

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of Muscat City Desalination Company SAOG (“MCDC” or the “Company”), I am pleased to present the Directors’ Report together with the unaudited financial statements of the Company for the nine-month period ended on 30 September 2023.

Health, Safety and Environment (HSE)

The HSE performance of the Company to date has been satisfactory, with no Lost Time Accidents (“LTA”). The operator entity, Muscat City Desalination Operations and Maintenance Company LLC (“MCDOMC”) has completed 2,771 days without any LTA since the plant’s commercial operations commenced on 19 February 2016. Similarly, there were no environmental incidents for the same period.

Operations

During the nine-month period ended on 30 September 2023, the Company achieved a lower availability of 96.10%, compared with 98.74% during the same period in 2022 which was mainly due to the higher scheduled outage rate of 3.62% for the period in 2023, compared with 0.84% for the same period last year. The water dispatch during the nine months of 2023 was 50,265,803 m³, a decrease of 1.26% compared with 50,906,884 m³ during the same period in 2022. The Plant faced with infestations of algae bloom during the months of July and August 2023, which caused forced outages equivalent to 0.10% of the yearly capacity.

The total forced outage rate for the nine-month period ending on 30 September 2023 is 0.28% which is a decrease by 0.14% compared with 0.42% for the same period in 2022.

Financial Results

The Company's revenue for the nine-month period ended on 30 September 2023 was RO 14.240 million whilst the direct operating cost was RO 9.375 million. Accordingly, the gross profit for the period was RO 4.865 million, which is 2.2% higher compared with the corresponding period last year. General and administrative expenses for the nine-month period ended on 30 September 2023 was RO 0.716 million, which is higher by 7.3% compared with the corresponding period last year. Finance costs for the nine-month period ended on 30 September 2023 was RO 2.112 million, which is 4.3% higher than the finance costs incurred for the corresponding period last year.

The Company recorded profit before tax (PBT) of RO 2.040 million which is 1.4% lower than the PBT for the same period last year. Overall, the Company achieved profit after tax of RO 1.717 million for the period compared with profit after tax of RO 1.674 million for the corresponding period in 2022.

As at 27 September 2023, the share price of MCDC was 82 Baizas (30 September 2022: 116 Baizas).

Pursuant to the authority granted by the shareholders at the Annual General Meeting held on 23 March 2023, the Board of Directors, at its meeting held on 18 April 2023, have resolved the distribution of cash dividends of value 3.210 baizas per share out of the retained profits for the period ended 31 December 2022 to the shareholders who are registered in the Company's register as at 15 May 2023. The dividend was paid in May 2023.

Moreover, the Board of Directors, at its meeting held on 25 October 2023, have resolved the distribution of cash dividends of value 3.220 baizas per share out of the retained profits for the period ended 31 December 2022, pursuant to the authority granted by the shareholders at the Annual General Meeting held on 23 March 2023, to the shareholders who are registered in the Company's register as at 1 November 2023 and will be paid in November 2023.

The Financial Conduct Authority has announced the cessation of London Interbank Offered Rate (“LIBOR”) benchmarks publication by ICE Benchmark Administration. After the end of June 2023, only synthetic 1-, 3- and 6-month USD LIBOR will be published until the end of September 2024. Therefore, the Company’s loan facilities agreements have been amended to reflect the alternative benchmark called Secured Overnight Financing Rate (“SOFR”). Those agreements were executed in June 2023 and effective from 1 July 2023.

Corporate Governance

The Board of Directors and Management of the Company believe in the importance of the internal control system. The Company has a comprehensive system of internal controls in place. The Company has periodically carried out comprehensive reviews of its key internal policies and procedures in order to ensure its compliance.

The Audit Committee has approved the Internal Audit Plan for 2023 which will be implemented throughout the year.

Information Security

The Company has developed information technology (“IT”) and security policy and procedures pursuant to the Capital Market Authority (“CMA”) Circular No. E/1/2022 on Information Security Guidelines for Public Listed Companies. Some enhancements to the Company’s IT systems and controls have been implemented, whereas some longer-term enhancement projects are being implemented.

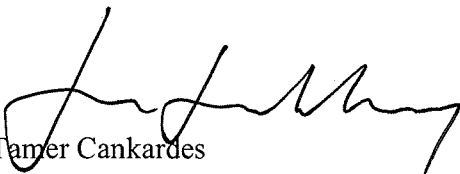
During the third quarter of the financial year, assessments of the policy, procedure and IT infrastructures were conducted by consultants who are accredited by the relevant authorities in Oman to ensure that the Company's information security measures are compliant with regulations, and effectively protect against potential threats and vulnerabilities. The assessments will continuously be conducted by consultants in the fourth quarter of the financial year.

The Internal Audit Unit will review the implementation of the enhancement projects with supervision by the Audit Committee.

Future Outlook

All reasonable and prudent measures have been and will continue to be taken by the Company to ensure high standards of health, safety and environmental compliance, and to sustain and improve reliability and availability going forward.

On behalf of the Board of Directors, I would like to extend our utmost appreciation and gratitude to His Majesty Sultan Haitham bin Tarik bin Taimur Al Said and His Government for their continued support and encouragement to the private sector by creating an environment that allows the Company to participate effectively in the growth of the Sultanate’s economy and to contribute in the building of a strong nation.



Tamer Cankardes
Chairman of the Board