

## **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 2022.

### **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 2406 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 2022, the Company achieved a higher availability of 98.74%, compared with 95.40% during the same period in 2021. The water dispatch during the nine months of 2022 was 50,906,884 m<sup>3</sup>, an increase of 2.64% compared with 49,597,992 m<sup>3</sup> during the same period in 2021. The total forced outage rate for the nine-month period ending on 30 September 2022 is 0.42% which is an increase of 0.07% compared with 0.35% for the same period in 2021. This was mainly due to the electrical disturbance which occurred on 05 September 2022 in the electricity main interconnected system.

Meanwhile, the Covid-19 has not had any material impact on the plant's performance for the reporting period. All employees in MCDC and its operator have been vaccinated.

### **Financial Results**

The Company's revenue for the nine - month period ended on 30 September 2022 was RO 14.301 million whilst the direct operating cost was RO 9.542 million. Accordingly, the gross profit for the period was RO 4.759 million, which is 1.7% higher compared with the corresponding period last year. General and administrative expenses for the nine - month period ended on 30 September 2022 was RO 0.667 million, which is higher by 18.9% compared with the corresponding period last year. Finance costs for the nine - month period ended on 30 September 2022 was RO 2.025 million, which is 3.3% lower than the finance costs incurred for the corresponding period last year.

The Company recorded profit before tax (PBT) of RO 2.070 million which is 2.0% higher

than the PBT for the same period last year. Overall, the Company achieved profit after tax of RO 1.674 million for the period compared with profit after tax of RO 1.846 million for the corresponding period in 2021.

As at 29 September 2022, the share price of MCDC was 116 Baizas (30 September 2021: 79 Baizas).

Pursuant to the authority granted by the shareholders at the Annual General Meeting held on 29 March 2022, the Board of Directors, at its meeting held on 25 April 2022, have resolved the distribution of cash dividends of 7.715 baizas per share out of the retained profits for the period ended 31 December 2021 to the shareholders who are registered in the Company's register as at 15 May 2022 totaling RO 1.200 million. The dividend was paid in May 2022.

### **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 review of its key internal policies and procedures in order to ensure its compliance. The Company has established an in-house internal audit unit to undertake the Company's internal audit function. An internal audit plan was developed for 2022 and approved 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.



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Tamer Cankardes

Chairman of the Board