.85 million and carry interest rate of maximum 4.25% per annum. The balance outstanding as of 30 September 2024 is Nil (30 September 2023: Nil and 31 December 2023: Nil). The security against the facility is as per Common Terms Agreement and mentioned in note 20 of the financial statements.

18 Income tax

The Company is liable for income tax, in accordance with the income tax laws of Sultanate of Oman, at the rate of 15% of taxable income.

A deferred tax asset of RO 58,535 (30 September 2023: deferred tax liability charge of RO 93,040 and 31 December 2023: deferred tax asset charge of RO 16,738) has been recognised directly in equity in respect of the changes in fair values of interest rate swaps (note 11).

	Unaudited Three months period ended 30 September 2024 RO	Unaudited Three months period ended 30 September 2023 RO	Unaudited Nine months period ended 30 September 2024 RO	Unaudited Nine months period ended 30 September 2023 RO
<i>(a) Recognised in profit or loss</i>				
Current tax for the period	982,321	867,541	3,174,458	2,820,239
Deferred tax expense for the period	(84,986)	(34,532)	(205,688)	(114,724)
	<u>897,335</u>	<u>833,009</u>	<u>2,968,770</u>	<u>2,705,515</u>

(b) Reconciliation

The following is the tax reconciliation of income taxes calculated at the applicable tax rate with the income tax expenses.

	Unaudited Three months period ended 30 September 2024 RO	Unaudited Three months period ended 30 September 2023 RO	Unaudited Nine months period ended 30 September 2024 RO	Unaudited Nine months period ended 30 September 2023 RO
Profit before tax	<u>5,970,591</u>	5,541,788	<u>19,438,846</u>	18,000,442
Income tax as per rates mentioned above	(895,589)	(831,268)	(2,915,827)	(2,700,066)
Prior year adjustment	-	-	(47,489)	(5,449)
Expenses not deductible for tax	(1,746)	(1,741)	(5,454)	-
Income tax expense for the period	<u>(897,335)</u>	<u>(833,009)</u>	<u>(2,968,770)</u>	<u>(2,705,515)</u>

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18 Income tax (continued)

(c) Deferred tax asset / (liability)

Unaudited As at September 2024	At 1 January RO	Recognised during the period RO	At 30 September RO
Charged to profit or loss			
Property, plant and equipment	(24,849,331)	325,592	(24,523,739)
Asset retirement obligation	84,924	5,157	90,081
Lease liability	24,057	2,897	26,954
Right of use asset	11,610	1,739	13,349
Deferred revenue	132,052	(132,052)	-
Fair value of cash flow hedge (in-effective portion)	(3,710)	2,355	(1,355)
	<u>(24,600,398)</u>	<u>205,688</u>	<u>(24,394,710)</u>
Deferred tax recognised in other comprehensive income			
Derivative financial instruments	(44,094)	58,535	14,441
Deferred tax liability (net)	<u>(24,644,492)</u>	<u>264,223</u>	<u>(24,380,269)</u>

Unaudited As at September 2023	At 1 January RO	Recognised during the period RO	At 30 September RO
Charged to profit or loss			
Property, plant and equipment	(25,018,919)	129,004	(24,889,915)
Asset retirement obligation	75,616	6,978	82,594
Lease liability	18,619	5,815	24,434
Right of use asset	9,289	(4,800)	4,489
Deferred revenue	161,832	(22,273)	139,559
	<u>(24,753,563)</u>	<u>114,724</u>	<u>(24,638,839)</u>
Deferred tax recognised in other comprehensive income			
Derivative financial instruments	(60,832)	(93,040)	(153,872)
Deferred tax liability (net)	<u>(24,814,395)</u>	<u>21,684</u>	<u>(24,792,711)</u>
Audited As at December 2023	At 1 January RO	Recognised during the year RO	At 31 December RO
Property, plant and equipment	(25,018,919)	169,588	(24,849,331)
Asset retirement obligation	75,616	9,308	84,924
Lease liability	18,619	5,438	24,057
Right of use asset	9,289	2,321	11,610
Fair value of cash flow hedge (in-effective portion)	-	(3,710)	(3,710)
Deferred revenue	161,832	(29,780)	132,052
	<u>(24,753,563)</u>	<u>153,165</u>	<u>(24,600,398)</u>
Deferred tax recognised in other comprehensive income			
Derivative financial instruments	(60,832)	16,738	(44,094)
Deferred tax liability (net)	<u>(24,814,395)</u>	<u>169,903</u>	<u>(24,644,492)</u>

(d) The movement in the current tax liability for the period comprise of:

	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
At 1 January	3,794,786	3,272,238	3,272,238
Charge for the period/year	3,174,458	2,820,239	3,783,891
Paid during the period/year	(3,782,403)	(3,261,341)	(3,261,343)
	<u>3,186,841</u>	<u>2,831,136</u>	<u>3,794,786</u>

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18 Income tax (continued)

(e) Status of prior year returns

The Company's assessment for the tax years 2020 to 2023 have not yet been finalised with the Secretariat General for Taxation at the Ministry of Finance. Management of the Company believe that additional taxes, if any in respect of open tax years, would not be significant to the Company's financial position as at 30 September 2024.

19 Related party transactions

The Company maintains balances with the related parties which arise in the normal course of business from the commercial transactions on mutually agreed terms. Outstanding balances at the reporting period end are unsecured and settlement occurs in cash.

No expenses have been recognised during the period for bad or doubtful debts in respect of amounts owed by related parties 30 September 2024: Nil (30 September 2023: Nil and 31 December 2023: Nil).

Sembcorp Oman First Investment Holding Co Ltd is the shareholder with significant influence; whereas Sembcorp Salalah O&M Services Company LLC (SSOM) and Sembcorp Industries Limited (SIL) are affiliates.

The Company had the following significant transactions with related parties during the period:

	Unaudited Three months period ended 30 September 2024 RO	Unaudited Three months period ended 30 September 2023 RO	Unaudited Nine months period ended 30 September 2024 RO	Unaudited Nine months period ended 30 September 2023 RO
<i>Sembcorp Salalah O&M Services Company LLC (SSOM)</i>				
- Operation and maintenance cost	2,118,785	2,034,329	6,166,317	5,670,105
- Incentive payment	<u>80,169</u>	<u>57,686</u>	<u>307,804</u>	<u>261,510</u>

Due to related parties at the period end comprised:

	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
SSOM	3,091,897	2,599,558	1,560,880
SIL	-	25	-
	<u>3,091,897</u>	<u>2,599,583</u>	<u>1,560,880</u>

Key management benefits

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

	Unaudited Three months period ended 30 September 2024 RO	Unaudited Three months period ended 30 September 2023 RO	Unaudited Nine months period ended 30 September 2024 RO	Unaudited Nine months period ended 30 September 2023 RO
Directors' remuneration	26,114	26,114	78,342	78,342
Directors' sitting fees	7,000	6,500	27,546	20,500
Short term employee benefits	106,686	101,250	443,402	412,420
Social security and gratuity	4,860	5,657	34,016	22,717
	<u>144,660</u>	<u>139,521</u>	<u>583,306</u>	<u>533,979</u>

Compensation of some of the key management personnel has been paid through Sembcorp Salalah O&M Services Co. LLC of RO 290,423 (30 September 2023: RO 259,673).

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20 Term loans

	Maturity	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
Non-current				
Project financing loan (USD)	2012-2026	42,443,570	61,912,455	61,912,455
Project financing loan (Rials)	2012-2026	8,825,760	12,874,140	12,874,140
		51,269,330	74,786,595	74,786,595
Less: Unamortised transaction cost		(268,118)	(561,894)	(481,881)
		51,001,212	74,224,701	74,304,714
Less: Current portion of term loans		(25,691,129)	(23,517,264)	(23,517,264)
		25,310,083	50,707,437	50,787,450

On 19 November 2009, the Company entered into a Common Terms Agreement (“CTA”), for credit facilities with a consortium of international and local banks with Standard Chartered Bank as the Dollar Commercial Facility Agent, Bank Muscat SAOG as the Rial Commercial Facility Agent and Bank of China, Shondong Branch as Sinasure Facility Agent, collectively “the Mandated Lead Arranger”.

In July 2017, the United Kingdom Financial Conduct Authority (‘FCA’), which regulates the London Interbank Offered Rate (‘LIBOR’), announced that 6 month USD Libor would cease after September 2023. In a process of LIBOR transition to new bench mark, the Company entered into Amendment Agreement on 27 September 2023, by which, the Company changed the benchmark from LIBOR to SOFR plus ISDA fallback Credit Adjustment Spread.

Repayments

The aggregate amount of drawdowns under the above facilities is repayable in full by 29 half yearly instalments commencing from 30 September 2012, with the final instalment being due on 31 March 2026.

Interest

- (i) Interest on USD Commercial facilities is charged at a floating rate of Non-Cumulative Compounded SOFR plus Credit Adjustment Spread plus margin. The Company has entered into an interest rate swap to cap its obligation against unfavorable interest rate changes.

The margins are indicated below:

	Margin (% per annum)
Prior to completion date of July 2012 (as defined in the CTA)	3.00%
Thereafter up to the sixth anniversary of completion date	2.85%
Thereafter up to the tenth anniversary of completion date	3.20%
Thereafter up to the thirteenth anniversary of completion date	3.55%
Thereafter	3.95%

- (ii) Interest on Sinasure Covered (USD) facilities is charged at a floating rate of Daily Simple SOFR rate plus Credit Adjustment Spread (CAS) plus margin (3% p.a.). The Company has entered into an interest rate swap to cap its obligation against unfavourable interest rate changes.

- (iii) Interest under the Rial Commercial Facilities Agreement is charged at a fixed rate, as shown in the table below:

Period	Margin (% per annum)
From financial close March 2010 to the third anniversary of financial close	8.00%
From the third anniversary of financial close to the fifth anniversary of financial close	7.00%
From the fifth anniversary of financial close to the eighth anniversary of financial close	4.25%
From the eighth anniversary of financial close to the twelfth anniversary of financial close	5.75%
From the twelfth anniversary of financial close to the thirteenth anniversary of financial close	5.65%
From the thirteenth anniversary of financial close to the fourteenth anniversary of financial close	5.90%
From the fourteenth anniversary of financial close to the fifteenth anniversary of financial close	5.93%

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20 Term loans (continued)

Securities

The term loans and the debt reserve account facility are secured, under the security documents as a whole, by the following collateral:

- a charge on all project assets through commercial/legal mortgage;
- an assignment of its insurance/reinsurance;
- a security over Company's shares (apart from those held by public);
- a charge over all the project accounts; and
- direct agreements.

Covenants

The term loan facilities contain certain covenants pertaining to, amongst other things, liquidation and merger, entering into material new agreements, negative pledge, disposal of assets, granting of loans and guarantees, acquisition of capital assets, debt service coverage ratio, change of business, hedging agreements, etc, with which the Company is required to comply. The Company is in compliance with the covenants attached with the term loans.

21 Assets retirement obligation ("ARO")

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 the 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:

	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
At 1 January	811,813	780,136	780,136
Unwinding of discount (note 4)	39,576	37,917	50,556
Revision in estimate of site restoration cost	-	-	(18,879)
At 30 September	851,389	818,053	811,813

Because of the long term nature of the liability, there is significant uncertainty in estimating the cost that will be incurred. It has been assumed that the site will be restored using technology and material that are currently available. The provision has been calculated using a discount rate of 6.5% (30 September 2023: 6.5% and 31 December 2023: 6.5%).

22 Long term lease liabilities

The Company recognised lease liabilities in relation to lease of land [notes 1 and 8 (a)]. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate 6.5%.

	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 Unaudited	Audited 31 December 2023 RO
Land	622,773	584,757	593,820
<i>Amounts recognised in profit and loss</i>			
Amortization expense on right-of-use assets (note 9)	19,583	20,180	26,981
Interest expense on lease liabilities (note 7)	28,953	27,189	36,252
	48,536	47,369	63,233
<i>Amounts recognised in cash flow</i>			
Total cash flow for leases	Nil	Nil	Nil

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22 Long term lease liabilities (continued)

	Unaudited 30 September 2024		Unaudited 30 September 2023		Audited 31 December 2023	
	Total minimum lease payments RO	PV of minimum Lease payment RO	Total minimum lease payments RO	PV of minimum Lease payment RO	Total minimum lease payments RO	PV of minimum Lease payment RO
More than 5 years	1,794,832	622,773	1,794,832	584,757	1,794,832	593,820

23 Deferred revenue

The Company received contribution from NPWP towards cost of Cyber Security Implementation arising from Material Adverse Change claim. The Company assessed whether each transferred item meets the definition of an asset, and if so, recognises the asset as property, plant and equipment. These contributions are deferred and recognises as other income over the life of the relevant property, plant and equipment.

	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
At 1 January	880,348	1,078,882	1,078,882
Amortisation during the period (note 6)	(149,581)	(148,492)	(198,534)
At 30 September	730,767	930,390	880,348

24 Financial risk management

Financial assets are assessed for impairment at each reporting date as disclosed below in credit risk.

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

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 Board of Directors has overall responsibility for the establishment and oversight of 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 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

At the reporting date, the interest rate profile of the Company's interest-bearing financial assets and liabilities is:

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24 Financial risk management (continued)

(a) *Market risk (continued)*

Interest rate risk (continued)

	Interest rate	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
Financial assets				
Fixed term cash deposit	4.27%	11,484,012	12,357,800	17,615,780
Financial liabilities				
<i>Term loan</i>				
- USD variable rate loans	SOFR + 3%	(23,573,932)	(34,387,305)	(34,387,305)
- USD variable rate loans	SOFR + 3.55%	(18,869,638)	(27,525,150)	(27,525,150)
- RO fixed rate loans	5.93%	(8,825,760)	(12,874,140)	(12,874,140)
		(51,269,330)	(74,786,595)	(74,786,595)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial liabilities at fair value through profit or loss and the Company does not designate hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rate at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

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

	Equity					
	Unaudited		Unaudited		Audited	
	30 September 2024		30 September 2023		31 December 2023	
100 bps Increase RO	100 bps Decrease RO	100 bps Increase RO	100 bps Decrease RO	100 bps Increase RO	100 bps Decrease RO	
Interest rate swap	485,545	(485,545)	1,060,648	(1,060,648)	841,250	(841,250)

Currency risk

The majority of the transactions and balances are either in RO or USD. As the RO is pegged to the USD, balances in USD are not considered to represent significant currency risk. The Company is not exposed to significant currency risk as at 30 September 2024 (30 September 2023: No significant exposure to currency risk and 31 December 2023: No significant exposure to currency risk).

(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. Under the terms of the PWWA, the Company's sales are billed wholly to NPWP. The Company manages its credit risk with NPWP by monitoring its credit rating. The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks and financial institutions with strong credit ratings. The carrying amount of financial assets represents the maximum credit exposure.

Impairment of financial assets

The Company has trade receivables from the provision of operation and maintenance services and leasing of assets, which are subject to the expected credit loss model. While fixed term cash deposits, cash and cash equivalents and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

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24 Financial risk management (continued)

(b) Credit risk (continued)

Trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The company has one customer, and the ECL allowance on receivable from that customer has been computed based on rating grades issued by external rating agency. The ratings by external agency is based on historic default rate and is adjusted for forward-looking macro-economic information (e.g., economic data from industry groups, associations or bodies).

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 360 days past due.

The trade receivables have been guaranteed by the Government of Sultanate of Oman. The maximum exposure to credit risk at the reporting date, without taking into account collateral or other credit enhancements was:

	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
Classified as financial assets measured at amortised cost			
Fixed term cash deposits (3 to 6 months)	11,484,012	12,357,800	17,615,780
Trade receivable	6,963,896	6,597,051	6,647,587
Cash and cash equivalents	8,320,726	8,044,144	1,326,499
Other receivable	40,909	1,330	1,074,626
	26,809,543	27,000,325	26,664,492

The table below shows the balances with banks categorised by short-term credit rating as published by Moody's investor's service at the reporting date. Although one of the bank has been rated as not prime, management does not foresee any default risk.

Bank	Rating	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
Bank balances				
Bank Muscat SAOG	Ba2	7,833,463	7,651,762	1,315,022
Bank of China	Aa3	486,268	391,886	10,750
		8,319,731	8,043,648	1,325,772
Fixed term deposits				
Bank Muscat SAOG	Ba2	1,916,800	2,150,000	2,150,000
Bank of China	Aa3	9,567,212	10,207,800	15,465,780
		11,484,012	12,357,800	17,615,780
Trade receivables				
NPWP	Ba1	6,963,896	6,597,051	6,647,587

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24 Financial risk management (continued)

(b) Credit risk (continued)

Age analysis of trade receivables is as follows:

	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
Not past dues	6,963,896	6,564,006	6,613,293
Past due 0 to 3 months	-	-	34,294
Past due 3 to 6 months	-	33,045	-
Gross trade and other receivables	6,963,896	6,597,051	6,647,587
Allowance for impairment	(23,935)	(23,935)	(23,935)
Net trade and other receivables	6,939,961	6,573,116	6,623,652

None of the amounts have been considered as credit impaired.

The closing loss allowances for trade receivables as at 30 September 2024 reconcile to the opening loss allowances as follows:

	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
Opening loss allowance as at 1 January calculated under IFRS 9	23,935	23,935	23,935
At 30 September/31 December	23,935	23,935	23,935

(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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company limits its liquidity risk by ensuring bank facilities and shareholders' advances are available, where required. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

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24 Financial risk management (continued)

(c) *Liquidity risk (continued)*

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

	Cash flows				
	Carrying Amount	Contractual cash flow	Less than 1 year	More than 1 to 5 years	More than 5 years
30 September 2024 (Unaudited)	RO	RO	RO	RO	RO
Derivatives					
Interest rate swaps used for hedging	87,261	(86,107)	(34,567)	(51,540)	-
Non-derivative financial liabilities					
Term loans	51,001,212	(56,205,472)	(29,238,632)	(26,966,840)	-
Trade and other payables	9,544,103	(9,544,103)	(9,544,103)	-	-
Long term lease liability	622,773	(1,794,832)	-	-	(1,794,832)
	<u>61,255,349</u>	<u>(67,630,514)</u>	<u>(38,817,304)</u>	<u>(27,018,380)</u>	<u>(1,794,832)</u>
30 September 2023 (Unaudited)					
Non-derivative financial liabilities					
Term loans	74,224,701	(85,935,409)	(29,498,402)	(56,437,007)	-
Trade and other payables	8,810,680	(8,810,680)	(8,810,680)	-	-
Long term lease liability	584,757	(1,794,832)	-	-	(1,794,832)
	<u>83,620,138</u>	<u>(96,540,921)</u>	<u>(38,309,082)</u>	<u>(56,437,007)</u>	<u>(1,794,832)</u>
31 December 2023 (Audited)					
Non-derivative financial liabilities					
Term loan	74,304,714	(83,430,499)	(27,654,175)	(55,776,324)	-
Trade and other payables	6,810,040	(6,810,040)	(6,810,040)	-	-
Long term lease liability	593,820	(1,794,832)	-	-	(1,794,832)
	<u>81,708,574</u>	<u>(92,035,371)</u>	<u>(34,464,215)</u>	<u>(55,776,324)</u>	<u>(1,794,832)</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at a significantly different amount.

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24 Financial risk management (continued)

(c) Liquidity risk (continued)

Embedded derivatives

The following agreements contain embedded derivatives:

- (i) The PWPA between the Company and NPWP contains embedded derivatives in pricing the fixed operation and maintenance charge and variable operation and maintenance charge rate for the power facility as well as the desalination facility. Fixed percentages of the fixed operation and maintenance charge rate and variable operation and maintenance charge rate for both facilities get adjusted to reflect changes in the US Consumer price index and the Omani Consumer price index.
- (ii) The NGSA between the Company and MOG contains embedded derivatives in gas price for provision of natural gas to the plant. The gas price gets adjusted to reflect changes in US Consumer price index.
- (iii) The LTSA between the Company and GEIL contains embedded derivatives in pricing the fixed monthly fee and variable monthly fee for provision of long term maintenance services. Fixed percentage of the fixed monthly fee and variable monthly fee gets adjusted to reflect changes in US labour and material price index.

These embedded derivatives are not separated from the host contract, as the management believes that the economic characteristics and risk associated with the embedded derivatives are closely related to those of the host contract.

Capital management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to members and benefits to other stakeholders, and to provide an adequate return to members by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to members, return capital to shareholders, and issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio (debt to equity)

	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
Debt (Long-term loan)	51,001,212	74,224,701	74,304,714
Equity excluding hedging reserve	174,883,763	162,728,164	160,800,117
Debt to equity ratio (times)	0.29	0.46	0.46

Fair value of financial instruments

The management believes that the fair value of the financial assets and liabilities are not significantly different from their carrying amounts as shown in the financial statements at the reporting date.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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24 Financial risk management (continued)

Fair value of financial instruments (continued)

	Fair value - hedging instrument	Carrying amount			Fair value
		Financial assets at amortised cost	Other financial liabilities	Total	Level 2
		At amortised cost			
30 September 2024 (Unaudited)	RO	RO	RO	RO	RO
Financial assets not measured at fair value					
Trade and other receivables	-	6,980,870	-	6,980,870	-
Cash and cash equivalents	-	8,320,726	-	8,320,726	-
Bank deposits	-	11,484,012	-	11,484,012	-
	-	26,785,608	-	26,785,608	-
Financial liabilities measured at fair value					
Derivative instrument	(87,261)	-	-	(87,261)	(87,261)
Financial liabilities not measured at fair value					
Term loan	-	-	(51,001,212)	(51,001,212)	-
Trade and other payables	-	-	(9,544,103)	(9,544,103)	-
	-	-	(60,545,315)	(60,545,315)	-
30 September 2023 (Unaudited)					
Financial assets measured at fair value					
Derivative instruments	1,057,794	-	-	1,057,794	-
Financial assets not measured at fair value					
Trade and other receivables	-	6,574,446	-	6,574,446	-
Cash and bank equivalents	-	8,044,144	-	8,044,144	-
Bank deposits	-	12,357,800	-	12,357,800	-
	-	26,976,390	-	26,976,390	-
Financial liabilities not measured at fair value					
Term loan	-	-	(74,224,701)	(74,224,701)	-
Trade and other payables	-	-	(8,810,680)	(8,810,680)	-
	-	-	(83,035,381)	(83,035,381)	-

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24 Financial risk management (continued)

Fair value of financial instruments (continued)

	Fair value - hedging instrument	Carrying amount		Total	Fair value Level 2
		Financial assets at amortised cost	Other financial liabilities At amortised cost		
31 December 2023 (Audited)					
Financial assets measured at fair value					
Derivative instruments	318,671	-	-	318,671	318,671
<i>Financial assets not measured at fair value</i>					
Trade and other receivables	-	7,698,278	-	7,698,278	-
Cash and bank equivalents	-	1,326,499	-	1,326,499	-
Bank deposits	-	17,615,780	-	17,615,780	-
	-	26,640,557	-	26,640,557	-
<i>Financial liabilities not measured at fair value</i>					
Term loan	-	-	(74,304,714)	(74,304,714)	-
Trade and other payables	-	-	(6,810,040)	(6,810,040)	-
	-	-	(81,114,754)	(81,114,754)	-

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

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

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

25 Commitments

(a) *Performance guarantees*

	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
Performance guarantees	1,540,800	1,540,800	1,540,800

The Company has taken bank guarantees from Bank Muscat for the amount of USD 4,000,000 and provided to Oman Electricity Transmission Company SAOG under the electrical connection agreement.

(b) *Operation and maintenance commitment*

As per O&M Agreement, SSOMC operates and maintains the Company's plant at Salalah until 24 May 2027. Under O&M agreement, the Company has to pay the fixed operating fee:

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25 Commitments (continued)

(b) Operation and maintenance commitment (continued)

All fees are subject to 3% indexation. The minimum future payments under the O&M agreement (excluding indexation) are as follow:

	Unaudited 30 September 2024 RO	Unaudited 30 September 2023 RO	Audited 31 December 2023 RO
Due:			
Not later than one year	770,400	770,400	770,400
Later than one year but not later than five years	1,268,522	1,540,800	1,848,960
	<u>2,038,922</u>	<u>2,311,200</u>	<u>2,619,360</u>

(c) Capital Commitment

Total capital commitment as at 30 September 2024 are in the amount of RO 231,972 (30 September 2023: RO 310,940 and 31 December 2023: RO 258,270).

26 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period as follows:

	Unaudited Three months period ended 30 September 2024 RO	Unaudited Three months period ended 30 September 2023 RO	Unaudited Nine months period ended 30 September 2024 RO	Unaudited Nine months period ended 30 September 2023 RO
Profit for the period (RO)	5,073,256	4,708,779	16,470,076	15,294,927
Weighted average number of shares outstanding during the period	954,571,950	954,571,950	954,571,950	954,571,950
Earnings per share - Basic and diluted (RO)	0.0053	0.0049	0.0173	0.0160

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

27 Net assets per share

Net assets per share are calculated by dividing the shareholders' funds by the number of shares at the end of the reporting period. Net assets per share is not a defined performance measure in IFRS standards.

	Unaudited 30 September 2024	Unaudited 30 September 2023	Audited 31 December 2023
Net assets - (RO)	174,801,910	163,600,086	161,049,961
Number of shares at the end of the period/year	954,571,950	954,571,950	954,571,950
Net assets per share (RO)	0.183	0.171	0.169

28 Investors' Trust Fund

Record of Investors Trust Fund indicates that the amount of RO 12,241 (30 September 2023: RO 12,899 and 31 December 2023: RO 10,479) have not been claimed from the Company by the shareholders as at 31 December 2023.

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29 Segmental reporting

The Company has only one segment in accordance with IFRS 8. Segment information is, accordingly, presented in respect of the Company's business segments. The primary format, business segments, is based on the Company's management and internal reporting structure. The requirements of IFRS 8, paragraphs 31 to 34 relating the entity wide disclosures have been covered under statements of financial position, profit and loss and other comprehensive income and also in notes 1, 2, 3 and 4 to these financial statements.

30 Operating lease agreement for which the Company acts as a lessor

The Company has entered into a PWPA with NPWP for a substantial element of the production of power and water with 100% 'take-or-pay' clauses in favour of the company.

Management has determined that the take-or-pay arrangements with NPWP under PWPA are covered by IFRS 16 'Leases' as such arrangements convey the right to use the assets to NPWP. Management further determined that such arrangement in substance represents an operating lease under IFRS 16 Leases [note 2.2 (a)]. The lease commenced on 25 May 2012. The following is the total of future minimum lease receipts expected to be received under PWPA:

	Unaudited 30 September 2024	Unaudited 30 September 2023	Audited 31 December 2023
Due:	RO	RO	RO
Not later than 1 year	43,257,954	43,257,954	43,257,954
Not later than 2 years	43,142,996	43,142,996	43,142,996
Not later than 3 years	20,807,412	43,142,996	43,142,996
Not later than 4 years	-	20,922,370	10,346,227
	<u>107,208,362</u>	<u>150,466,316</u>	<u>139,890,173</u>

31 Dividend

On 7 March 2024, in Annual General Meeting, the Shareholders approved a cash dividend of Baizas 2.5 per share to the shareholder who are registered with MCD on 1 April 2024.

On 24 October 2024, Board of Directors approved to distribute cash dividend of Baizas 8.0 per share to the Shareholders who are registered with MCD on 3 November 2024.