Financial Statements and Independent Auditor's Report

Sohar Power Company SAOG

31 December 2021

Contents

Abu Timam
Grant Thornton

أبـــو تمـــام
محاسبون قانونيون
Abu Timam
Chartered Certified Accountants

الطابق الاول الرميلة ١٠٦
ص.ب ٥٧
الرمز البريدي ١١٨
سلطنة عمان
1st Floor Rumaila 106
P.O. Box 57
Postal Code 118
Sultanate of Oman

ت. ٢٤٥٧١٣٢٠ / ٢٤٥٧١٣٢١ ٩٦٨+
ف. ٢٤٥٧١٣٢٤ ٩٦٨+
E: info@om.gt.com
www.grantthornton.om
T +968 24571320, 24571321
F +968 24571324
E-mail: info@om.gt.com
www.grantthornton.om

رقم البطاقة الضريبية : ٨١٢٣٨١٥
Tax Card No. : 8123815

Independent Auditor's Report

To the Shareholders of
Sohar Power Company SAOG
P.O. Box 147
Postal Code 134
Sultanate of Oman

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sohar Power Company SAOG (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Independent Auditor's Report (continued)

Emphasis of Matters

Basis of Accounting other than Going Concern

We draw attention to Note 3 to the financial statements, which states that the power purchase agreement of the Company with OPWP will expire on 15 May 2022. OPWP informed the Management that they will not renew the agreement and they annulled the 'Power 2022 Procurement' process. The Management is evaluating various options to continue its operations after the expiry of the agreement, however, as of the date of the authorization of the financial statements, those options do not appear to be economically viable. Further, as at 31 December 2021, the Company's current liabilities exceeded its current assets, resulting into a negative working capital of RO 4,034,000 (USD 10,481,000) and its equity was eroded. Accordingly, the going concern assumption is not applied in these financial statements and the assets and liabilities have been reported at the estimated net realisable values and net settlement amounts, respectively. Our opinion is not modified in respect of this matter.

Impairment of Plant and Equipment

We also draw attention to Note 7 to the financial statements which states that the Company has appointed an independent consultant for assessing the net realisable value of its plant and equipment as at 31 December 2021. Based on the valuation report of the independent consultant, management has recorded an impairment loss of RO 45,736,000 (USD 118,795,000) for the year. The valuation of the net realisable value of these assets requires significant judgements and there is a high degree of estimation uncertainly involved in arriving at the net realisable value. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report:

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of property, plant and equipment	
The carrying value of plant and machinery amounted to RO 69,410,000 (USD 180,286,000) as at 31 December 2021. The management involved external independent consultant for valuation. Valuation of these assets require significant judgement and there is the risk that valuation may be incorrect and any potential impairment charge or reversal being miscalculated. The assessment has resulted in an impairment loss of RO 45,736,000 (USD 118,795,000). Based on the significance of the value of the plant and machinery and the inherent limitation of valuation, we considered valuation of property, plant and equipment as a key audit matter.	We have performed the following procedures to test the appropriateness of the valuation of the property, plant and equipment: • Obtained and inspected the valuation reports prepared by the external valuer engaged by the Company and on which the management's assessment of the fair value of property, plant and equipment is based; • Assessed the external valuers qualification, experience and expertise in the property, plant and equipment being valued and considering their objectivity and independence; • Assessed the methodologies used and the appropriateness of the key assumptions based on our knowledge of the power industry; and • Assessed the appropriateness of the related disclosures in the financial statements in accordance with IFRSs.

Independent Auditor's Report (continued)

Key Audit Matters (continued)

Hedge accounting	How our audit addressed the Key Audit Matter
The Company has entered into interest rate swap agreements with international banks to hedge interest rate risks. Hedge accounting and the valuation of hedging instruments which is determined through the application of valuation techniques, often involve the exercise of management judgement and the use of assumptions and estimates which are subject to an inherent risk of estimation error. Due to the significance of derivative financial instruments and the related estimation uncertainty, this is considered a key audit matter. The Company's accounting policies and disclosures on derivative financial instruments are disclosed in Note 5.12 and Note 15 to the financial statements.	We obtained assurance over the appropriateness of management's assumptions applied in hedge accounting by: • Assessing the overall process related to derivative instruments and hedge accounting including internal management policies and procedures; • Evaluating the appropriateness of management's hedge documentation and contracts; • Checking and agreeing the hedge effectiveness computations for reasonableness; • Reviewing swap agreements and related workings, on a sample basis, and checking that the hedging instruments have been appropriately recorded at their fair values; • Checked and agreed whether effective and ineffective portions of the hedge have been appropriately recognised in the financial statements; • We involved our internal valuation specialists to assist in reviewing whether the cash flow hedge relationship and related hedge accounting is appropriate under IFRS 9; and • We obtained appropriate confirmations from third parties regarding fair values of the hedging instruments at the reporting date.

Other Matter

The financial statements of the Company for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 24 February 2021.

Other Information

Management is responsible for the other information. The other information consists of the information included in the Company's 2021 annual report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2021 annual report after the date of our auditor's report:

- Chairman's report;
- Corporate governance report;
- Management discussion and analysis.

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

Independent Auditor's Report (continued)

Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditor's Report (continued)

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements comply, in all material respects, with the relevant disclosure requirements of Commercial Companies Law of the Sultanate of Oman, 2019 as amended and Capital Market Authority of the Sultanate of Oman.

We further report that, the Company has lost 50% of its share capital as at the reporting date. This has resulted in the application of Article 147 of Commercial Companies Law, 2019 of Sultanate of Oman, which requires the Board of Directors to convene an extra ordinary general meeting, within 30 days from the date when the aforementioned loss is ascertained by the Board of Directors, for adopting necessary resolutions for remedying the causes which led to such losses and restore the Company to the status of profitability.

Nasser Al Mugheiry
Licence No. L1024587
ABU TIMAM
(Chartered Certified Accountants)

28 February 2022

Sohar Power Company SAOG

Statement of financial position

as at 31 December 2021

	Notes	31 December 2021 RO'000	31 December 2020 RO'000	31 December 2021 USD'000	31 December 2020 USD'000
ASSETS					
Non-current assets:					
Property, plant and equipment	7	**24,288**	81,821	**63,085**	212,523
Right-of-use assets	8	**76**	226	**196**	586
Total non-current assets		**24,364**	82,047	**63,281**	213,109
Current assets:					
Inventory		**817**	793	**2,121**	2,060
Trade and other receivables	9	**6,918**	2,655	**17,967**	6,897
Cash and cash equivalents	10	**7,365**	6,270	**19,130**	16,286
Total current assets		**15,100**	9,718	**39,218**	25,243
Total assets		**39,464**	91,765	**102,499**	238,352
EQUITY AND LIABILITIES					
Equity:					
Share capital	11	**22,101**	22,101	**57,405**	57,405
Legal reserve	12	**4,373**	4,373	**11,358**	11,358
Accumulated losses		**(42,094)**	(7,146)	**(109,345)**	(18,559)
Cash flow hedge reserve	15	**(396)**	(2,296)	**(1,025)**	(5,964)
Total equity		**(16,016)**	17,032	**(41,607)**	44,240
LIABILITIES					
Non-current liabilities:					
Derivative financial instruments	15	**-**	3,290	**-**	8,545
Term loans	16	**34,195**	46,628	**88,821**	121,112
Employee end of service benefits	14	**16**	15	**42**	38
Lease liabilities	8	**-**	75	**-**	195
Provision for decommissioning costs	17	**1,895**	1,800	**4,921**	4,675
Deferred tax liabilities	26	**240**	8,048	**623**	20,905
Non-current liabilities		**36,346**	59,856	**94,407**	155,470
Current liabilities:					
Term loans	16	**10,290**	9,232	**26,727**	23,979
Derivative financial instruments	15	**588**	-	**1,526**	-
Trade and other payables	18	**5,891**	2,001	**15,304**	5,198
Lease liabilities	8	**76**	162	**198**	421
Deferred revenue	19	**-**	1,881	**-**	4,886
Amount due to a related party	20	**589**	288	**1,531**	748
Provision for taxation		**1,700**	1,313	**4,413**	3,410
Total current liabilities		**19,134**	14,877	**49,699**	38,642
Total liabilities		**55,480**	74,733	**144,106**	194,112
Total equity and liabilities		**39,464**	91,765	**102,499**	238,352
Net assets per share		**(0.072)**	0.077	**(0.188)**	0.200

The financial statements on pages 6 to 37 were approved by the Board of Directors on 28 February 2022 and were signed on its behalf by:

Chairman **Director** **Chief Executive Officer** **Chief Financial Officer**

The accompanying notes on pages 10 to 37 form an integral part of these financial statements.

The report of the Auditor is set forth on page 1.

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2021

	Notes	Year ended 31 December 2021 RO'000	Year ended 31 December 2020 RO'000	Year ended 31 December 2021 USD'000	Year ended 31 December 2020 USD'000
Revenue	21	**30,990**	27,264	**80,496**	70,816
Cost of revenue	22	**(23,030)**	(19,138)	**(59,821)**	(49,709)
Gross profit		**7,960**	8,126	**20,675**	21,107
Impairment of property, plant and equipment	7	**(45,736)**	-	**(118,795)**	-
General and administrative expenses	24	**(585)**	(1,147)	**(1,532)**	(2,982)
Other income	23	**442**	343	**1,148**	891
Operating (loss)/profit		**(37,919)**	7,322	**(98,504)**	19,016
Finance costs	25	**(3,197)**	(4,803)	**(8,304)**	(12,475)
(Loss)/profit before tax		**(41,116)**	2,519	**(106,808)**	6,541
Tax credit/(expense)	26	**6,168**	(263)	**16,023**	(682)
(Loss)/profit for the year after tax		**(34,948)**	2,256	**(90,785)**	5,859
Other comprehensive income:					
Items that will be reclassified subsequently to profit or loss					
Cash flow hedging:					
Current year gain	15	**2,323**	862	**6,035**	2,239
Income tax relating to item that will be reclassified		**(349)**	(126)	**(905)**	(327)
Other comprehensive income for the year		**1,974**	736	**5,130**	1,912
Total comprehensive (loss)/income for the year		**(32,974)**	2,992	**(85,655)**	7,771
(Loss)/earnings per share		**(0.158)**	0.010	**(0.411)**	0.027

The accompanying notes on pages 10 to 37 form an integral part of these financial statements.

The report of the Auditor is set forth on page 1.

Sohar Power Company SAOG

Statement of changes in equity

for the year ended 31 December 2021

	Share capital RO'000	Legal reserve RO'000	Accumulated losses RO'000	Cash flow hedge reserve RO'000	Total RO'000	Total USD'000
At 1 January 2020	**22,101**	**4,148**	**(9,177)**	**(3,140)**	**13,932**	**36,192**
Profit for the year	-	-	2,256	-	2,256	5,859
Transfer to legal reserve	-	225	(225)	-	-	-
Other comprehensive income for the year	-	-	-	736	736	1,912
Ineffective portion of cash flow hedge	-	-	-	108	108	277
At 31 December 2020	**22,101**	**4,373**	**(7,146)**	**(2,296)**	**17,032**	**44,240**
At 1 January 2021	**22,101**	**4,373**	**(7,146)**	**(2,296)**	**17,032**	**44,240**
Loss for the year	-	-	(34,948)	-	(34,948)	(90,785)
Other comprehensive income for the year	-	-	-	1,974	1,974	5,130
Ineffective portion of cash flow hedge	-	-	-	(74)	(74)	(192)
At 31 December 2021	**22,101**	**4,373**	**(42,094)**	**(396)**	**(16,016)**	**(41,607)**

The accompanying notes on pages 10 to 37 form an integral part of these financial statements.

The report of the Auditor is set forth on page 1.

Sohar Power Company SAOG

Statement of cash flows

for the year ended 31 December 2021

	Notes	Year ended 31 December 2021 RO'000	Year ended 31 December 2020 RO'000	Year ended 31 December 2021 USD'000	Year ended 31 December 2020 USD'000
Operating activities:					
(Loss)/profit for the year before taxation		**(41,116)**	2,519	**(106,808)**	6,541
Adjustments for:					
Depreciation on property, plant and equipment	7	**11,794**	11,792	**30,635**	30,629
Impairment on property, plant and equipment	7	**45,736**	-	**118,795**	-
Capital work-in-progress written off	7	**3**	22	**8**	57
Depreciation on right-of-use assets	8	**150**	150	**390**	390
Finance costs		**3,197**	4,759	**8,304**	12,361
Provision for employee end of service benefits	14	**1**	2	**4**	3
Operating profit before working capital changes		**19,765**	19,244	**51,328**	49,981
Changes in working capital:					
Inventory		**(24)**	(88)	**(61)**	(229)
Deferred revenue		**(1,881)**	(1,533)	**(4,886)**	(3,982)
Trade and other receivables		**(4,263)**	11,995	**(11,071)**	31,157
Trade and other payables		**3,892**	(11,781)	**10,109**	(30,598)
Amount due to a related party		**301**	53	**783**	138
Net cash generated from operations		**17,790**	17,890	**46,202**	46,467
Finance costs		**(3,381)**	(4,473)	**(8,780)**	(11,618)
Tax paid		**(1,604)**	(1,371)	**(4,163)**	(3,561)
Net cash generated from operating activities		**12,805**	12,046	**33,259**	31,288
Investing activities:					
Purchases of property, plant and equipment	7	**-**	(5)	**-**	(13)
Net cash used in investing activities		**-**	(5)	**-**	(13)
Financing activities:					
Term loans		**(11,543)**	(10,769)	**(29,980)**	(27,971)
Lease liabilities		**(167)**	-	**(435)**	-
Net cash used in financing activities		**(11,710)**	(10,769)	**(30,415)**	(27,971)
Net increase in cash and cash equivalents		**1,095**	1,272	**2,844**	3,304
Cash and cash equivalents at the beginning of the year		**6,270**	4,998	**16,286**	12,982
Cash and cash equivalents at the end of the year	10	**7,365**	6,270	**19,130**	16,286

The accompanying notes on pages 10 to 37 form an integral part of these financial statements.

The report of the Auditor is set forth on page 1.

Notes

(forming part of the financial statements)

1 Nature of operations

The principal activity of Sohar Power Company SAOG (the "Company") is to Build, Own and Operate (BOO) a 585 Mega Watt (MW) electricity generation station and a 33 million Imperial Gallon (IG) per day of water desalination plant at Sohar.

2 General information and statement of compliance with IFRSs

The Company was initially registered as a Closed Joint Stock Company under the Commercial Companies Law of 1974, as amended, of the Sultanate of Oman (replaced by the Commercial Companies Law of 18/2019) on 17 July 2004, having been incorporated on 22 June 2004. The shareholders in their Extra-ordinary General Meeting held on 23 March 2008 resolved to convert the Company from a Closed Joint Stock into a Public Listed Joint Stock Company. The commercial registration number of the Company is 1761773 with its registered address at P.O. Box 147, postal Code 134, the Sultanate of Oman.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in accordance with the Commercial Companies Law, 2019 of the Sultanate of Oman.

3 Basis of preparation other than going concern

The Company had participated in the Government of the Sultanate of Oman's 'Power 2022 procurement' process to obtain an extension to the Power Purchase Agreement ("PPA") beyond 15 May 2022. During the year, Oman Power and Water Procurement Company ("OPWP") informed the Company regarding the annulment of the 'Power 2022 Procurement' process and consequently confirming the non-renewal of the PPA beyond 15 May 2022.

Further, OPWP has developed a spot market for the wholesale trading of electricity in the Sultanate of Oman, which is expected to go live in the year 2022. The Company appointed an independent consultant to conduct a study to assess the revenues that the Company can generate from the spot market. The study concluded that the level of revenues that the Company can expect to generate from the spot market will be negligible and therefore not economically viable for the Company to operate in the spot market. The generation license of the Company has been amended to allow for participation in this market.

In addition, the Authority is finalizing the bilateral contract framework to allow direct sale of power to customers. This mechanism is different to the capacity payments the Company receives under its PPA.

Considering the above factors, the Management and the Board of Directors believe there may be other options available for the Company to continue its operations beyond 15 May 2022 which require further evaluation such as the upcoming bilateral contract framework. Accordingly, these financial statements have been prepared on a non going concern basis. Consequently, all the assets including the property, plant and equipment, and liabilities have been presented at fair values less costs to sell/expected settlement values, respectively.

3.1 Regulatory compliance

In accordance with Article 147 of the Commercial Companies Law of the Sultanate of Oman 2019 as amended, a Company that loses 50% of its capital, is required to convene an Extra Ordinary General Meeting (EGM) to take necessary action for remedying the causes, which led to such losses and restore the Company to the status of profitability.

Management is in process to convene the EGM to take necessary action for remedying the causes, which led to losses and restore the Company to the status of profitability.

Notes

(forming part of the financial statements)

4 New or revised Standards or Interpretations

4.1 New Standards adopted as at 1 January 2021

Some accounting pronouncements which have become effective from 1 January 2021 and have therefore been adopted do not have a significant impact on the Company's financial results or position.

4.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company.

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

5 Summary of accounting policies

5.1 Overall considerations

The financial statements have been prepared using the measurement bases specified by IFRSs for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below. Further, as mentioned in Note 3, for the year ended 31 December 2021, all the assets and liabilities have been presented at fair value less costs to sell/expected settlement values, respectively.

5.2 Presentation of financial statements

The financial statements are presented in accordance with IAS 1 *Presentation of Financial Statements*.

5.3 Foreign currency translation and transactions

Functional and presentation currency

The Company's financial statements are presented in the Rial Omani (RO) which is also the functional currency of the Company. Further, the financial statements are presented in US Dollar ("USD") for having consistent disclosure as per management decision, rounded off to the nearest thousand currency units unless otherwise stated. The financial statements are presented in the USD because the loans are denominated in USD.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items dominated in foreign currency at year-end exchange rates are recognised in the statement of profit or loss and other comprehensive income.

In the Company's financial statements, all items and transactions of the Company with a presented currency other than the Rial Omani (the Company's presentation currency) were translated into the presentation currency. Assets and liabilities have been translated into the Rial Omani at the closing rate at the reporting date. Income and expenses have been translated into the Company's presentation currency at the average rates over the reporting period.

Notes

(forming part of the financial statements)

5.3 Foreign currency translation and transactions (continued)

Foreign currency transactions and balances (continued)

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

5.4 Inventory

Inventory comprises of fuel oil and is stated at the lower of cost and net realisable value. The cost of inventory includes all costs incurred in acquiring the inventory. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

5.5 Legal reserve

In accordance with the laws of the Sultanate of Oman, an amount equal to 10% of the net profit after tax is transferred to legal reserve. This transfer will be made until the total reserve equals one-third of the share capital of the Company. This reserve is not available for distribution.

5.6 Directors' remuneration

The Company follows the Commercial Companies Law of the Sultanate of Oman and other relevant directives issued by the Capital Market Authority, in regard to determination of the amount to be paid as directors' remuneration. Directors' remuneration is charged to the statement of profit or loss and other comprehensive income in the year to which it relates.

5.7 Share capital

Share capital represents the nominal value of shares that have been issued.

Accumulated losses include all current and prior period results as disclosed in the statement of changes in equity.

5.8 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost, including any cost directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company.

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and any identified impairment losses. All other expenditure is recognised in profit or loss as an expense as incurred.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value. The following useful lives are applied:

- Buildings — 15-30 years
- Plant and machinery — 15-30 years
- Technical parts — 15-30 years
- Other assets — 4 years
- Decommissioning costs — 30 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gain or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of profit or loss and other comprehensive income.

Notes

(forming part of the financial statements)

5 Summary of accounting policies (continued)

5.9 Capital work-in-progress

Capital work-in-progress is stated at cost. These are transferred to specific assets when they are available for use. Capital work-in-progress is not depreciated until it is transferred into one of the above categories at the time when it is available for use.

5.10 Post-employment benefits and short-term employee benefits

The provision for employees' end of service benefits is based upon the liability accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law, 2003 and the Social Security Law, 1991.

Government of Oman Social Insurance Scheme (the Scheme)

The Company contributes to the Scheme for all Omani employees. The Scheme, which is a defined contributions retirement plan, is administered by the Government of Oman. The Company and Omani employees are required to make monthly contributions to the Scheme at 12.5% and 8% respectively, of gross salaries.

Non-Omani employee terminal benefits

The provision for end of service benefits for non-Omani employees is made in accordance with the requirements of the Oman Labour Law of 2003. Employees are entitled to end of service benefits calculated at the rate of 15 days basic salary for each of the first three years of continuous service and at a rate of 30 days basic salary for each year of continuous service following the first three years. This is an unfunded defined benefits retirement plan. Accrued non-Omani staff terminal benefits are payable on termination of employment.

5.11 Income taxes

Taxes comprise of current and deferred tax for the period. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

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

Deferred tax is calculated 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 temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax assets is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference 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 benefit will be realised.

5 Summary of accounting policies (continued)

5.12 Financial instruments

Recognition, initial measurement and derecognition
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial assets and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets
The Company determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment
The Company determines its business model at the level that best reflects how it manages group of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument by instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors.

The information considered includes:
- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

Contractual cash flow characteristics test
The Company assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI'). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. The Company reclassifies a financial asset when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The Company's cash at bank and trade and other receivables fall into this category of financial instruments.

Notes

(forming part of the financial statements)

5 Summary of accounting policies (continued)

5.12 Financial instruments (continued)

Classification and initial measurement of financial assets (continued)

Financial assets at fair value through profit or loss (FVTPL)

Financial assets held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. Further, irrespective of the business model used, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

In the periods presented, the Company does not hold any financial assets categorised as FVTPL.

Financial assets at fair value through other comprehensive income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in OCI will be recycled upon derecognition of the asset.

In the periods presented, the Company does not hold any financial assets categorised as FVOCI.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the impairment requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of expected credit losses require Company to consider a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Notes

(forming part of the financial statements)

5 Summary of accounting policies (continued)

5.12 Financial instruments (continued)

Trade receivable

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company makes use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Cash and cash equivalents

Impairment on cash and cash equivalents has been measured on a 12 month expected credit losses basis and reflects short term maturities of the exposures. The Company considers the cash and cash equivalents have low to fair credit risk based on external credit rating of the counterparty.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include trade and other payables, term loans and amount due to a related party which are measured at amortised cost.

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

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of profit or loss and other comprehensive income under its line items 'finance costs' or 'finance income'.

Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

The Company has designated Swap contracts as hedging instruments in cash flow hedging relationships. These arrangements have been entered into to mitigate the risk of variation variable interest rate i.e., LIBOR.

Notes

(forming part of the financial statements)

5 Summary of accounting policies (continued)

5.12 Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)
Derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship (or any gain or loss required to balance the change in the cash flow hedge reserve) is recognised in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

5.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at banks, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

5.14 Leases

The Company as a lessee
The Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right-of-use assets (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use the Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee
At lease commencement date, the Company recognises a right-of-use assets and a lease liabilities on the balance sheet. The right-of-use assets is measured at cost, which is made up of the initial measurement of the lease liabilities, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Notes

(forming part of the financial statements)

5 Summary of accounting policies (continued)

5.14 Leases (continued)

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. The Company also assesses the right-of-use assets for impairment when such indicators exist.

At the commencement date, the Company measures the lease liabilities at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liabilities are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the lease liabilities will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liabilities is remeasured, the corresponding adjustment is reflected in the right-of-use assets, or profit and loss if the right-of-use assets are already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use assets and lease liabilities, the payments in relation to these are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

5.15 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plans main features to those affected by it. Provisions are not recognised for future operating losses.

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

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Probable inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are disclosed as contingent assets.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Notes

(forming part of the financial statements)

5 Summary of accounting policies (continued)

5.15 Provisions, contingent liabilities and contingent assets (continued)

Decommissioning liability costs
A provision for future decommissioning costs is recognised when there is a present obligation as a result of activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of provision can be measured reliably. The estimated future obligations include the costs of removing the facilities and restoring the affected areas.

The provision for future decommissioning costs is the best estimate of the present value of the expenditure required to settle the decommissioning obligation at the reporting date based on the current requirements in accordance with the sub-usufruct agreement. Future decommissioning costs are reviewed annually and any changes in the estimate are reflected in the present value of the decommissioning provision at each reporting date.

The initial estimate of the decommissioning provision is capitalised into the cost of the asset and depreciated on the same basis as the related asset. Changes in the estimate of the provision for decommissioning costs are treated in the same manner, except that the unwinding of the discount is recognised as a finance cost rather than being capitalised into the cost of the related asset.

5.16 Revenue

Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard establishes a five-step model to account for revenue arising from contracts with customers. The Company's contract with its sole customer contains a lease, which is scoped out of IFRS 15.

The tariff structure under the PPA is comprised of power capacity, electrical energy and fuel charges components. The investment charge of the power capacity component is treated as operating lease and recognised on a straight-line basis over the lease term whereas the other components of tariff under the PPA are recognised as revenue over time as OPWP simultaneously receives and consumes the benefits provided by the Company. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

5.17 Deferred revenue

The Power Capacity Investment Charge Rate and Water Capacity Investment Charge Rate in the Power and Water Purchase Agreement ("PWPA") has been structured in such a way that the investment tariff rates are reducing at a constant rate each year over the term of the agreement. The Company recognises capacity investment charge income on a straight-line basis over the lease term. The billed revenue in-excess of straight-line revenue is deferred as a liability. Deferred revenue is transferred to revenue as the operating lease income is earned in accordance with the straight-line basis. Deferred revenue is recorded as a non-current liability in the statement of financial position, except for the amount expected to be transferred to revenue in the next twelve months, which is recorded as a current liability.

Notes

(forming part of the financial statements)

5 Summary of accounting policies (continued)

5.18 Operating expenses

Operating expenses are recognised in the statement of profit or loss and other comprehensive income upon utilisation of the service or as incurred.

6 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. During the year, there were no judgements made by management in applying the accounting policies of the Company that had a significant effect on the financial statements.

Estimation uncertainty

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

Income tax

Uncertainties exist with respect to interpretation of the tax regulations and the amount of timing of future taxable income. Given the wide range of business relationship and nature of existing contractual agreements, differences arising between the actual result and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimate, for possible consequences of the finalisation of the tax assessment of the Company. The amount of such provision is based on various factors, such as experience of previous assessment and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Inventory

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

Useful lives and residual values of depreciable assets

Management reviews its estimate of the useful lives and residual values of depreciable assets at each reporting date based on the expected utility of the assets. The carrying amounts are analysed in Notes 7 and 8.

Notes

(forming part of the financial statements)

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

Estimating the incremental borrowing rate - leases

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

Impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and used an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. During the year, the Company recognised an impairment loss on plant and machinery (see Note 7).

Fair value measurement

Management uses various valuation techniques to determine the fair value of derivative financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from actual prices that would be achieved in an arm's length transaction at the reporting date.

Provision for decommissioning costs

Management uses the best estimate of the present value of the expenditure required to settle the decommissioning obligation at the reporting date based on the current requirements. Future decommissioning costs are reviewed annually and any changes in the estimate are reflected in the present value of the decommissioning provision at each reporting date.

Notes

(forming part of the financial statements)

7 Property, plant and equipment

	Buildings RO'000	Plant and machinery RO'000	Technical parts RO'000	Other assets RO'000	Decommissioning costs RO'000	Capital work-in-progress RO'000	Total RO'000	Total USD'000
Cost:								
At 1 January 2021	7,027	189,443	5,093	26	777	219	202,585	526,196
Reversal of accumulated depreciation	(4,636)	(124,295)	(3,222)	-	-	-	(132,153)	(343,255)
Impairment	(1,618)	(42,410)	(1,708)	-	-	-	(45,736)	(118,795)
Written-off	-	-	-	-	-	(3)	(3)	(8)
At 31 December 2021	**773**	**22,738**	**163**	**26**	**777**	**216**	**24,693**	**64,138**
Depreciation:								
At 1 January 2021	4,228	113,238	2,919	26	353	-	120,764	313,673
Provided during the year	408	11,057	303	-	26	-	11,794	30,635
Accumulated depreciation	(4,636)	(124,295)	(3,222)	-	-	-	(132,153)	(343,255)
At 31 December 2021	**-**	**-**	**-**	**26**	**379**	**-**	**405**	**1,053**
Net book value:								
At 31 December 2021	**773**	**22,738**	**163**	**-**	**398**	**216**	**24,288**	**63,085**

For the comparative year the carrying amounts are presented as follows:

	Buildings RO'000	Plant and machinery RO'000	Technical parts RO'000	Other assets RO'000	Decommissioning costs RO'000	Capital work-in-progress RO'000	Total RO'000	Total USD'000
Cost:								
At 1 January 2020	7,027	189,443	5,049	26	777	280	202,602	526,240
Additions	-	-	3	-	-	2	5	13
Transferred	-	-	41	-	-	(41)	-	-
Written-off	-	-	-	-	-	(22)	(22)	(57)
At 31 December 2020	7,027	189,443	5,093	26	777	219	202,585	526,196
Depreciation:								
At 1 January 2020	3,820	102,182	2,618	25	327	-	108,972	283,044
Provided during the year	408	11,056	301	1	26	-	11,792	30,629
At 31 December 2020	4,228	113,238	2,919	26	353	-	120,764	313,673
Net book value:								
At 31 December 2020	2,799	76,205	2,174	-	424	219	81,821	212,523

Notes

(forming part of the financial statements)

7 Property, plant and equipment (continued)

Land on which the power station, buildings and auxiliaries are constructed has been sub-leased from Sohar Industrial Port Company SAOC till 2022. The lease is further extendable for another 15 years. Currently lease rent of approximately RO 65,000 (USD 168,000) per annum [31 December 2020: RO 65,000 (USD 168,000) per annum] is paid.

Property, plant and equipment are mortgaged against term loans facilities utilised by the Company (Note 16).

Capital work-in-progress relates to replacement of two valves which require long planned shutdown and is scheduled to be completed in 2022.

As mentioned in Note 3, during the year, OPWP has informed the Company regarding the annulment of the 'Power 2022 Procurement' process and consequently confirming the non-renewal of PPA beyond 15 May 2022. Further, OPWP has developed a spot market for the wholesale trading of electricity in the Sultanate of Oman, which is expected to go live in the year 2022. The Company appointed an independent consultant to conduct a study to assess the revenues that the Company can generate from the spot market. The study concluded that the level of revenues that the Company can expect to generate from the spot market will be negligible and therefore not economically viable for the Company to operate in the spot market. Consequently, the management have considered it necessary to carry out an impairment assessment of the Company's property, plant and equipment as at 31 December 2021.

For the purpose of impairment testing, the recoverable value of the property, plant and equipment has been assessed based on the fair value less costs to sell or value in use whichever is higher.

The fair value of the property, plant and equipment estimated at the end of the reporting period was determined based on a report prepared by an independent technical consultant, who had similar experience in the region.

The depreciation expense has been allocated as follows:

	31 December 2021 RO'000	31 December 2020 RO'000	**31 December 2021 USD'000**	31 December 2020 USD'000
Cost of revenue (Note 22)	**11,794**	11,791	**30,635**	30,626
General and administrative expenses (Note 24)	**-**	1	**-**	3
	11,794	11,792	**30,635**	30,629

8 Right-of-use assets and lease liabilities

The carrying amounts of right-of-use assets recognised and the movements during the year are as follows:

	31 December 2021 RO'000	31 December 2020 RO'000	**31 December 2021 USD'000**	31 December 2020 USD'000
As at 1 January	**226**	376	**586**	976
Depreciation during the year	**(150)**	(150)	**(390)**	(390)
As at 31 December	**76**	226	**196**	586

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and lease liability.

Notes

(forming part of the financial statements)

8 Right-of-use assets and lease liabilities (continued)

The right-of-use assets and the lease liabilities relates to two leases, i.e., lease of land and the electrical connection at Sohar Power Plant, 220 KV Grid Station. The Company has leased land from Sohar Industrial Port Company SAOC until 2022, with the option of a possible extension of 15 years. Moreover, the Company has also made an agreement with Oman Electricity Transmission Company SAOC for electrical connection of Sohar Power Plant with the Transmission System effective until 2022.

Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	31 December 2021 RO'000	31 December 2020 RO'000	**31 December 2021 USD'000**	31 December 2020 USD'000
Current	**76**	162	**198**	421
Non-current	**-**	75	**-**	195
	76	237	**198**	616

	Minimum lease payments due							
	Within 1 year RO'000	**1-2 years RO'000**	**2-3 years RO'000**	**3-4 years RO'000**	**4-5 years RO'000**	**After 5 years RO'000**	**Total RO'000**	**Total USD'000**
31 December 2021:								
Lease payments	76	-	-	-	-	-	**76**	**198**
Finance charges	-	-	-	-	-	-	**-**	**-**
Net present values	76	-	-	-	-	-	**76**	**198**

	Minimum lease payments due							
	Within 1 year RO'000	1-2 years RO'000	2-3 years RO'000	3-4 years RO'000	4-5 years RO'000	After 5 years RO'000	Total RO'000	Total USD'000
31 December 2020:								
Lease payments	168	75	-	-	-	-	243	633
Finance charges	(6)	-	-	-	-	-	(6)	(17)
Net present values	162	75	-	-	-	-	237	616

9 Trade and other receivables

	31 December 2021 RO'000	31 December 2020 RO'000	**31 December 2021 RO'000**	31 December 2020 USD'000
Trade receivables	**6,184**	1,910	**16,063**	4,961
Advances and prepayments	**186**	273	**476**	709
Other receivables	**548**	472	**1,428**	1,227
	6,918	2,655	**17,967**	6,897

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

All of the Company's trade receivables have been reviewed for indicators of impairment. Note 30.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

Notes

(forming part of the financial statements)

10 Cash and cash equivalents

	31 December 2021 RO'000	31 December 2020 RO'000	31 December 2021 USD'000	31 December 2020 USD'000
Cash at bank	**3,064**	1,969	**7,960**	5,114
Cash in hand	**1**	1	**1**	3
	3,065	1,970	**7,961**	5,117
Short term deposits	**4,300**	4,300	**11,169**	11,169
	7,365	6,270	**19,130**	16,286

Short term deposits consist of RO 4.3 million placed with a commercial bank at an interest rate of 2.16% per annum, for a period of around 4 months starting from 1 November 2021 and maturing on 27 March 2022.

There are no restrictions on cash and bank balances at the time of approval of these financial statements other than the overall mortgage of assets as mentioned in Note 16.

11 Share capital

	31 December 2021 RO'000	31 December 2020 RO'000	31 December 2021 USD'000	31 December 2020 USD'000
Authorised share capital represents 600,000,000 shares of RO 0.100 each (2020: 600,000,000 shares of RO 0.100 each)	**60,000**	60,000	**156,000**	156,000
Issued and fully paid-up share capital represents 221,010,000 shares of RO 0.100 each (2020: 221,010,000 shares of RO 0.100 each)	**22,101**	22,101	**57,405**	57,405

The shareholders of the Company who own 10% or more of the Company's shares and the number of shares held by them during 2021 and 2020 are as follows:

	31 December	
	Percentage of shareholding	Number of shares held
Kahrabel FZE, UAE	**35%**	**77,353,500**
MENA Sohar 1SPV LTD, UAE	**20%**	**44,202,000**
Civil Service Employees Pension Fund, Oman	**15%**	**33,151,500**

12 Legal reserve

In accordance with the Commercial Companies Law of Sultanate of Oman, 2019, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance of the reserve is equal to one-third of the value of the Company's paid-up share capital. This reserve is not available for distribution. Since the Company has incurred a loss, no transfer has been made during the year [2020: RO 225,000 (USD 584,416)]

13 Dividend

In accordance with the terms of the loan facilities agreement, there will be no further proposed, approved or distributed dividends until the loan amount is fully repaid or restructured. Therefore, no dividends have been proposed or approved during the current year.

14 Employee end of service benefits

	31 December 2021 RO'000	31 December 2020 RO'000	31 December 2021 USD'000	31 December 2020 USD'000
Opening balance	**15**	13	**38**	35
Provided during the year	**1**	2	**4**	3
Closing balance	**16**	15	**42**	38

Notes

(forming part of the financial statements)

15 Derivative financial instruments and hedge accounting

The long-term loan facilities of the Company bear interest at LIBOR - 6 months plus applicable margins (Note 16). In accordance with the term loan agreement, the Company has fixed the rate of interest through Interest Rate Swap Agreements ("IRS") to hedge the risk of variation in USD LIBOR - 6 months for at least 95% of its loan facility until 31 March 2022. The corresponding hedged notional amount of the swaps at 31 December 2021 was approximately RO 56.462 million (USD 146.654 million) [31 December 2020: RO 65.232 million (USD 169.435 million)], bearing fixed interest rates of 7.89%, 4.50%, 5.70%, 4.36% and 4.36% per annum [31 December 2020: 7.89%, 4.50%, 5.70%, 4.36% and 4.36% per annum] excluding applicable margins.

At 31 December 2021, the interest rate for USD LIBOR - 6 months was 0.15% per annum (31 December 2020: 0.26% per annum) whereas the Company has fixed interest on its borrowings as described above.

The derivative financial instruments are measured at fair value and are summarised below:

	31 December 2021 RO'000	31 December 2020 RO'000	**31 December 2021 USD'000**	31 December 2020 USD'000
HSBC Bank plc	**18**	187	**45**	486
Standard Chartered Bank	**13**	134	**32**	348
HSBC Bank plc	**107**	544	**279**	1,413
Standard Chartered Bank	**225**	1,213	**585**	3,151
Credit Agricole Corporate & Investment Bank	**225**	1,212	**585**	3,147
	588	3,290	**1,526**	8,545

The movement in derivative financial instrument is as follows:

	31 December 2021 RO'000	31 December 2020 RO'000	**31 December 2021 USD'000**	31 December 2020 USD'000
As at 1 January	**3,290**	4,152	**8,545**	10,784
Change in fair value during the year	**(2,702)**	(862)	**(7,019)**	(2,239)
As at 31 December	**588**	3,290	**1,526**	8,545

The change in fair value of derivative financial instrument has been allocated as follows:

	31 December 2021 RO'000	31 December 2020 RO'000	**31 December 2021 USD'000**	31 December 2020 USD'000
Effective portion of cash flow hedge	**2,323**	862	**6,035**	2,239
Ineffective portion of cash flow hedge	**379**	-	**984**	-
	2,702	862	**7,019**	2,239

Hedge effectiveness is determined at an inception of the hedge relationship and at every reporting period end through the assessment of the hedged items and hedging instrument to determine whether there is still an economic relationship between the two.

The hedged item and the hedging instruments are denominated in the same currency and as a result the hedging ratio is always one to one.

All derivative financial instruments are used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position. To the extent the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

Notes

(forming part of the financial statements)

15 Derivative financial instruments and hedge accounting (continued)

At the time the hedged item affects profit or loss, any gain or loss previously recognised in the other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income.

During the year, a gain of RO 2,323 (2020: RO 862) was recognised in other comprehensive income. Ineffective portion of cash flow hedge amounting to RO 74 (2020: RO 108), [USD 191 (2020: USD 277)] was reclassified from equity into profit or loss.

The cumulative deficit recorded in cash flow hedge reserve in equity is RO 396 (2020: RO 2,296), [USD 1,025 (2020: USD 5,964)].

The following are the movement in the cash flow hedge reserve relating to cash flows arising from interest rate swap:

	31 December 2021 RO'000	31 December 2020 RO'000	**31 December 2021 USD'000**	31 December 2020 USD'000
As at 1 January	**(2,296)**	(3,140)	**(5,964)**	(8,153)
Change in fair value	**1,974**	736	**5,130**	1,912
Ineffective portion of cash flow hedge	**(74)**	108	**(191)**	277
As at 31 December	**(396)**	(2,296)	**(1,025)**	(5,964)

The effect of hedge accounting on the Company's financial position and performance is as follows, including the outline timing and profile of the hedging instruments:

	31 December 2021 RO'000	31 December 2020 RO'000	**31 December 2021 USD'000**	31 December 2020 USD'000
Carrying amount of derivative financial instrument	**588**	3,290	**1,526**	8,545
Hedge ratio	**1:1**	1:1	**1:1**	1:1
Maturity date	**April 2022**	April 2022	**April 2022**	April 2022
Changes in fair value of the hedged instrument (excluding amount reclassified)	**2,702**	862	**7,019**	2,239
Changes in fair value of the hedged item used to determine hedge effectiveness	**2,323**	970	**6,035**	2,518
Amounts in the cash flow hedge reserve	**(396)**	(2,296)	**(1,025)**	(5,964)

The above movement relating to the hedging instrument and hedge item exclude those elements reclassified by the reporting date.

16 Term loans

	31 December 2021 RO'000	31 December 2020 RO'000	**31 December 2021 USD'000**	31 December 2020 USD'000
Base facility	**37,554**	47,235	**97,544**	122,688
Repayment facility	**7,224**	9,086	**18,764**	23,600
Less: Current portion of long-term loans	**(10,290)**	(9,232)	**(26,727)**	(23,979)
	34,488	47,089	**89,581**	122,309
Less: deferred financing costs	**(293)**	(461)	**(760)**	(1,197)
Non-current portion of long-term loans	**34,195**	46,628	**88,821**	121,112

Notes

(forming part of the financial statements)

16 Term loans (continued)

Syndicated facilities

The Company has syndicated long-term loan facilities ("syndicated facilities") in the aggregate maximum amount of USD 455 million. HSBC Bank plc is the facility agent ("Facility Agent") for administration and monitoring of the overall loan facilities. HSBC Bank USA – National Association and Bank Muscat has respectively been appointed as the off-shore security trustee and on-shore security agent for the secured finance parties.

Base facility

The Company has obtained the term loan under base facility in an aggregate amount of USD 382.50 million. The aggregate amount of base facility is repayable in 34 (thirty-four) semi-annual instalments, of which 28 instalments are ranging between USD 6.5 million and USD 13.2 million. The last 6, post concession, instalments shall be of USD 20.35 million each. Repayments under the revised Base facility commenced from 30 September 2007.

Repayment facility

The Company has obtained the term loan under repayment facility in an aggregate amount of USD 72 million. The aggregate amount of repayment facility is repayable in 34 (thirty-four) semi-annual instalments, of which 28 instalments are ranging between USD 1.2 million and USD 2.5 million. The last 6, post concession, instalments shall be of USD 3.91 million each. Repayments under the repayment facility commenced from 30 September 2008.

Interest

The facilities bear interest at USD LIBOR rates plus applicable margins. The margins vary depending upon the outstanding facilities.

Commitment and other fees

Under the terms of the loan facilities, the Company is required to pay commitment fees, performance bond fee, front end fee for the facilities, agency fee and all other bank fees.

Security

The facilities are secured by comprehensive legal and commercial mortgages on all the assets of the Company.

Covenants

The facilities agreements contain certain covenants pertaining to, amongst other things, project finance ratios, entering into material new agreements, negative pledge, change of business, loan and guarantee.

Cash sweep

The long-term loan facilities agreements contain cash sweep prepayments which started from 17th repayment date i.e., 30 September 2015. The cash sweep prepayments amount equals to 100% of all amounts standing to the credit of the operating revenues account but limited to certain conditions. As a consequence, no further amount will be available for distribution as a dividend to the shareholders until the full repayment of the loan.

The maturity profile of the term loans is as follows:

	31 December 2021 RO'000	31 December 2020 RO'000	**31 December 2021 USD'000**	31 December 2020 USD'000
Amount due:				
Within 1 year	**10,290**	9,232	**26,727**	23,979
Within 2 to 5 years	**34,488**	47,089	**89,581**	122,309
	44,778	56,321	**116,308**	146,288

Notes

(forming part of the financial statements)

17 Provision for decommissioning costs

	31 December 2021 RO'000	31 December 2020 RO'000	31 December 2021 USD'000	31 December 2020 USD'000
At the beginning of the year	**1,800**	1,676	**4,675**	4,353
Unwinding of discount on decommissioning costs	**95**	124	**246**	322
At the end of the year	**1,895**	1,800	**4,921**	4,675

18 Trade and other payables

	31 December 2021 RO'000	31 December 2020 RO'000	31 December 2021 USD'000	31 December 2020 USD'000
Trade payables	**595**	55	**1,546**	142
Accrual and other payables	**5,296**	1,946	**13,758**	5,056
	5,891	2,001	**15,304**	5,198

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

19 Deferred revenue

	31 December 2021 RO'000	31 December 2020 RO'000	31 December 2021 USD'000	31 December 2020 USD'000
At the beginning of the year	**1,881**	3,414	**4,886**	8,868
Transferred to revenue	**(1,881)**	(1,533)	**(4,886)**	(3,982)
At the end of the year	**-**	1,881	**-**	4,886
Less: Current portion of deferred revenue	**-**	(1,881)	**-**	(4,886)
Non-current portion of deferred revenue	**-**	-	**-**	-

20 Related party transactions and balances

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. The Company has balances with these related parties which arise in the normal course of business from the commercial transactions that are entered into at terms and conditions which are approved by the shareholders.

20.1 Transactions with related parties

The nature of significant related party transactions and the amounts involved during the year were as follows:

	31 December 2021 RO'000	31 December 2020 RO'000	31 December 2021 USD'000	31 December 2020 USD'000
Services provided by Sohar Operations and Maintenance Co. LLC	**4,255**	3,955	**11,052**	10,273
Management fees	**154**	154	**400**	400
Other administrative expenses	**(146)**	370	**(379)**	960
Key management remuneration	**(294)**	203	**(764)**	527
International Power S.A. - PS Guarantee fee	**-**	213	**-**	554
Directors' sitting fees	**32**	24	**84**	62
Electrabel S.A. - Guarantee fee	**51**	52	**132**	136
Services provided by Suez Tractebel S.A.	**(40)**	229	**(104)**	595
MENA Sohar 1SPV LTD – Guarantee fee	**29**	30	**75**	79
SOGEX Oman LLC – Guarantee fee	**8**	8	**21**	21
MOD Pension Fund – Guarantee fee	**8**	8	**21**	21

20 Related party transactions and balances (continued)

20.1 Transactions with related parties (continued)

	31 December 2021 RO'000	31 December 2020 RO'000	**31 December 2021 USD'000**	31 December 2020 USD'000
Amount due to a related party:				
Sohar Operations and Maintenance Co. LLC, Oman	**589**	288	**1,531**	748

The amount due to a related party is unsecured, interest free and has no fixed repayment terms.

21 Revenue

	31 December 2021 RO'000	31 December 2020 RO'000	**31 December 2021 USD'000**	31 December 2020 USD'000
Power and water revenue	**29,109**	25,731	**75,610**	66,834
Transferred from deferred revenue (Note 19)	**1,881**	1,533	**4,886**	3,982
	30,990	27,264	**80,496**	70,816

Power and water revenue consists of fixed capacity charges and variable charges as well as fuel costs recovery.

22 Cost of revenue

	31 December 2021 RO'000	31 December 2020 RO'000	**31 December 2021 USD'000**	31 December 2020 USD'000
Depreciation (Note 7)	**11,794**	11,791	**30,635**	30,626
Fuel gas	**4,769**	1,478	**12,387**	3,839
Operations and maintenance costs	**4,256**	3,955	**11,056**	10,273
Other operating expenses	**1,260**	979	**3,273**	2,542
Seawater extraction	**801**	785	**2,080**	2,039
Depreciation on right-of-use assets (Note 8)	**150**	150	**390**	390
	23,030	19,138	**59,821**	49,709

23 Other income

	31 December 2021 RO'000	31 December 2020 RO'000	**31 December 2021 USD'000**	31 December 2020 USD'000
Reimbursement of extra tax payable	**386**	299	**1,003**	777
Interest on short term deposits	**56**	44	**145**	114
	442	343	**1,148**	891

Notes

(forming part of the financial statements)

24 General and administrative expenses

	31 December 2021 RO'000	31 December 2020 RO'000	31 December 2021 USD'000	31 December 2020 USD'000
Management fees	**154**	154	**400**	400
Staff costs	**51**	33	**132**	86
Directors' sittings fees	**32**	24	**84**	62
Legal and professional expenses	**46**	54	**120**	140
Depreciation (Note 7)	**-**	1	**-**	3
Other administrative expenses	**440**	468	**1,154**	1,218
Tender related costs	**(138)**	413	**(358)**	1,073
	585	1,147	**1,532**	2,982

25 Finance costs

	31 December 2021 RO'000	31 December 2020 RO'000	31 December 2021 USD'000	31 December 2020 USD'000
Interest on net settlement of swaps	**2,726**	2,532	**7,080**	6,577
Interest on base facility	**591**	1,226	**1,534**	3,184
Interest on repayment facility	**114**	236	**295**	617
Amortisation of deferred financing costs	**168**	203	**437**	527
Other financial charges	**(50)**	357	**(129)**	927
Ineffective portion of changes in fair value of cash flow hedges	**(453)**	108	**(1,176)**	277
Unwinding of discount on decommissioning costs (Note 17)	**95**	124	**246**	322
Finance charges relating to lease liabilities	**6**	17	**17**	44
	3,197	4,803	**8,304**	12,475

26 Income tax

a) Recognised in the statement of profit or loss and other comprehensive income and presented in the statement of financial position

The Company is liable to an income tax at the rate of 15% (2020: 15%) on the taxable income in accordance with the Income Tax Law of the Sultanate of Oman.

	31 December 2021 RO'000	31 December 2020 RO'000	31 December 2021 USD'000	31 December 2020 USD'000
Recognised in profit or loss:				
Current tax:				
Current year	**1,994**	1,602	**5,176**	4,160
Prior year	**(5)**	-	**(13)**	-
	1,989	1,602	**5,163**	4,160
Deferred tax (income)/expense:				
Current year	**(8,164)**	(1,339)	**(21,204)**	(3,478)
Prior year	**7**	-	**18**	-
	(6,168)	263	**(16,023)**	682
Recognised in other comprehensive income:				
Deferred tax effect effective portion	**(349)**	(126)	**(905)**	(327)
Presented in statement of financial position:				
Deferred tax (liabilities)/assets	**(240)**	(8,048)	**(623)**	(20,905)
Provision for taxation	**1,700**	1,313	**4,413**	3,410

26 Income tax (continued)

b) Reconciliation of tax expense

	Year ended 31 December 2021 RO'000	Year ended 31 December 2020 RO'000	Year ended 31 December 2021 USD'000	Year ended 31 December 2020 USD'000
(Loss)/profit before tax	**(41,116)**	2,519	(106,808)	6,541
Add:				
Provision for decommissioning costs	**1,895**	1,800	4,921	4,675
Fee related to tax matters	**5**	8	12	22
Accounting depreciation on property, plant and equipment	**11,794**	11,792	30,635	30,629
Impairment of property, plant and equipment	**45,736**	-	118,795	-
Finance cost on lease liabilities	**6**	17	17	44
Depreciation of right-of-use assets	**150**	150	390	390
	18,470	16,286	47,962	42,301
Deduct:				
Provision for decommissioning costs	**(1,800)**	(1,676)	(4,675)	(4,353)
Tax depreciation on property, plant and equipment	**(3,237)**	(3,759)	(8,408)	(9,764)
Lease rentals paid	**(167)**	(166)	(434)	(431)
Taxable income for the year	**13,266**	10,685	34,445	27,753
Add: Adjustment made/likely to be made in assessment				
Capital work-in-progress written off	**3**	22	8	57
Social responsibility expense	**21**	33	55	86
Taxable income/estimated taxable income	**13,290**	10,740	34,508	27,896
Tax liability at the rate of 15%	**1,994**	1,612	5,176	4,184
Less: Rebate provided under economic stimulus plan	**-**	10	-	(24)
Tax liability	**1,994**	1,602	5,156	4,160

c) Deferred tax assets/(liabilities)

	1 January 2021 RO'000	Recognised in profit or loss RO'000	Recognised in other comprehensive income RO'000	31 December 2021 RO'000
Deferred tax assets/(liabilities):				
Property, plant and equipment	**(8,813)**	**8,203**	**-**	**(610)**
Provision for decommissioning costs	**270**	**(45)**	**-**	**225**
Right-of-use-assets	**1**	**(1)**	**-**	**-**
Hedging deficit	**494**	**-**	**(349)**	**145**
	(8,048)	**8,157**	**(349)**	**(240)**

	1 January 2020 RO'000	Recognised in profit or loss RO'000	Recognised in other comprehensive income RO'000	31 December 2020 RO'000
Deferred tax assets/(liabilities):				
Property, plant and equipment	(10,018)	1,205	-	(8,813)
Provision for decommissioning costs	135	135	-	270
Right-of-use-assets	2	(1)	-	1
Hedging deficit	620	-	(126)	494
	(9,261)	1,339	(126)	(8,048)

Notes

(forming part of the financial statements)

26 Income tax (continued)

c) Deferred tax assets/(liabilities) (continued)

	1 January 2021 USD'000	Recognised in profit or loss USD'000	Recognised in other comprehensive income USD'000	31 December 2021 USD'000
Deferred tax assets/(liabilities):				
Property, plant and equipment	**(22,891)**	**21,306**	**-**	**(1,585)**
Provision for decommissioning costs	**701**	**(117)**	**-**	**584**
Right-of-use-assets	**3**	**(3)**	**-**	**-**
Hedging deficit	**1,283**	**-**	**(905)**	**378**
	(20,904)	**21,186**	**(905)**	**(623)**

	1 January 2020 USD'000	Recognised in profit or loss USD'000	Recognised in other comprehensive income USD'000	31 December 2020 USD'000
Deferred tax assets/(liabilities):				
Property, plant and equipment	(26,021)	3,130	-	(22,891)
Provision for decommissioning costs	350	351	-	701
Right-of-use-assets	5	(3)	-	2
Hedging deficit	1,610	-	(327)	1,283
	(24,056)	3,478	(327)	(20,905)

Management has decided not to recognise deferred tax asset as management does not anticipate net taxable profits in the near future with certainty.

d) Current status of tax assessments

The Company's tax assessments for the year ended 31 December 2016 have been finalised. Tax assessments for the years ended 31 December 2017 to 31 December 2021 are yet to be finalised with Secretariat General of Taxation, Ministry of Finance. The management is of the opinion that any additional taxes that may be assessed would not be significant to the financial position of the Company as at 31 December 2021.

27 Net assets per share

Net assets per share is calculated by dividing the net assets at the year-end by the number of shares outstanding as at the year end.

	31 December 2021 RO'000	31 December 2020 RO'000	31 December 2021 USD'000	31 December 2020 USD'000
Net assets (RO'000)	**(16,016)**	17,032	**(41,607)**	44,240
Number of shares outstanding at the year end ('000)	**221,010**	221,010	**221,010**	221,010
Net assets per share (RO)	**(0.072)**	0.077	**(0.188)**	0.200

28 Basic and diluted earnings per share

The earnings per share have been derived by dividing the net loss for the year attributable to shareholders of the Company by the weighted average number of shares outstanding. As there are no dilutive potential shares, the diluted earnings per share are identical to the basic earnings per share.

	31 December 2021 RO'000	31 December 2020 RO'000	31 December 2021 USD'000	31 December 2020 USD'000
Loss for the year (RO'000)	**(34,948)**	2,256	**(90,785)**	5,859
Number of shares outstanding at the year end ('000)	**221,010**	221,010	**221,010**	221,010
Basic and diluted (loss)/earnings per share (RO)	**(0.158)**	0.010	**(0.411)**	0.027

Notes

(forming part of the financial statements)

29 Financial assets and liabilities

Categories of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	31 December 2021 Amortised cost RO'000	31 December 2021 Derivatives used for hedging RO'000	Total RO'000	31 December 2020 Amortised Cost RO'000	31 December 2020 Derivatives used for hedging RO'000	Total RO'000
Financial assets						
Trade and other receivables	6,648	-	**6,648**	2,382	-	2,382
Cash and cash equivalents	7,364	-	**7,364**	6,269	-	6,269
Total financial assets	**14,012**	-	**14,012**	**8,651**	-	**8,651**
Financial liabilities						
Non-current borrowings	34,488	-	**34,488**	47,089	-	47,089
Current borrowings	10,290	-	**10,290**	9,232	-	9,232
Derivative financial instrument	-	588	**588**	-	3,290	3,290
Trade and other payables	5,303	-	**5,303**	2,001	-	2,001
Amount due to a related party	589	-	**589**	288	-	288
Total financial liabilities	**50,670**	**588**	**51,258**	**58,610**	**3,290**	**61,900**

	31 December 2021 Amortised cost USD'000	31 December 2021 Derivatives used for hedging USD'000	Total USD'000	31 December 2020 Amortised Cost USD'000	31 December 2020 Derivatives used for hedging USD'000	Total USD'000
Financial assets						
Trade and other receivables	17,274	-	17,274	6,188	-	6,188
Cash and cash equivalents	19,129	-	19,129	16,283	-	16,283
Total financial assets	36,403	-	36,403	22,471	-	22,471
Financial liabilities						
Non-current borrowings	89,581	-	89,581	122,309	-	122,309
Current borrowings	26,727	-	26,727	23,979	-	23,979
Derivative financial instrument	-	1,527	1,527	-	8,545	8,545
Trade and other payables	13,776	-	13,776	5,198	-	5,198
Amount due to a related party	288	-	288	748	-	748
Total financial liabilities	130,372	1,527	131,899	152,234	8,545	160,779

30 Financial instrument risk

Risk management objectives and policies

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below.

30.1 Market risk analysis

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

30 Financial instrument risk (continued)

Risk management objectives and policies (continued)

30.1 Market risk analysis (continued)

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The majority of the Company's foreign currency transactions are denominated either in US Dollar or in currencies that are linked to the US Dollar. As the Rial Omani is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Company's interest rate risk arises from long-term loans availed by the Company. The Company has entered into interest rate swaps to hedge its interest rate risk exposure. Under the interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating interest rate (i.e., LIBOR) amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Company's cash flow exposure resulting from variable interest rates on bank borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously.

Price risk
Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As the Company has no significant exposure to investments, it does not have the risk of fluctuation in prices. The management consider that sensitivity analysis is not necessary due to the Company's limited exposure to price risk.

30.2 Credit risk analysis
Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to credit risk from financial assets including cash and cash equivalents held at banks and trade and other receivables.

a) Credit risk management
Credit risk is managed through Company's risk management policies and procedures. The credit risk in respect of cash balances held with banks are managed via placement of cash only with reputable financial institutions having good credit rating.

At the end of the year, the entire trade receivable was from a government owned company (OPWP) and was due for less than 1 month. The management therefore considers the credit risk associated with trade receivables to be very low.

Notes

(forming part of the financial statements)

30 Financial instrument risk (continued)

Risk management objectives and policies (continued)

30.2 Credit risk analysis (continued)

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised as at the reporting date, is as summarised below:

	31 December 2021 RO'000	31 December 2020 RO'000	**31 December 2021 USD'000**	31 December 2020 USD'000
Trade receivables	**6,184**	1,910	**16,063**	4,961
Cash at bank	**7,364**	6,269	**19,129**	16,283
Other receivables	**464**	472	**1,211**	1,227
	14,012	8,651	**36,403**	22,471

30.3 Liquidity risk analysis

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due, that are settled by delivery of cash or another financial asset. 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 damages to the Company's reputation.

As at 31 December 2021, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable), as summarised below:

	Within 6 months RO'000	**6 to 12 months RO'000**	**Above 12 months RO'000**	**Total RO'000**
Interest bearing:				
Borrowings	3,676	7,151	35,058	**45,885**
Non-interest bearing:				
Trade and other payables	5,303	-	-	**5,303**
Amount due to a related party	589	-	-	**589**
	9,568	**7,151**	**35,058**	**51,777**

	Within 6 months USD'000	**6 to 12 months USD'000**	**Above 12 months USD'000**	**Total USD'000**
Interest bearing:				
Borrowings	9,547	18,575	91,060	**119,182**
Non-interest bearing:				
Trade and other payables	13,776	-	-	**13,776**
Amount due to a related party	1,531	-	-	**1,531**
	24,854	**18,575**	**91,060**	**134,489**

This compares to the maturity of the Company's non-derivative financial liabilities in the previous reporting period as follows:

	Within 6 months RO'000	6 to 12 months RO'000	Above 12 months RO'000	Total RO'000
Interest bearing:				
Borrowings	5,091	7,156	45,885	58,132
Non-interest bearing:				
Trade payables and other payables	2,001	-	-	2,001
Amount due to a related party	288	-	-	288
	7,380	7,156	45,885	60,421

Notes

(forming part of the financial statements)

30 Financial instrument risk (continued)

Risk management objectives and policies (continued)

30.3 Liquidity risk analysis (continued)

	Within 6 months USD'000	6 to 12 months USD'000	Above 12 months USD'000	Total USD'000
Interest bearing:				
Borrowings	13,223	18,586	119,182	150,991
Non-interest bearing:				
Trade payables and other payables	5,198	-	-	5,198
Amount due to a related party	748	-	-	748
	19,169	**18,586**	**119,182**	**156,937**

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying value of the liabilities at the reporting date. Liquidity requirements are monitored on a regular basis and the management ensures that sufficient funds are available to meet any future commitments.

31 Fair value measurement

Financial and non-financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of a significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3: unobservable inputs for the assets or liabilities.

The fair value of derivative financial liabilities (interest rate swap) with a carrying value of RO 588,000 (USD 1.527 million) [2020: RO 3.290 million (USD 8.545 million)] is calculated as the present value of the estimated future cash flows based on observable yield curves. Accordingly, they have been fair valued under level 2 hierarchy. There was no transfer between the Level 1 and Level 2 during the year ended 31 December 2021 (2020: no transfers).The fair value of property, plant and equipment amounting to RO 23,674,000 (USD 61,491,000) is calculated as the present value of the estimated future cash flows. Accordingly, they have been fair valued under level 3 hierarchy.

32 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern by pursuing alternate sources of revenue upon expiry of the agreement; and
- to provide an adequate return to the Members of the Company by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total equity.

The capital structure of the Company consists of debt, which includes the long term loan and equity comprising share capital, legal reserve, accumulated losses and cash flow hedge reserve.

The gearing ratio is as follows:

	31 December 2021 RO'000	31 December 2020 RO'000	**31 December 2021 USD'000**	31 December 2020 USD'000
Total debt	**44,485**	55,860	**115,548**	145,091
Total equity	**(16,016)**	17,032	**(41,607)**	44,240
Net debt to equity ratio	**(278%)**	328%	**(278%)**	328%