His Majesty

SULTAN HAITAM BIN TARIK

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TITLE	NAME	REPRESENTING
Chairman	Mr. Luciano Guffanti *	Kahrabel FZE (ENGIE)
Vice Chairman	Mr. Salim Ali Hamed Al Hasni	Ministry of Defence Pension Fund
Director	Mr. Zahran Salim Al Rashdi	-
Director	Mr. Rodak Ali Iqbal	-
Director	Mr. Tashfen Yasin	-
Director	Mr. Jeronimo Roura	MENA Sohar 1 SPV Limited
Director	Mr. Kumail Majid Al Moosawi	-
Director	Mr. Hussain al Zeedi *	Civil Service Employees' Pension Fund
Director	Mr. Ravindranath Venna	-

KEY EXECUTIVE OFFICERS

Chief Executive Officer	Mr. Yaqoub Harbi Al Harthi
Company Secretary	Mr. Zoher Karachiwala
Chief Technical Officer	Mr. Sreenath Hebbar
Chief Financial Officer	Mr. Khalifa Al Kalbani
Administration Manager	Mr. Salah Al Farsi

* Appointed during the year.

Dear Shareholders,

On behalf of the Board of Directors of Sohar Power Company SAOG ("Sohar Power" or the "Company"), I am pleased to present you with the sixteenth Annual Report of the Company for the year ended 31 December 2020, corresponding to the fourteenth year of operations of the Company.

On 2nd June 2020, Sohar Power Company shareholders held their Annual Ordinary General Meeting ("AGM") and an Extraordinary General Meeting ("OGM") to approve the amended Compnay's Article of Association. The AGM and OGM were hold online using the platform provided by MCDC pursuant to the CMA instructions.

Sohar Power was incorporated in 2004 after the award of the Sohar IWPP project resulting from a competitive bidding process and started its operations in 2007. The Company owns and operates the 585MW electricity generation and 33MIGD seawater desalination plant in Sohar Port and Freezone industrial area. It sells electricity and water to Oman Power and Water Procurement Company SAOC ("OPWP") under a 15-year Power and Water Purchase Agreement ("PWPA"), in a regulated but not competitive environment. The Company has been listed on the Muscat Securities Market since 2008.

Health & Safety

The year 2020 has seen excellent Health and Safety performance for Sohar Power. There were no Lost Time Accidents (LTA), accumulating to 2,894 days without LTA at the end of the year. The Health and Safety of our employees, contractors, and visitors remains the utmost priority for the Company and its operator Sohar Operations & Maintenance Company LLC ("SOMC").

The year also saw a unique global challenge in the form of the COVID-19 pandemic that required Sohar Power, its contractors and stakeholders to activate their Business Continuity and aspects of Disaster Recovery plans . At the Muscat office, all employees were instructed to work from home, minimise exposure to others and follow all government laid down rulings. At the Plant, the Operator SOMC instituted a lock down at the Plant, preventing unessential movement to and from the Plant and stationing two shifts for a period of 14 days, which continued for a period of 3 months commencing March 22, 2020. While these measures have now been relaxed, the Company and its Operator remain vigilant, promoting social distancing, and ensuring that all protection measures are in place going forward. The Company has donated OMR 10,000 and OMR 15,000 to support the COVID-19 initiatives of MoH fund and Sohar Industrial Port respectively.

Operations

The demand for power and water significantly decreased in 2020 compared to 2019 due to the entrance of new water plant in the port area. The plant was in standby mode most of the time in this year; thus the demand for power has also decreased. Accordingly, the load factors of the plant reached 2% for power (39.1% in 2019) and 1% for water (47.6% in 2019).

An aggregate of 96 GWh net power and 0.5 Million m3 potable water was delivered to the electricity and water grids during the year.

The plant achieved 99.59% reliability for power and 99.06% for water in 2020. Forced outages amounted to 0.41% for the power plant and 0.94% for the water plant.

The Contract Year 14 started on 01 April 2020. The annual performance test was successfully undertaken, demonstrating to OPWP the guaranteed capacity of the plant on fuel gas only.
Following the plant being operated for annual performance test, the plant went through preservation process on April and May 2020 for the entire water plant and water/steam cycle.

The Company was able to undertake the required annual maintenance activities of its key equipment during the 2019-2020 winter period.

Maintenance activities were performed by SOMC and its sub-contractors, in accordance with Original Equipment Manufacturers' recommendations, while applying the best standards and practices for health & safety and maintenance of the industry. All gas turbines underwent regular annual maintenance during the Winter Period; there were no Major Inspections undertaken during the Winter Period.

Financial Performance

The Board of Directors would like to announce that the Company has ended the year with a net profit of RO 2.256 million compared to a net profit of RO 1.155 million in 2019.

The increase in net profit in 2020 is mainly due to the lower direct cost (fuel oil and import power) and indirect cost compared to 2019.

The revenues for the year 2020 amount to RO 27.3 million against RO 50.6 million for the year 2019. This mainly due to lower load factor of the plant (low power and water demand). As per the PWPA agreement with the off-taker, the variation of the Load Factor has no impact on the company profitability as the mainstream of the profit is generated from the available capacity and reliability of the plant, (load factor is a pass-through item under the PWPA (and financially neutral to the Company).

The direct costs, have decreased from RO 31.1 million in 2019 to RO 7.2 million in 2020, due to mainly the decrease in gas consumption as a result of lower load factor.

Long term loans were repaid, and swaps were settled on their due dates. The hedging deficit on the Company's swap agreements at the close of business on 31 December 2020, was RO 3.3 million, in comparison with valuations as of 31 December 2019 of RO 4.2 million. As per IAS 39, hedging deficit is calculated on each balance sheet date, and it represents a notional loss, which the Company may incur if it opts to terminate the swap agreements on this date. However, under the terms of Financing Agreements, the Company is not permitted to terminate its swap agreements and, as such, the loss is notional.

The reduction in finance costs by RO 0.6 million in 2020 in comparison to 2019 is associated with debt repayments during the year.

Under its Financing Agreements entered into with its lenders, Sohar Power is subject to a cash sweep mechanism which started on 30 September 2015 and will last until the full repayment of the long-term loans. The cash sweep mechanism prevents the distribution of dividends to shareholders since all the available cash is devoted to the repayment of the loans. This mechanism is common in financing agreements throughout the region and helps to provide a competitive tariff for an off-taker such as OPWP at the time of the bid. As previously disclosed, the pay-out of dividends ended in 2016, and there will be no more dividend distributions to shareholders unless the debt of the Company is refinanced and the cash sweep is successfully removed. The Company has explored and continues to explore opportunities to refinance its project finance debt.

As a consequence of the cash sweep, the inability of the Company to distribute dividends, and the decrease of the global and Omani Capital Market indices in 2020, the share price dropped from RO 0.061 to RO 0.045 during the year.

There are no legal proceedings against the Company as of 31 December 2020.

Corporate Governance

In line with efforts deployed in previous years, the Company ensured that its organization, systems, policies, and procedures follow the highest standards of governance to comply at all times with the Code of Corporate Governance promulgated by CMA, including the new Code requirements effective since July 2016.

After the issuance of the new Company Commercial laws in Feb 2019 pursuant to the Royal Decree 18/2019 , the company has amended its Article of Association ("AoA") to ensure full compliance. The new AoA has been approved by the board of directors and then by the shareholder in an online EGM held on 2nd June 2020.

Audit Committee and the Board have pursued the action plan arose from third-party consultant audit to review the internal audit system and process of the company was set to address the recommended action for further improvements.

After resignation of the internal auditor of the Company, the Audit Committee and the Board has appointed, after CMA approval, an external firm to perform the IA activities of the company for Q3 and Q4 of 2020.

Employment

Pursuing their continued efforts to develop, train, and employ Omanis, the Company and its operator have maintained the Omanisation level at 84.5% at the end of 2020.

Corporate Social Responsibility

In 2020, the Company further extended its support to the local community and municipality projects, mainly in North Batinah Governorate, while focusing on education, health and safety, social development and environment protection. Sohar Power was able to contribute to local projects intended for the local communities and the people of the Sultanate of Oman. The world faced unprecedented challenge of COVID-19 in 2020, the company has contributed and support the Ministry of Health with 10,000 OMR to alleviate the spread of COVID-19. In addition to 10,000 OMR; the Company has contributed 15,000 OMR to the SIPC initiative to setup a dedicated testing laboratory under the auspices of the Ministry of Health for COVID-19 and other type of viruses. The laboratory should speed up the testing cycles to ensure the smooth operation in the port area in which the plant is located.

The Company has co-supported an initiative of The Ministry of education to train around 200 students on mobile app development and then launch a competition for them. The top 2 will participate in international MIT (Massachusetts Institute of Technology) competitions. The donation amount is around 8,000 OMR.

Outlook for 2021

Looking ahead, the Company expects to maintain high reliability even though the delivered power and water level is expected to be at a same level seen in 2020, while undertaking periodic maintenance activities, in a safe working environment for its employees, contractors and visitors.

During the year 2018, the Company engaged in the '2022 Power Procurement process' launched by OPWP. As part of the process, OPWP has notified the Company on 7 February 2019 that it has pre-qualified its Power only offer but did not pre-qualify its Power and Water offer. The Company has submitted a Binding Bid for its Power only offer on February 28, 2019, after seeking approval during the Ordinary General Meeting held on February 26, 2019.

As a consequence, the Company will not be able to extend the operations of its water desalination plant beyond the term of the current PWPA ending in March 2022. This situation triggered an impairment review of the Desalination plant, which resulted in an impairment loss of RO 18.554 million that is recorded in the financial year 2018. The useful life of the Desalination plant has also been revised to 15 years from the earlier estimate of 30 years. The Desalination plant will have a remaining useful life of around three years starting January 2019, and the residual book value will be amortized over the coming 3 years.

The Company engaged as well in the second phase of '2022 Power Procurement process' launched by OPWP RfP on 16th October 2019. The Company has submitted its offers on 29th April 2020 as per the processes of the RfP. OPWP feedback is still awaited which got delayed due to the impact of the COVID-19 pandemic and other factors. As per the recent communication from the Authority of Public Services Regulation (APSR), the response is expected by the end of Q1 2021. APSR is assessing the market readiness for direct sale of power by allowing bilateral contracts which may provide generators with expiring PPA an additional avenue to contract their power capacity.

The Company's main objective for 2021 is to secure a new PPA with effect from 2022. The Company will also engage with different stakeholders to assess the feasibility of the potential bilateral contracts for its plant. In case SPC is unsuccessful in the Power 2022 Procurement process, the Company may operate in the Spot Market currently being developed in Oman, for which the rules are not yet fully finalised. Revenues will not be contracted in the Omani Spot Market, it will be subject to the overall supply and demand in the Market. In view of the uncertainties surrounding the Spot Market, it is very difficult to predict the future of the Company in its current technical configuration, should it operate in the Spot Market, but it will be very challenging. In such case, restructuring the outstanding debt after the current term of PWPA will be very challenging as well.

The energy transition is accelerating in Oman, caused by the continuous drop in prices for renewable energy such as photovoltaics and wind. This is likely to impact the competitiveness of existing conventional thermal plants and might substantially reduce their value beyond the term of their current P(W)PA.

On behalf of the Board of Directors, I wish to thank our valued shareholders for their continued support, trust, and confidence. I would also like to thank all the personnel associated with the operation and maintenance of the plant in Sohar and the staff of the Company for their loyalty, dedication and commitment.

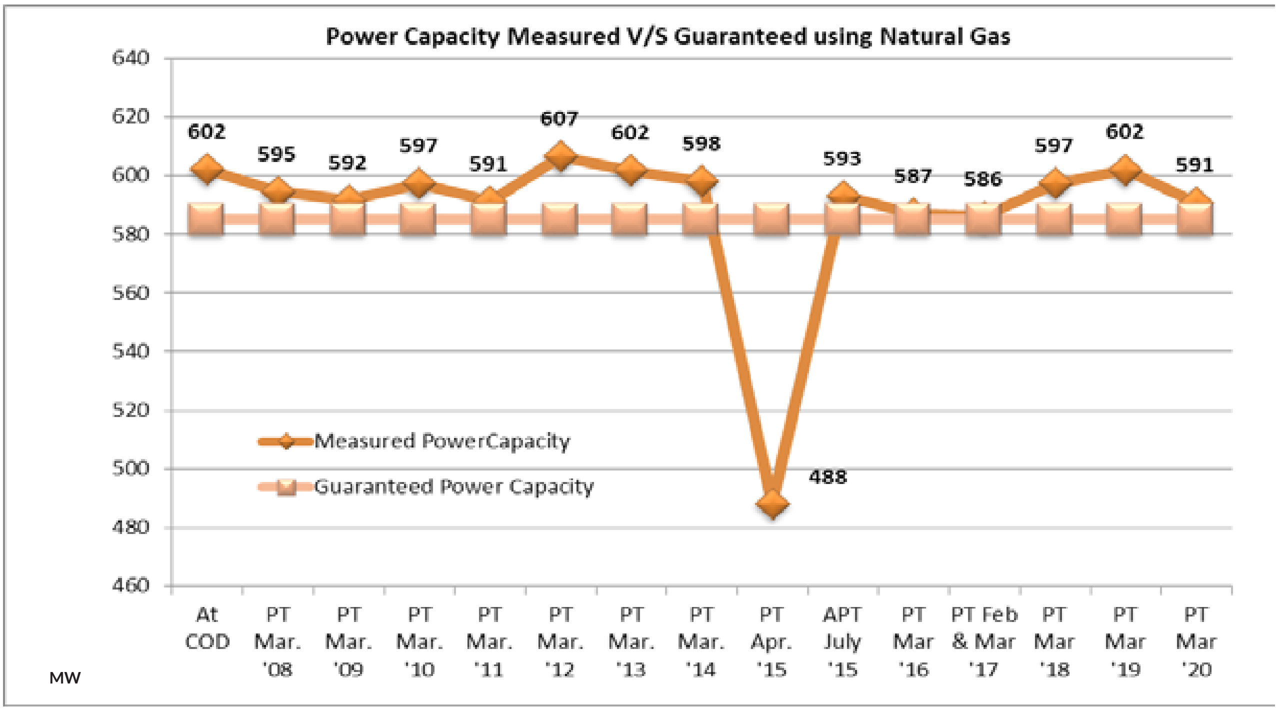
I would also like to express our gratitude to His Majesty Sultan Haitham bin Tarik and His Government for their continued guidance, support and encouragement to the private sector.

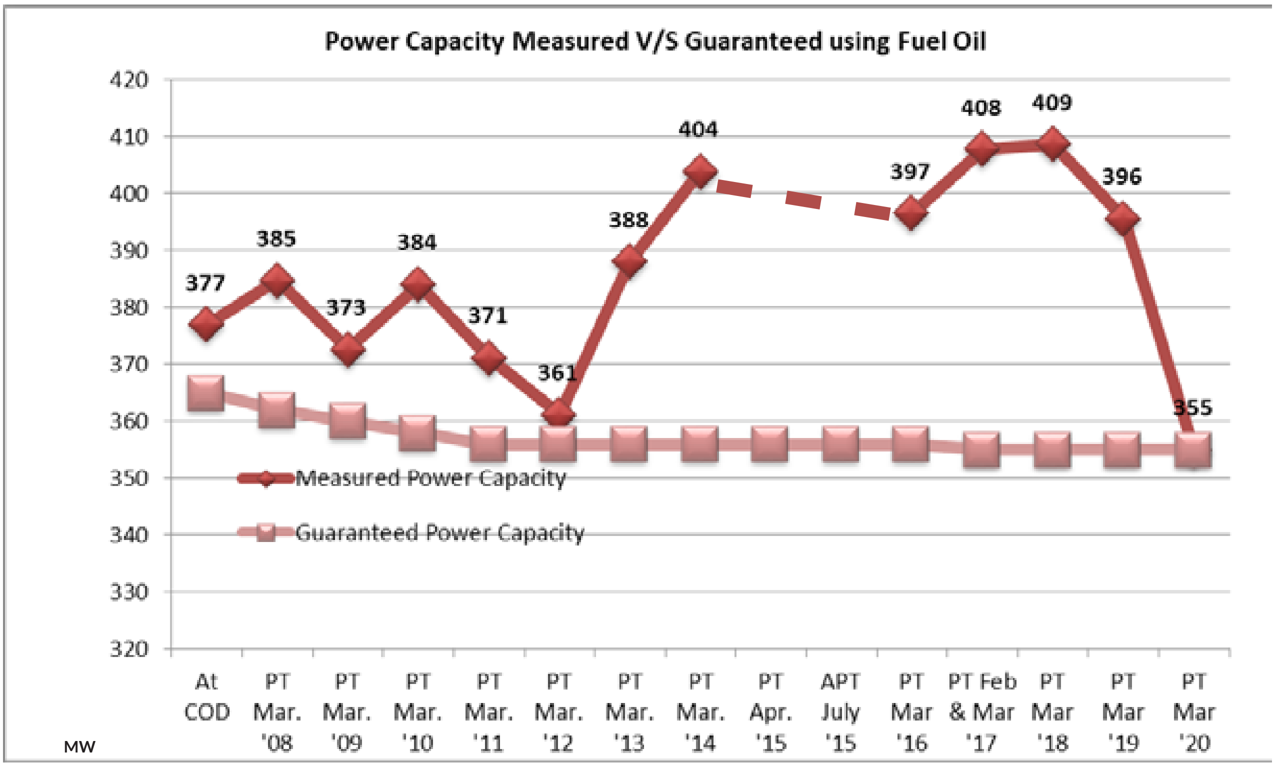
Luciano Guffanti

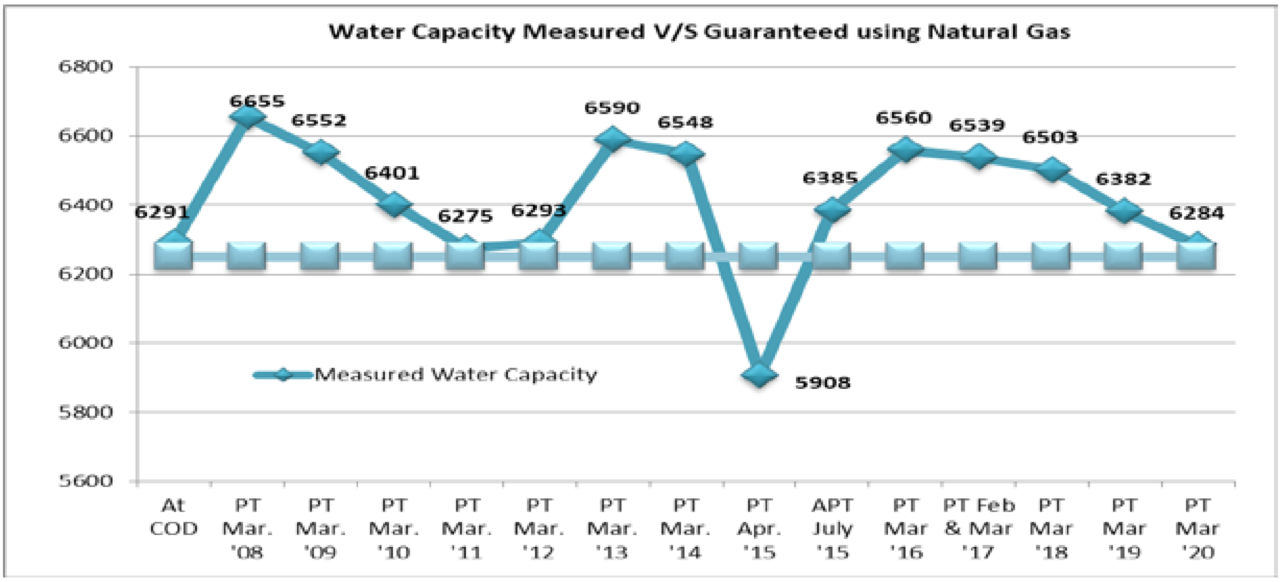
Chairman of the Board

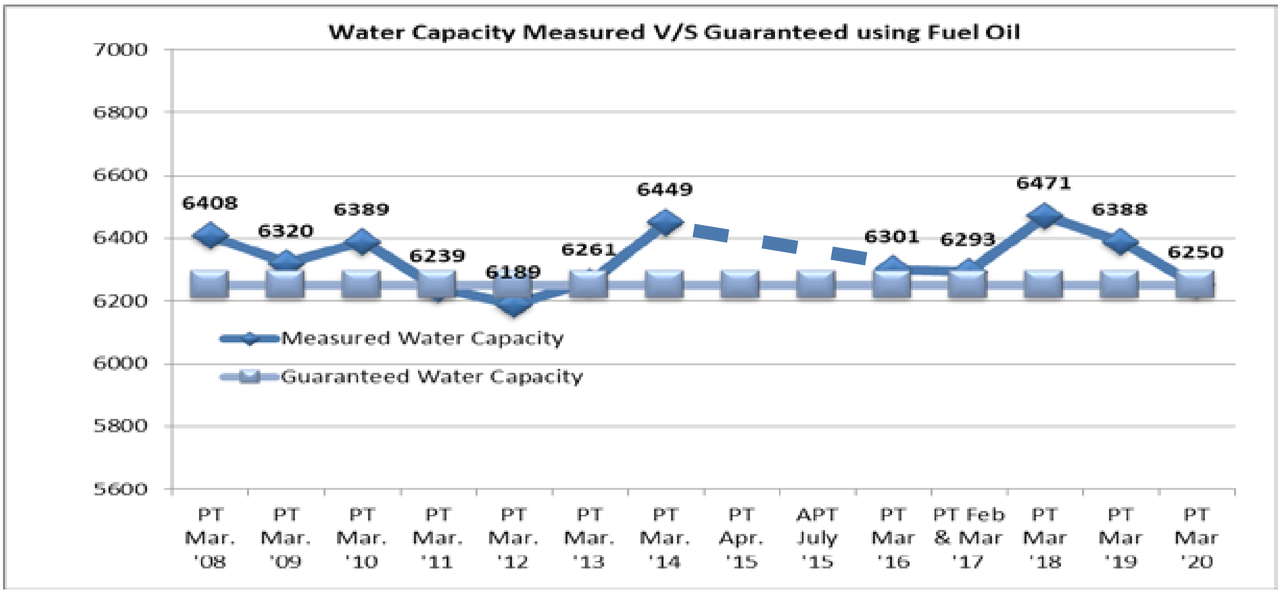
Capacity

The capacity of a plant is defined as the total electrical power (in MW) and water (in m^3/day), which can be delivered by the plant under specific environmental conditions (Reference Site Conditions). The contractual capacity of Sohar plant is 585 MW and 6,250 m^3/hr, constant over the 15 years period of the PWPA.









Note:

- In 2015, Performance Test results on Natural Gas were derated due to HRSG#2 contamination issues. After repairs, an Additional Performance Test in July achieved guaranteed levels. Performance Test on Fuel Oil was not conducted.
- In 2020, in the wake of the COVID-19 pandemic, OPWP provided all generators with a waiver on having to conduct the Annual Performance Test on Fuel Oil, recognising the risk of additional manpower required for this test and the difficulty of maintaining social distancing.

Availability

Availability is the amount of time the plant is technically capable of generating power and water as per specifications. Under the PWPA, Sohar plant shall be available for 100% of time in summer period; and 85% of the time for power and 87% of the time for water in the winter period.

The total power made available during 2020 was 4,779 GWh which works to an availability of 93%. The total water made available during 2020 was 51,247,197 m^3 which works to an availability of 93.3%.

Reliability

The reliability of the plant is the ability of the plant to deliver the declared availability, as per PWPA. Any failure to deliver the declared capacity will be treated as forced outage. The objective of Sohar Power is to minimize these forced outages, in order to maximize its revenues. During 2020 the plant achieved reliability of 99.59% for power and 99.06% for water.

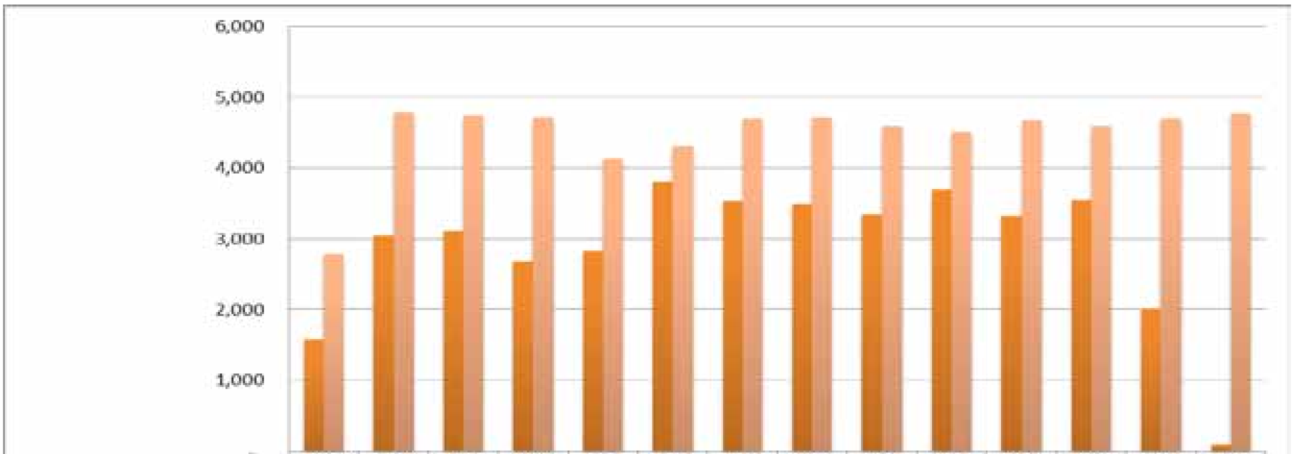
Plant Efficiency (Heat Rate)

The efficiency of the power plant is measured in terms of the amount of heat required to produce one unit of power.

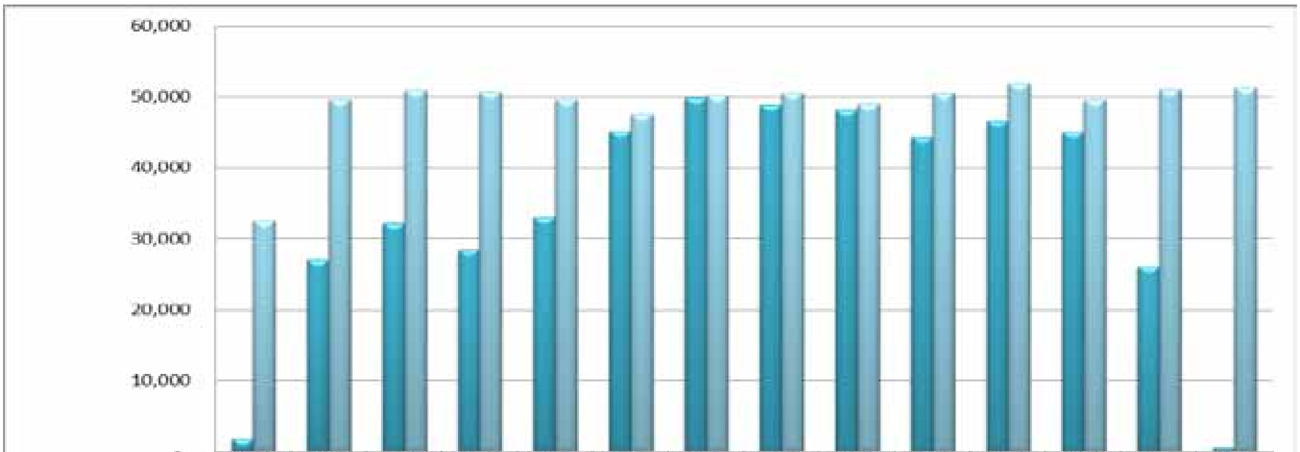
Utilization; Energy and Water Delivered

During the year 2020 the energy was delivered at a utilization factor of the power plant of 2%. The total water was delivered by the water plant at a utilization factor of almost 1%.

Evolution of statistics for power and water capacity made available by Sohar Power and amount delivered to the grid, since Commercial Operation Date of the Plant is depicted in the following charts.



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Power delivered	1,578	3,045	3,119	2,669	2,837	3,806	3,538	3,497	3,346	3,697	3,321	3,543	2,006	97
Power Capacity available	2,790	4,782	4,734	4,718	4,139	4,308	4,700	4,711	4,589	4,519	4,682	4,595	4,703	4,779



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Water Delivered	1,818	27,006	32,149	28,420	33,017	45,178	49,805	48,876	48,094	44,338	46,539	45,032	26,059	533
Water Capacity	32,535	49,567	50,909	50,681	49,610	47,585	50,147	50,526	48,995	50,479	51,900	49,567	51,000	51,247

Maintenance

Annual maintenance of all equipment was undertaken during the year.

Other productivity and efficiency improvements to existing equipment, systems and processes have been implemented during the year and some others are being analysed, jointly with SOMC.

Force Majeure

Over the years, due to extraneous factors affecting its performance, SPC has raised Force Majeure claims on OPWP. The following have been agreed between OPWP and SPC to constitute Force Majeure events:

Sl. No.	*Event*	*Year*	*Period*	*Affected Facility*	*Equivalent Hours*
1.	Unavailability of Fuel	2006	12 days delay Oil in Stage-I & Stage-II Early Power Milestones	Entire Plant	288
2.	Cyclone Gonu	2007	June 06, 16:00 – June 07, 20:00	Entire Plant	28
3.	Red Tide	2009	a) Jan 03, 19:00 – Jan 05, 10:00 b) Jan 09, 00:00 – Jan 12, 19:00	Desalination Facility	99
4.	Red Tide	2009	a) Apr 11, 06:30 – Apr 16, 06:30	Desalination Facility	107

The Sohar Power and Desalination Plant utilizes Gas Turbine technology for power generation and Multi-Stage Flash Desalination technology for Seawater Desalination. Natural gas is the primary fuel.

Maximizing Efficiency

The essence of a combined cycle unit like Sohar Power plant is an attempt to extract the maximum possible output from a scarce resource, natural gas.

The technology consists of utilizing the high grade heat from the exhaust of the Gas Turbine to generate high pressure steam, which in turn powers the steam turbine. Through that heat recovery, approximately 50% additional power can be generated from the steam turbine without using any additional fuel.

The Heat Recovery Steam Generators (HRSG) generates steam at two pressure levels and are equipped with supplementary firing burners. Supplementary firing in the HRSG utilizes the excess oxygen available in the gas turbine exhaust, thereby adding heat capacity. Reduction of excess oxygen in the exhaust from the HRSG has the effect of improving the efficiency of the HRSG unit.

In addition to increase in efficiency of the HRSG unit, additional heating added by supplementary firing enables the HRSG to generate high pressure/high temperature steam and low pressure steam. Generation of steam at two pressure levels at Sohar Power plant helps reduce the temperature of the exhaust from the HRSG thereby further enhancing the efficiency of the unit:

- The high pressure steam allows the steam turbine to operate at high efficiency levels; and
- The low pressure steam is utilized for the generation of distillate water from seawater.

The Sohar Power plant is therefore a Cogeneration – Combined Cycle plant.

The low pressure steam generated by the HRSG, utilizing the exhaust gases of the Gas Turbines acts as the motive force for the generation of water. Further, the steam turbine is an extraction condensing type unit, meaning that residual steam is extracted from the steam turbine to be used in the desalination units, which further enhances the efficiency of the system multi-fold. Condensing this extracted steam (and the steam generated in the low pressure section of the HRSG) in the MSF Units utilizes heat to the fullest extent to evaporate seawater in the MSF Units.

This is a combination of efficiency and environmental friendliness that reinforces one another.

Low Emissions

The gas turbines are equipped with low NOx combustors to ensure that Omani and international environmental norms are strictly adhered to.

During the process of distillate production, potable water production and steam production in the HRSG, chemicals are utilized for various purposes. Some of these chemicals are also drained out periodically. Such effluents are all collected and treated so that all discharges from the plant are harmless to the environment.

Potable Water

The potable water supplied by Sohar Power strictly meets the Omani Water Standards specified in the PWPA.

CORPORATE & SOCIAL RESPONSIBILITY

Acting as a responsible corporate citizen in 2020, Sohar Power Company engaged with the local community by contributing its resources and actions; going beyond its responsibilities related to power generation and water desalination.

The projects carried out in 2020 primarily focused on education, health & safety, social development and protection of the environment, in line with the objectives set by the Company under its Corporate Social Responsibility ("CSR") policy.

In 2020, the world faced unprecedented challenge of COVID-19, the company has contributed and support the Ministry of Health with 10,000 OMR to alleviate the spread of COVID-19 during early stages of the pandemic. The Company has also contributed 15,000 OMR to the Sohar Industrial Port Company initiative to setup a dedicated testing laboratory under the auspices of the Ministry of Health for COVID-19 and other type of viruses. The laboratory should speed up the testing cycles to ensure the smooth operation in the port area in which the plant is located.

The Company has co-supported an initiative of The Ministry of Education 8,000 OMR to train around 200 students on mobile app development and then launch a competition for them. The projects aims to increase the awareness among young student about the importance of digital transformation and provide them with the basic skills that they need to acquire in order to enter the digitalization era.

The top 2 will participate in international MIT (Massachusetts Institute of Technology) competitions which will enhance their experience and allow then to engage with students from different parts of the world.

The Project was awarded to the promoters, comprising GDF SUEZ (ENGIE), National Trading Company, SOGEX Oman, Ministry of Defense Pension Fund, W.J. Towell & Co and The Zubair Corporation, by the Government following a competitive bidding process. The promoters formed Sohar Power Company SAOC for the purposes of entering into the project agreements and undertaking the Project.

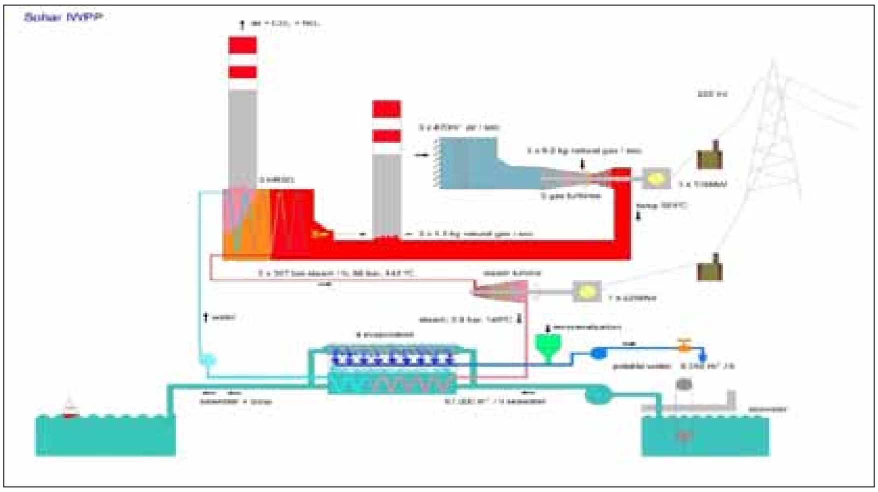
Sohar Power has been established under a Build-Own-Operate scheme. The BOO concept enables the Company to operate as a going concern beyond the project horizon of 15 years by either extending the PWPA (if agreed to by OPWP) or selling into a liberalized electricity market which may exist at that time. At the inception, the anticipated useful life of the Plant is 30 years. .

The 585 MW combined cycle gas fired power plant and 150,000 m^3/d desalination plant is located in the Sohar Port area in the North Al Batinah Governorate of the Sultanate of Oman. The site is strategically located near the main gas transmission system, the electricity and water grid network and other process industries.

The power section of the plant uses three Siemens SGT5-2000E gas turbines (formerly known as V94.2) driving three electrical generators, each fitted with Heat Recovery Steam Generators ("HRSG"), which utilize the exhaust heat of the gas turbines to generate HP and LP steam. The HRSGs are dual pressure natural circulation with a horizontal gas flow. The manufacturer of HRSGs is Doosan Heavy Industries ("DHI"). The HP steam is supplied to one extraction-condensing steam turbine to complete the combined cycle. The steam turbine manufacturer is Alstom (now taken over by GE), one of the world leading suppliers of steam turbine technology. The LP steam produced from the HRSGs and from the extraction of the steam turbine is supplied to the thermal desalination plant.

Four conventional Multi Stage Flash ("MSF") desalination units are installed in the Plant. Each unit is designed to generate a net output of 37,500m^3/d at design conditions. The manufacturer is DHI, one of the most experienced suppliers of MSF type desalination units. Each unit has 17 heat recovery stages and 3 heat rejection stages.

The seawater intake and outfall are part of the Sohar Port area common facilities and are owned by the Government of Oman and operated by Majis Industrial Supply Co. ("MISC"). The potable water is exported through a connection at the site boundary to OPWP potable water network. The process is outlined in the following sketch:



The land for the power plant is owned by the Government which (Ministry of Transport, Communications and Information Technology) has entered into an Usufruct Agreement with Sohar Industrial Port Company SAOC ("SIPC"). SIPC entered into a Sub-Usufruct agreement with Sohar Power to grant the Company usufruct rights for 15 years on the land (renewable). Additionally, Ministry of Transport and Communication committed towards Sohar Power to extend the lease up to 30 years under a Sub-Usufruct Direct Agreement.

Natural Gas is supplied by the Ministry of Energy (MEM) (previously known as Ministry of Energy and Minerals (MOG)) to a pressure reduction terminal supplying consumers of the Sohar Industrial Port area. The power output from the Plant is exported to the grid through a 220 kV substation owned by OETC.

Contractual arrangements

Off-taker

The entire output from the Plant's installed Capacity is contracted for through a single long term PWPA with the Oman Power and Water Procurement Company SAOC ("OPWP") until 31 March 2022. Beyond this date, Sohar Power may enter into a new PPA with OPWP, bilateral contract with direct customers or sell its output in the Spot Market being developed in Oman.

Fuel Supply

The natural gas is supplied by Ministry of Energy and Minerals ("MEM") for 15 years (coterminous with the PWPA Term). In accordance with the Natural Gas Sales Agreement ("NGSA"), natural gas will be supplied up to the gas delivery point of the plant. In case of non-availability of gas conforming to specifications, Sohar Power shall run the plant on fuel oil for up to a continuous period of 3 days as per the provisions of the PWPA and the NGSA. In such event, Sohar Power would be reimbursed by MEM, all additional costs of running the plant on fuel oil and any capacity shortfall, which arises there from.

Sea Water

Treated and filtered seawater is made available by MISC for 15 years (coterminous with the PWPA term). In accordance with the Sea Water Extraction Agreement ("SWEA"), MISC shall operate, maintain, and avail Seawater Intake/Outfall facility and provide chlorinated seawater to the Company. In return, Sohar Power makes monthly payments to MISC.

Electrical connection

The power produced is supplied to the OETC owned Grid at the connection point in the 220 kV sub-station under an Electrical Connection Agreement ("ECA"). The ECA was executed in June 2011 and is valid for the term of the PWPA. Charges payable to OETC under the ECA are passed through under the PWPA to OPWP, keeping the Company neutral.

Water supply connection

As per PWPA the potable water is supplied under a Water Connection Agreement ("WCA") valid for 15 years (coterminous with the PWPA Term) to the storage facility and its downstream transmission network owned by the Public Authority for Water ("PAW").

During the commissioning of the water plant, OPWP and MISC approached Sohar Power to provide distillate water (the output of the evaporators prior to potabilization) in order to meet the industrial requirements of the Sohar industrial complex. A long term agreement has been entered into with OPWP in July 2009. The long term supply was studied and found to be of no risk to the originally designed process, while providing additional revenues to the original PWPA revenues.

Construction

The Company entered into an EPC Contract with Sohar Global Contracting and Construction Company LLC ("SGCCC"), with Doosan Heavy Industries as subcontractor. The construction was completed in 2007, and outstanding issues were settled in March 2008 through a Settlement Agreement. The period of warranty under the EPC contract expired on 28th May 2008, and the few items outstanding under a renewed warranty period were settled in 2009.

Operation and Maintenance

The operation and maintenance services are provided by Sohar Operation & Maintenance Company LLC ("SOMC"), a part of Suez Tractebel Operation and Maintenance Oman LLC ("STOMO"), an experienced power plant operator in the region. The contract broadly covers the following scope:

- Day-to-day operation of the plant, procurement of spare parts and maintenance services necessary to perform scheduled maintenance;
- Training of human resources, including in order to meet Omanization requirements;
- Health and security policies and procedures;
- Maintain and generate invoices based on fuel demand model and settlement system;
- Performance testing, periodic reporting;
- Management of inventory and wastes.

The Operation and Maintenance Agreement expires at the same time as the PWPA. The performance and payment obligations of SOMC under the O&M Agreement are guaranteed by several corporate indemnities from each of ENGIE and Suhail Bahwan Holding Group.

Revenue Details

Operating Revenues comprise Capacity Charge and Energy Charge and Water Output Charge. Revenues are indexed to the RO-USD exchange rate, US Producer Price and Omani Consumer Price indices.

Capacity Charges:

Capacity Charges are payable for each hour during which the plant is available for generation and is paid by OPWP. The Capacity Charge is the total of:

- Investment charge: covers capital and all related costs of the Project like tax payments, debt service and return on capital,
- Fixed operation and maintenance charge: covers fixed operation and maintenance and all related costs of the plant and
- New Industry charge: covers period licensing costs under the Sector Law, and charges due to OETC under the ECA and others.

Energy and Water Output Charges:

The energy and water output charge is the short term marginal cost of power and water delivered and is paid by OPWP. It is the total of:

- Variable operating costs;
- Start-up Costs: payable to Sohar Power for the costs of the starts.

Fuel Costs

Fuel Charge is based on the theoretical natural gas consumption to produce the electrical energy and water output delivered, which will be calculated on the basis of the contractual heat rate with the help of a fuel demand model.

Force Majeure events:

If Sohar Power is prevented or hindered in performing any of its obligations for reasons outside of its control, it will constitute a Force Majeure event.

In accordance with the PWPA, declaration of Force Majeure results in extension of the Term by an amount of time equal to the period of the Force Majeure. Revenues during the Force Majeure is delayed and paid during the Term extension.

Kahrabel FZE (ENGIE, previously known as GDF SUEZ)

About ENGIE Middle East, South & Central Asia and Turkey (MESCAT)

ENGIE has a regional presence of almost 30 years in the Middle East, South & Central Asia and Turkey region. We are the regional leading independent power & water producer with a gross capacity of 32 GW of power and 5.5 million m3/day of water production. ENGIE's portfolio includes 1 GW of solar PV and 480 MW wind in India, where we also provide decentralized solar power to 70,000 customers. In Turkey, ENGIE has 370,000 customers in gas distribution and is active in energy retail, trading and origination. The Group owns 40% of Tabreed, the regional leader in district cooling, which currently delivers over 1 million tons of cooling across 75 plants in the GCC, where ENGIE is also a leading provider of Customer Solutions.

About ENGIE

Our group is a global reference in low-carbon energy and services. In response to the urgency of climate change, our ambition is to become the world leader in the zero-carbon transition of our customers, businesses and local authorities. We rely on our key businesses (renewable energy, gas, services) to offer competitive turnkey solutions "as a service".

With our 160,000 employees, our customers, partners and stakeholders, we are a community of Imaginative Builders, committed every day to more harmonious progress.

Turnover in 2018: 60.6 billion Euros. The Group is listed on the Paris and Brussels stock exchanges (ENGI) and is represented in the main financial indices (CAC 40, DJ Euro Stoxx 50, Euronext 100, FTSE Eurotop 100, MSCI Europe) and non-financial indices (DJSI World, DJSI Europe and Euronext Vigeo Eiris - World 120, Eurozone 120, Europe 120, France 20, CAC 40 Governance).

MENA Sohar 1 SPV Limited

Mena Sohar 1 SPV Limited is a wholly owned subsidiary of MENA Infrastructure. Founded in 2007 and owned by HSBC, Fajr Capital and Waha Capital, MENA Infrastructure currently manages a US$300 million infrastructure fund from its headquarters in the Dubai International Financial Centre.

MENA Infrastructure has established an important position in private equity infrastructure investment, and has one of the most experienced specialist infrastructure investment teams operating across the region.

The team is supported by a network of sponsors, investors, intermediaries and strategic partners that command significant influence in the region's business communities. With these resources and networks at its disposal, the firm offers a unique combination of unrivalled origination capability with proven investment and execution expertise. MENA Infrastructure has executed some of the region's landmark transactions and holds a collection of well-regarded awards which bear testament to its superior performance.

Further information can be found at www.menainfrastructure.com

Ministry of Defence Pension Fund ("MODPF")

The Ministry of Defence Pension Fund is a public legal entity in the Sultanate of Oman duly organized under, and registered pursuant to, Royal Decree 87/93 issued on 29th December 1993. The Ministry of Defence Pension Fund is one of the largest pension funds in Oman and is a major investor in the local capital markets, both in equities and bonds. It is also a major participant in project investments and real estate investments. The fund is represented on the boards of several prominent corporates in Oman.

SOGEX

SOGEX INTERNATIONAL started in Oman in 1971 as a small company and contributed remarkably in the development of the Sultanate of Oman to meet the challenge of rapid growth.

SOGEX grown into multinational group of companies within a short time and serve national governments interests throughout the region with locations in Middle East, Africa, Europe and in United States.

On November 15, 1984 Bahwan Group of Companies, Oman, acquired the whole of SOGEX in Oman and renamed as SOGEX Oman Co. LLC.

SOGEX Oman as a subsidiary company of Suhail Bahwan Group has been continuing its operations in Oman and abroad by participating in supply, construction and O&M services of remarkable number of large IWPP/IWP/IPP power and water projects covering different fields on turnkey basis such as EPC (Engineering, Procurement, Construction) for Power & Desalination Plants, Electrical Transmission Lines and associated Sub-stations of Voltage level up to and including 132 kV.

SOGEX Oman is an ISO 9001:2015 certified company and undertakes the following activities:

- **Management, Commissioning, Operation & Maintenance of:**

- Power Generation Plants: Combined Cycle Power Plants of large capacities.
- Water generation plants: Sea Water Desalination Plants, Multi Stage Flash (MSF) and Reverse Osmosis (RO) of large capacities.
- Water Treatment & Sewage Treatment Plants
- Engineering and Consultation related to Power & Water plants

Sogex Oman also explores opportunities and invests in Power & Water sectors.

Currently it is operating in Middle East, North Africa and India.

Industry Structure and Development

The Sector Law for the electricity sector has been promulgated in 2004 and an independent regulatory agency, the Authority for Public Services Regulation (APSR), previously known as Authority for Electricity Regulation (AER), was implemented. It regulates the development of the electricity sector under a well-defined framework that encourages private participation in the sector on long-term basis.

The Sohar IWPP project was awarded to the consortium formed by the founders of Sohar Power upon completion of a competitive bidding process, resulting in awarding the project to the lowest bid.

The plant is located in Sohar Industrial Port area and approximately 70 employees are involved in the operations and maintenance activities on site. Sohar Power offices and employees are located in Muscat.

Opportunities and Threats

The Company was formed specifically to build, own and operate the plant located at Sohar and its Generation License, issued by APSR does not allow it to undertake new ventures.

Sohar Power benefits from a guaranteed long term payment stream and a very low risk profile.

Under a long term Power and Water Purchase Agreement (PWPA) with guaranteed off-take with Government, the Company is protected from the risk of demand, commodity prices and market fluctuations.

Payments under the PWPA are based on available capacity (capacity charge), as well as a variable payment stream based on the actual electricity generated (energy charge). Payments are assured, as they are receivable from OPWP and guaranteed through the Government Guarantee.

The fuel supply risk is mitigated by a long term gas supply contract with the Sultanate's Ministry of Energy and Minerals (MEM) that matches the term of the PWPA.

The technology risk is very low given that it is proven and has demonstrated a long operating history, as is the Operations and Maintenance ("O&M") risk given Sohar Power contractor, Sohar Operation and Maintenance Company (SOMC) experience and track record in operation of IWPPs. Through the O&M Agreement, Sohar Power is not supporting any risk in regular operating and maintenance costs.

The debt financing for Sohar Power follows a typical non-recourse project financing structure. It includes a cash sweep mechanism intended to accelerate the repayment of the debt from September 2015, under which all cash available is fully devoted to the reimbursement of the debt until its full repayment. During this period, no cash is available to the shareholders for distribution of dividends.

Until August 2019, the Authorities were heavily dependent on Sohar Power for the supply of water in the North of the Sultanate, which exposed the plant to reliability and availability risks since contractual commitments for periodic maintenance were not always fulfilled. Since the commissioning of a new water desalination plant in Sohar, this dependence has now reduced. Water being supplied from the new Plant is meeting the current water demand in the region.

On account of two other power plants in the Sohar area that can supply 2,250 MW, the need for coupled power-water from the Company has also reduced, resulting in the Plant being idle for prolonged period since August 2019.

Low dispatch of power and water is likely to be the case for the remaining Contract Years.

Financial Highlights

The Company's performance during the Current and past four years is given as follows:

All figures in RO million		2020	2019	2018	2017	2016
NP (Net Profit/loss) for the year	1	2.256	1,155	-10.939	2.030	4.543
Revenue	2	27.264	50.586	66.505	64.485	66.307
Total Assets	3	91.917	114,359	119.893	146.455	150.439
Capital	4	22.101	22.101	22.101	22.101	22.101
Debt (Long Term)	5	55.860	66.426	76.708	89.037	100.436
Debt & Capital	6	77.961	88.527	98.809	111,138	122.537
Ordinary Shares (in millions)	7	221.010	221.010	221.010	221.010	221.010
Net assets (before hedging deficit)	8	19.328	17,186	20.097	31.036	29.006

		2020	2019	2018	2017	2016
NP (Net Profit) Margin	1÷2	8.3%	2.3%	-15.0%	3.1%	6.9%
ROTA (Return on Total Assets)	1÷3	2.5%	1.0%	-8.4%	1.4%	3.0%
ROC (Return on Capital)	1÷4	10.2%	5.2%	-45.7%	9.2%	20.6%
Capital ratio (over Debt + Capital)	4÷6	28.3%	25.0%	22.4%	19.9%	18.0%
Ordinary Dividend (interim-current year)	-	-	-	-	-	4.1%
Ordinary dividend (Final-previous year)	-	-	-	-	-	8.2%
BEPS (Basic Earnings per share) Ratio	1÷7	0.010	0.005	-0.046	0.009	0.021
Net Assets per share	8÷7	0.087	0.077	0.072	0.140	0.131

Analysis of Results

Sohar Power registered a net profit of RO 2.256 million for the year 2020 compared to a net profit of 1.155 million in 2019. The favourable variance of RO 1.101 million between 2019 and 2020 is the net effect of the following elements:

- Power & Water capacity charges were reduced in 2020 as compared to previous year due to reduced tariff (as per PWPA), negative impact of RO (0.159) million.
- Lower direct and indirect cost excluding fuel compared to previous year, impacting net profit favourably by of RO 1.011 million.
- In 2020 higher incentive paid to the operator as a result of lower forced outages and better fuel margin, negative impact of RO (0.129) million.
- The financial debt (loans and swaps) was repaid and settled as per the agreements and accordingly, lower net financial interest was incurred in the current year, impacting net profit of 2020 favourably by RO 0.566 million.
- Higher tax expense as a result of higher profits for the year, negative impact of RO (0.167) million.
- The impact of the impairment of the Desalination plant as a result of not qualifying the Water plant in the Power 2022 tender process is similar to 2019.

Analysis of Balance Sheet

- Property, Plant & Equipment (PP&E) are depreciated consistently using the straight line method of depreciation. The impairment impact of the Desalination plant will continue through 2020 till the end of current PWPA term. The Company continued capitalizing the cost of decommissioning its PP&E, to be incurred at the end of the useful life of the plant.
- Trade debtors correspond to one month's invoice at the end of current year and one month at the end of previous year (as per PWPA). In addition small portion of trade is related to fuel gas invoices which have not been settled by OPWP for 2020. However this amount is a pass-through to Ministry of Energy & Minerals (MEM).
- Cash in hand and at Banks at the end of 2020 were higher than the same at the end of previous year, due to lower expenses and the compensation received from OPWP against the claims raised as part of Material Adverse Change due to change in tax law.
- The Hedging Deficit booked in equity on account of variation in Fair values of five IRSs - interest rate swaps, which does not affect the profitability of the Company, was RO 2.3 million for 2020 compared to RO 3.1 million in 2019.
- Hedging Deficit is calculated on each Balance Sheet date as per IAS 39 and represents the loss, which Company would have incurred, if it had opted to terminate its IRS agreements on this date. However, under the terms of its Financing Agreements, Sohar Power is not permitted to terminate its swap agreements and the above deficit is therefore merely notional.
- The Company repaid instalments of its long term loans and settled its Swaps in accordance with the agreed loan repayment schedule and swap agreements. An additional amount of RO 1.9 million was repaid during the year under the cash sweep mechanism.

Dividend Distribution

Under its Financing Agreements entered into with its lenders, Sohar Power is subject to a cash sweep mechanism starting from 30 September 2015 until the full repayment of the outstanding debt. This mechanism prevents distributions to shareholders since all the available cash is dedicated to the repayment of the debt. As previously disclosed, the pay out of dividends ended in 2016 and there will be no more dividend distributions to shareholders until the debt of the Company is restructured and the cash sweep is successfully dealt with.

Outlook for 2021

Looking ahead, the Company expects to operate as and when power and water from the Plant is called for. The load factors are expected to be low and the Plant is likely to be under preservation for long periods.

Since the year 2018, the Company engaged in the '2022 Power Procurement process' launched by OPWP. As part of the process, OPWP has notified the Company on 7 February 2019 that it has pre-qualified its Power only offer but did not pre-qualify its Power and Water offer. Hence, an impairment review for the Desalination plant was conducted in 2018 and it will have a remaining useful life of three years starting January 2019 and the remaining book value will be amortized over the coming 3 years. The Company has submitted a Binding Bid for its Power only offer on February 28, 2019 after seeking approval during the Ordinary General Meeting held on February 26, 2019. The Company is now engaged in the second phase of '2022 Power Procurement process' launched by OPWP RfP on 16th October 2019. The Company submitted its offers on 29th April 2020 as per the RfP process. OPWP feedback has been delayed mainly due to the impact of the COVID-19 pandemic and other factors. As per the recent communication from the Authority of Public Services Regulation (APSR), the response is expected by the end of Q1 2021. The APSR is reviewing the entire procurement process and is also assessing market readiness for direct sale of power by allowing bilateral contracts which may provide generators with expiring PPA an additional avenue to contract their power capacity.

The Company's main objective is to secure a new PPA with effect from 2022. The Company will also engage with different stakeholders to assess the feasibility of the bilateral contracts for its plant should the framework and regulation of bilateral Agreement is approved and issued by the regulator. In case SPC is unsuccessful in the Power 2022 Procurement process, bilateral contracts or any other form of extension of the power plant, the Company may operate in the Spot Market currently being developed in Oman, for which the rules are not yet finalised. Unlike PWPA, Revenues will not be contracted in the Omani Spot Market and it will be subject to the overall supply and demand in the market. In view of the uncertainties surrounding the Spot Market, it is very difficult to predict the future of the Company in its current technical configuration, should it operate in the Spot Market, but it will be very challenging. In such case, restructuring the outstanding debt after the current term of PWPA will be very challenging as well.

The Company is also subject to the changes in regulations prevailing in Oman (Commercial Companies Law, Value Added Tax, Withholding Taxes, etc.) and other uncertainties that might adversely impact its financial position and its shareholders.

The energy transition is accelerating in Oman, caused by the continuous drop in prices for renewable energy such as photovoltaics and wind. This is likely to impact the competitiveness of existing conventional thermal plants and might substantially reduce their value beyond the term of their current P(W)PA.

Internal Control System and their Adequacy

The Company believes in strong internal control systems as a mean to contribute efficiently to high standards of governance, operation & management of the Company.

Sohar Power has implemented since 2009 an Internal Control framework, which entails critical review of all business processes of the Company. For these, appropriate risks are identified while control activities and segregation of duties are implemented.

In addition to the internal review process, the main Shareholders of the Company and the Audit Committee periodically oversee and review that the Company continues to improve its internal control environment and maintains highly efficient internal controls and business processes.

It is also the responsibility of the Internal Auditor to review the level of compliance of the company with applicable laws and CMA regulations. Since 2015 and following decision of the Audit Committee, the Internal Auditor receives support from an external audit firm to monitor the level of compliance and improve the business processes of the Company.

After resignation of the internal auditor of the Company in September 2020, the Audit Committee and the Board has appointed, after CMA approval, an external firm to perform the IA activities of the company for Q3 and Q4 of 2020. The Company is in the process of finding/appointing a suitable person for IA position that meet the law's requirement.

Transfers to Investors Trust Fund

Due to non-distribution of Dividend in 2020, transfer to the investors' trust fund in 2020, was not required.

BAKER TILLY
MKM (OMAN) LLC
Chartered Accountants

بيكر تللي
أم كي أم (عمان) ش.م.م
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س.ت: ١٠٩٤٠٠٧، رقم البطاقة الضريبية: ٨٠٨٣٦٢٣
تليفون: ٢٤٧٩٧٤٤١ / ٢٤٧٨٧١٤٤ / ٢٤٧٨٧١٤٨، فاكس: ٢٤٧٩٦٦٦٠
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REPORT OF FACTUAL FINDING IN CONNECTION WITH CORPORATE GOVERNANCE IN ACCORDANCE WITH CAPITAL MARKET AUTHORITY CODE OF CORPORATE GOVERNANCE

TO THE SHAREHOLDERS OF SOHAR POWER COMPANY SAOG

We have performed the procedures prescribed in the Capital Market Authority (CMA) revised Code of Corporate Governance issued under Circular Number E/ 4/2015 dated 22 July 2015, Circular no. E/4/2016 dated 18 April 2019, and Circular E/10/2016 dated 1 December 2016, (collectively referred to as the Code), with respect to the Board of Directors' Report on Corporate Governance of **SOHAR POWER COMPANY SAOG** (the Company) and application of the corporate governance practices in accordance with the CMA Code of Corporate Governance and its amendments, for the year ended 31 December 2020, and as supplemented by the Rules and Guidelines and Executive Regulation of the Capital Market Authority.

Our engagement was undertaken in accordance with the International Standards on Auditing applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the Company's compliance with the Code as issued by the CMA.

We report our findings below

We found that the Board of Directors' Corporate Governance Report reflects the Company's application of the provisions of the Code and is free from any material misrepresentation.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing, we do not express any assurance on the Corporate Governance Report. Had we performed additional procedures or had we performed an audit of the report in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the Board of Directors' Corporate Governance Report included in its annual report for the year ended 31 December 2020 and does not extend to any financial statements of the Company, taken as whole.

Baker Tilly

Baker Tilly MKM (Oman) LLC
(Chartered Accountants)
Muscat
24 February 2021

A new Code of Corporate Governance ("the Code") circular E/4/2015 dated 22 July 2015 for Public Listed companies was issued, which was applicable from 22nd July 2016. After issuance of the new Commercial Companies Law (the "CCL") in Feb 2019, pursuant to Royal Decree number 18/2019, the Shareholder of the company approved the revised Article of Association in the Extraordinary General meeting held on 2nd June 2020.

Sohar Power believes that the Code of Corporate Governance is a useful tool to improve the operational and financial performance of listed companies. The Code of Corporate Governance ensures accountability, which leads to transparency and providing equal treatment to all investors. This ultimately increases the confidence of shareholders and prospective investors in the results.

We confirm that we are complying with the Code and that we are aiming at the highest standards of governance and at enhancing our image as a good corporate citizen.

In compliance with the Fourteenth Principle 3 of the above Code, Sohar Power includes this separate chapter on Corporate Governance in its annual financial statements for the year ended 31 December 2020.

Board of Directors

a. Composition of the Board of Directors, category of Directors, attendance record, and number of Board of Directors meetings held during the year are given as follows:

Name of Directors	*Category of Directors*	*Board Meeting held and attended during 2020*					*2020*
		26 FEB	*23 APR*	*23 JUL*	*27 OCT*	*Total*	*AGM ****
Mr. Luciano Guffanti * (Chairman)	Non-Independent & Nominee	-	-	-	▼	1	-
Mr. Salim Ali Hamed Al Hasni (Vice Chairman)	Independent & Nominee	✓	▼	▼	▼	4	▼
Mr. Zahran Salim Al Rashdi	Independent	✓	▼	▼	▼	4	▼
Mr. Rodak Ali Iqbal	Independent	✓	▼	▼	▼	4	▼
Mr. Tashfen Yasin	Independent	✓	▼	▼	▼	4	▼
Mr. Jeronimo Roura	Non-Independent & Nominee	✓	▼	▼	▼	4	▼
Mr. Kumail Majid Al Moosawi	Non-Independent	✓	A	✓	▼	3	▼
Mr. Hussain al Zeedi *	Non-Independent & Nominee		-	-	▼	1	-
Mr. Ravindranath Venna	Independent	✓	▼	▼	▼	4	-
Mr. Wim Alen (Chairman) **	Non-Independent & Nominee	✓	▼	Proxy	-	2	▼
Mr. Sami Abdullah Al Zadjali ** (Vice Chairman)	Non-Independent & Nominee	✓	▼	▼	-	3	▼
Ms. Miriam Youssef Khalaf **	Independent	✓	-	-	-	1	-
Mr. Damien Sage **	Non-Independent	Proxy	-	-	-	0	-
Mr. Hisham Al Hadhrami **	Non-Independent	▼	-	-	-	1	-

▼ Attended by Video (due to Covid-19 most meetings held via video).
* Joined during the year. ** Resiged during the year.
*** Accordaning to the CMA circular no. E/8/2020, The AGM was held via technology means.

b. Directorship/membership of the Company's directors in other SAOG companies in Oman held during the year.

Name of Directors	*Position held*	*Name of the Company*
Mr Salim Ali Hamed Al Hasni	Member	Al Ahli Bank SAOG
Mr. Kumail Majid Al Moosawi	Member	Oman Cement Company SAOG

The profile of directors and management team is included as an annexure to the Code of Corporate Governance Report.

Audit Committee

A. Brief description of terms of reference.

Detailed duties and responsibilities of the Audit Committee are described in the Audit Committee Charter approved by the Board of Directors, setting the scope and explicit delegation of authority.

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing:

- the financial reports and other financial information provided by the Company to any governmental body or the public;
- the Company's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; and
- the Company's auditing, risk management, accounting, and financial reporting processes generally.

Consistent with this function, the Audit Committee encourages continuous improvement of, and fosters adherence to, the Company's policies, procedures, and practices at all levels.

The Audit Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company's financial reporting process and internal control system;
- Review and appraise the audit efforts of the Company's statutory and internal auditors;
- Provide an open avenue of communication among the statutory and internal auditors, financial and senior management, and the Board of Directors.

The Audit Committee has the authority to consider meeting with internal and external auditors without management's presence. Each year, the Audit Committee considers the performance of the external auditors prior to a resolution on their reappointment and remuneration at the AGM.

B. Composition of Audit Committee and attendance record of Committee Members:

Name of Committee Members	Position	Meetings held and attended during 2020				
		23 FEB	21 APR	22 JUL	26 OCT	Total
Mr. Zahran Salim Al Rashdi	Chairman	✓	▼	▼	▼	5
Mr. Rodak Iqbal	Member	✓	▼	▼	▼	5
Mr. Tashfen Yasin	Member	▼	▼	▼	▼	5

▼ Attended by Video (due to Covid-19 most meetings held via video).
* Joined during the year. ** Resiged during the year.

C. Sitting fee

A sitting fee of RO 200 per meeting is paid to the attendee member.

Nomination of Remuneration Committee

A. Brief description of terms of reference.

Detailed duties and responsibilities of the NRC are described in the NRC policy approved by the Board of Directors, setting the scope and detailed delegation of authority.

The primary function of the NRC is to assist the Board of Directors in fulfilling its responsibilities set out in the Code of Corporate Governance Circular E/4/2015 issued in July 2015.

The above is summarized as follows:

a. Enhance performance and efficiency in accomplishing the various tasks related to the NRC.

b. Establish a framework to assist the Board in:
   - developing a succession policy;
   - identifying and nominating qualified persons to act as temporary Directors and senior executives;
   - preparing compensation and remuneration policies.
   - Carrying out the evaluation of the Board and sub-Committees.

c. Define the responsibilities, duties, and powers of the NRC.

d. Determine the administrative and functional structure of the NRC.

B. Composition of NRC and attendance record of Committee Members.

Name of Committee Members	Position	Meetings held and attended during 2020			
		23 FEB	21 APR	25 OCT	Total
Mr. Salim Ali Hamed Al Hasni	Chairman	✓	▼	▼	3
Mr. Damien Sage	Member	✓	▼	▼	1
Mr. Tashfen Yasin	Member	▼	▼	▼	3
Mr. Rodak Ali Iqbal *	Member	-	▼	▼	2

▼ Attended by Video (due to Covid-19 most meetings held via video).

* Joined during the year. ** Resiged during the year.

C. Sitting fee

A sitting fee of RO 200 per meeting is paid to the attendee member.

Process of Nomination of Directors

The election of the Board is governed by the Company's Articles of Association (Articles 19 to 24). The Board of Directors was elected on 27 March 2018 for the term of three years. The election process was done in accordance with the amended Articles of Association of the Company. Further, as required by CMA circulars, the Company obtained the nomination forms from all directors, and those forms were verified to its compliance and authenticity by the Company's Secretary and its legal counsel before being sent to the Capital Market Authority.

The company will conduct elections in the AGM to seclet its new board of directos for next three year term.

REMUNERATION

A. Directors Remuneration and Attendance Fee.

As per administrative decision 11/2005 issued by CMA and Company's Articles of Association, the Directors' remuneration including sitting fees are restricted to 5% of the Net Profit after statutory reserve and provision of 5% dividend and is also subject to limits prescribed.

The total remuneration to the Directors was Nil.

The Company does not pay sitting fees for participation in Board sub-committee meetings, except for the Audit Committee meetings and the NRC meetings. The Directors' remuneration is paid pro-rata each Directors' participation in the Board meetings. Attendance at Board meetings, Audit Committee meetings, and NRC meetings by video conference is deemed to be attendance in person; attendance by proxy is not considered for remuneration purposes.

Total sitting fees paid to Directors as appended in the table below also include fees for attendees in the Audit Committee and NRC meeting where applicable.

#	*Name of Director*	*Total no. of meetings*						*Total Sitting fees paid in RO*	*Total Remuneration in RO*
		BOD		*AC*		*NRC*			
			▼		▼		▼		
1	Mr. Luciano Guffanti *	-	1	-		-	-	550	-
2	Mr. Salim Ali Hamed Al Hasni	1	3	-		1	2	2,800	-
3	Mr. Zahran Salim Al Rashdi	1	3	1	3	-	-	3,000	-
4	Mr. Rodak Ali Iqbal	1	3	1	3	-	2	3,400	-
5	Mr. Tashfen Yasin	1	3	-	4	-	2	3,600	-
6	Mr. Jeronimo Roura	1	3	-	-	-	-	2,200	-
7	Mr. Kumail Majid Al Moosawi	2	1	-	-	-	-	1,650	-
8	Hussain al Zeedi *	-	1	-	-	-	-	550	-
9	Mr. Ravindranath Venna	1	3	-	-	-	-	2,200	-
10	Mr. Wim Alen **	1	1	-	-	-	-	1,100	-
11	Mr. Sami Abdullah Al Zadjali **	1	2	-	-	-	-	1,650	-
12	Ms. Miriam Youssef Khalaf **	1	-	-	-	-	-	550	-
13	Mr. Damien Sage **	-	-	-	-	-	1	200	-
14	Mr. Hisham Salem Al Hadhrami **	-	1	-	-	-	-	550	-
TOTAL								**24,000**	**-**

▼ Attended by Video (due to Covid-19 most meetings held via video).

* Joined during the year. ** Resiged during the year.

The Company will continue to pay sitting fee per Director per Board meeting amounting to RO 550 and per Audit Committee member per meeting of the Audit Committee amounting to RO 200, and per NRC member per meeting of NRC amounting to RO 200 in the year 2021, up to a maximum of RO 10,000 to any individual Director.

B. Top Five Officers

The aggregate remuneration charged by Power Management Company under the management agreement for the top five officers of the Company was RO 203,000/-.

Activities during the Year

The Audit Committee performed its duties as described in the Audit Committee Charter approved by the Board of directors and in line with the approved working plan.

In 2020, it reviewed on behalf of the Board the effectiveness of internal control, met the internal auditor of the company, reviewed internal audit reports and the recommendations, met external auditors, and reviewed the audit findings.

The Board of Directors also reviewed the operational reports generated by the Management, which presents the performance of the Company and compares actuals with the approved budget.

The Audit Committee and the Board of Directors are pleased to inform the shareholders that, in their opinion, an adequate and effective internal control system is in place.

Means of Communication with the Shareholder and Investors

Annual accounts and quarterly accounts are published on the official website of MSM as per the guidelines by the market regulators. Notice to the annual general meetings is sent by post to the registered shareholders.

The Chairman gives press releases in case of important news and development that arises. Such press releases are posted to the web site of MSM in accordance with the guidelines issued by the market regulators. Disclosures to investors and company events are disclosed on the website regularly. Information on the project, Company's management, and financial information are also available. The website is www.soharpower.com.

The Company is available to meet its shareholders and their analysts on as and when need basis.

Market Price Data

High/Low during each month in the last financial year and performance in comparison to broad based index of MSM (service sector).

Month	Low Price (RO)	High Price (RO)	Average Price (RO)	MSM Index (Service Sector)
Jan	0.057	0.057	0.057	1,936.190
Feb	0.055	0.058	0.056	1,919.540
Mar	0.056	0.056	0.056	1,688.020
Apr	0.048	0.048	0.048	1,697.420
May	0.051	0.051	0.051	1,612.810
Jun	0.048	0.048	0.048	1,566.770
Jul	0.046	0.046	0.046	1,538.510
Aug	0.048	0.048	0.048	1,579.000
Sep	0.046	0.046	0.046	1,563.890
Oct	0.045	0.045	0.045	1,609.750
Nov	0.043	0.047	0.045	1,600.790
Dec	0.044	0.046	0.045	1,591.820

Distribution of Shareholding

The Shareholder pattern as on 31 December 2020:

Category of shareholders	Number of Shareholders	Total Shares	Share capital %
Major Shareholders	6	190,221,521	86.069
Shareholders less than 5% more than 1%	1	2,888,300	1.307
Shareholders below 1%	7,945	27,900,179	12.624
TOTAL	**7,952**	**221,010,000**	**100**

Professional Profile of the Statutory Auditors

Our external auditors for the year ended 31 December 2020 were Baker Tilly MKM (Oman) LLC ("Baker Tilly Oman"). Baker Tilly Oman is a member of a group ("Baker Tilly JFC"), headquartered in Dubai, which operates 15 offices throughout the MENA region. The group and all its member firms are, in turn, part of Baker Tilly International, whose global office is in London, UK. Baker Tilly International is one of the top 10 largest firms of accountants in the world, with over 35,000 staff in 746 offices worldwide.

The audit fee paid to Baker Tilly Oman for the year ended 31 December 2020 was RO. 12,900.

Acknowledgment by the Board of Directors:

The Board of Directors confirms the following:

- Its responsibility for the preparation of the financial statements in accordance with the applicable standards and rules.
- Review of the efficiency and adequacy of internal control systems of Sohar Power and that it complies with internal rules and regulations.
- That there are no material matters that affect the continuation of the Company and its ability to continue its operations during the next financial year.

Name	Luciano Guffanti – Chairman
Year of Joining	2020
Education	Master's degree finances in Economics and Statistics from University of the U.N.R. – Rosario (Santa Fe) – Graduated 2006.
Experience	Mr. Guffanti has experience of over 22 years. He is presently Head of Asset Management UAE & Oman from 2019 to present in International Power Dubai SA, Finance Manager O&M Division & Sr Business Controller – 2015 to 2019

Name	Salim Ali AL HASNI – Vice Chairman
Year of Joining	2018
Education	Master of Project Management - University of Manchester UK, Bachelor in Marketing SQU.
Experience	Deputy Director of Purchasing - Ministry of Defence. Chairman of Reem Batteries Company SAOC, Board Member Ahli Bank SAOG.

Name	Zahran Salim AL RASHDI
Year of Joining	2018
Education	Master of Civil Engineering (Engineering Development) Bachelor of Mechanical Engineering
Experience	Customer service Manager – PAEW, Senior Operation Manager, Assistant Manager of Water Muscat, Manager of Water Distribution.

Name	Rodak Ali IQBAL
Year of Joining	2016
Education	BSME, MS Engineering Management, Business Management
Experience	Over 25 years in the power industry with extensive hands on experience of Power Plant construction, commissioning, O&M and asset management and has successfully operated and constructed power plants in North America, Asia and the Middle East.

Name	Tashfen YASIN
Year of Joining	2014
Education	Chartered Accountant and Bachelors of Commerce.
Experience 	Tashfen Yasin is the Chief Executive Officer of Mena Infrastructure and serves on the Board of other portfolio companies. Prior to joining Mena Infrastructure, Tashfen worked at PwC in Dubai and Karachi. Tashfen has significant experience in infrastructure, financial planning and budgeting, investor, financial and regulatory reporting, valuations, financial due diligence, assurance and accounting for private equity companies, banks and financial services companies in the Middle East and Pakistan.

Name	Jeronimo ROURA
Year of Joining	2013
Education	MBA from IESE Business School, and a Bachelor in Business Administration from ESADE Business School.
Experience 	Jeronimo Roura joined MENA Infrastructure in June 2010 as Investment Director, became Managing Director in January 2013, and was CEO of MENA Infrastructure from 1 August 2014 until 19 June 2018. Mr. Roura has over 18 years of experience in infrastructure acquisitions and financing. Mr. Roura joined MENA Infrastructure from the GMR Group, where Mr. Roura was Head of Structured Finance for the international businesses, having previously worked for Abertis, the Spanish toll road operator as Head of Structured Finance, and previously for Citigroup in London as Vice President in the Infrastructure Team of the investment bank, and as Associate in the Structured Corporate Finance group with a focus on project finance. Mr. Roura has led a number of brownfield and greenfield transactions and financings in the infrastructure space, including roads, airports, and power generation, and has substantial experience in structuring, due diligence, financing and valuation.

Name	Kumail Majid Al MOOSAWI
Year of Joining	2018
Education	Bachelor in Economics, Accounting diploma
Experience 	Mr. Al Moosawi has worked in Ministry of Finance for the last 38 years. The last held position was Director General of Financial Planning in Ministry of Finance.

Name	Hussain Salem Al Zeedi
Year of Joining	2020
Education	Master's degree in Law from Institute of Arab Research & Studies (Cairo -Egypt) Bachelor degree in Law from Sultan Qaboos University
Experience	Mr. Zeedi is working with Civil Services Employee Pension Fund for the last 18 years. He is presently Director of the Fund Department - Al Buraimi Governorate.

Name	Ravindranath VENNA
Year of Joining	2017
Education	Bachelor's degree in Mechanical Engineering and Master's degree in Business Management.
Experience	30 years of experience and knowledge about Commissioning, Establishment, Maintenance and Engineering aspects of power plants. He is proficient in Managing CSA's with corporates like GE and has an expertise in handling Major maintenances and Asset Management. Previously headed Engineering department at Tihama Power Gen group of four power plants in Saudi. He also has a prior experience working with several power plants in India–(Rolls Royce/GMR/PSEG/NFCL). Currently Leading Maintenance department for AZN O&M (combined cycle power plant 1500MW and 108MIGD of water desalination plant) in Kuwait.

Management is provided under a management agreement entered with Power Management Company LLC ("PMC") in 2009. PMC provides day to day management of Sohar Power and gives all supports by providing manpower and other infrastructure. For this PMC is paid an annual fee and its expenses. It provides the following staff to Sohar Power:

Particulars	Omani	Non-Omani	Total
Managers	3	1	4
Other staff	2	3	5

The management team has been empowered by the Board of Directors and jointly operates within well-defined authorization limits.

Brief profile of the current managerial team is as follows:

Name	Mr. Yaqoub Harbi Salim AL HARTHI
Year of Joining	2019
Education	Bachelor's degree in Mechanical Engineering from the Sultan Qaboos University.
Experience 	Mr. Al Harthi has been associated with power plant operations and management in various power plants of ENGIE for over 17 years. He currently holds the position of Chief Executive Officer of Sohar Power Company SAOG, prior to this he was the CEO of Al Batinah Power Company SAOG. In 2015 he was appointed as CEO of Al Kamil Power Company SAOG. Prior to that he was the General Manager of Al Kamil Construction and Services LLC from early 2014. He has also worked in Rusail Power Station and Sohar 1 Power and Water Plant as Operations Manager for several years.

Name	Zoher KARACHIWALA
Year of Joining	Since inception of the Company in 2004
Education	Chartered Accountant
Experience 	Currently Company Secretary of the Company and CEO of United Power Company SAOG Mr. Karachiwala was a Chief Financial Officer until June 2009. He also acts as Company Secretary for some of the GDF Suez (now ENGIE) group of companies in Oman. He has 43 years of experience in field of Statutory Audit & Accounting and Finance. He was KPMG Audit Partner in Pakistan before joining United Power Company in 1995. Acted as Honorary Chairman of Audit Committee and the Board of Directors for a public company in Oman.

Name	Sreenath HEBBAR
Year of Joining	2009
Education	Bachelor of Engineering (Mechanical), VJTI, Mumbai University
Experience 	Mr. Hebbar has been in his current role as Chief Technical Officer since 2009 and is responsible for managing the Contracts of the Company for technical and commercial compliance. He oversees the Safety function and is responsible for technical liaison with client, statutory authorities contractors and other agencies. Prior to this role, Mr. Hebbar has had wide ranging experience in the Energy Sector, primarily in Marketing and Business Development of Cogeneration & Combined Cycle Power Plants. He has been an active member of the Grid Code Review Panel of Oman.

Name	Khalifa AL KALBANI
Year of Joining	2019
Education	Bachelor's degree in Accounting and Finance from Manchester Metropolitan University, UK (1997).
Experience 	Mr. Kalbani has an extensive career for more than 23 years in various sectors in which he held senior executive positions for more than 16 years in 6 sectors both the public sector and private sector in oil & gas, refineries, petrochemicals, metal and postal & logistics services. Prior to this he held a CFO position in Oman Polypropylene, Oman Aluminium, Oman Post and worked in other organizations, including ORPIC, Oman Aromatics, Oman Gas Company and Ministry of Commerce & Industry.

Name	Salah Al Farsi
Year of Joining	Since inception of the Company in 2004
Education	General Education Diploma
Experience 	Salah Al Farsi has accumulated 26 years of experience in administration activities, including management of spare parts logistics, liaisons with government organizations, licensing and permitting, translation activities and supervision of local insurance programs.

BAKER TILLY
MKM (OMAN) LLC
Chartered Accountants

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Tel.: 24797441 / 24787144 / 24787148, Fax: 24796660
E-mail: oman@bakertillyjfc.com
URL: www.bakertillyjfc.com

مكتب رقم ٢٠١، الطابق ٢، بناية مسندم، جناح (ب)، روي
ص.ب: ٩٩٤، مسقط، الرمز البريدي ١٠٠، سلطنة عمان
س.ت: ١٠٩٤٠٠٧، رقم البطاقة الضريبية: ٨٠٨٣٦٢٣
تليفون: ٢٤٧٩٧٤٤١ / ٢٤٧٨٧١٤٤ / ٢٤٧٨٧١٤٨، فاكس: ٢٤٧٩٦٦٦٠
بريد الإلكتروني: oman@bakertillyjfc.com
URL: www.bakertillyjfc.com

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SOHAR POWER COMPANY SAOG

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **SOHAR POWER COMPANY SAOG** (the Company), a public listed company registered under the Commercial Companies Law of 1974, as amended, (replaced by the Commercial Companies Law No. 18/2019) of the Sultanate of Oman, which comprise the statement of financial position as at **31 December 2020**, and the related 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 **SOHAR POWER COMPANY SAOG** as at **31 December 2020**, 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 (ISA). Our responsibilities under those standards are further described in the *Auditors Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the requirements of 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 the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

Attention is drawn to the fact that the Company's current liabilities exceeded its current assets as at December 31, 2020 by RO 5,144,000 (2019: RO 5,091,000) and may give rise to an uncertainty regarding the going concern concept. That said, the going concern concept is believed to be appropriate as scheduled bank loan repayments are due to be made only in March 2021 and September 2021, by which time the Company projects that it will have generated sufficient cash from its operating activities, and it can service other liabilities from existing and generated cash resources. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, 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.

BAKER TILLY
MKM (OMAN) LLC
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
SOHAR POWER COMPANY SAOG *(continued)*

Key Audit Matters *(continued)*

Possible power plant impairment

As mentioned in note 2a and note 5.3, the Company's existing long-term agreement for generation of electricity at Sohar (PPA) is expected to expire by April 2022. The Company had submitted a binding bid for supply of electricity in early 2019. In the first phase of the process, the Company was pre-qualified for the supply of electricity. Therefore, the Company is participating in the second phase of the process, in which the off-taker has requested proposals from the selected companies.

The final decision of the off-taker is expected by end of the first quarter of 2021. As the final decision is still awaited, it is still uncertain whether the Company will be selected for supply of electricity after end of the existing contract.

Therefore, there are chances that the Power Plant of the Company may have been impaired. Nevertheless, even if the Company is not selected for the supply of electricity for a longer period, it can still sell electricity through the Spot Market (i.e. a new initiative from the Government to start purchasing certain quantity of electricity through daily/weekly/monthly bidding). However, it is uncertain that the Company will still be able to continue as a going concern without being selected for the supply of electricity. The Company has appointed a market consultant for preparation of cash flow models, considering various scenarios under the Spot Market for the remaining useful life of the project assets after expiry of the PWPA in April 2022. The management has concluded that no impairment is required to the value of the Power Plant as at 31 December 2020, as they expect the PPA contract to be extended beyond April 2022. We focused on this area because of the materiality of the amounts involved and its technical nature.

Our audit procedures included discussions with the management relating to the ability of the Company to continue as a going concern after April 2022. We also checked appropriateness of the management's assertion, including management's estimates and assumptions, relating to the Company's ability to continue as a going concern after April 2022. We also checked the reasonableness of disclosures and presentation relating to the property, plant and equipment (particularly the Power Plant) and related impairment, if any, in the financial statements of the Company for the current year.

Hedge accounting

The Company entered into swap agreements to manage its exposure to interest rate risk. As at 31 December 2020, these swap agreements (hedging instruments) have given rise to derivative financial assets of RO 2,296,000 (USD 5,964,000) [2019: RO 3,140,000 (USD 8,157,000)] and derivative financial liabilities of RO 3,290,000 (USD 8,545,000) [2019: RO 4,152,000 (USD 10,785,000)]. These swap agreements have been treated as cash flow hedges and recorded at their fair values at the time of initial recognition. Any gain/loss arising on changes in fair values of hedging instruments will be recognised in the statement of other comprehensive income until the maturity date, at which time it will be transferred to the statement of profit or loss. The Company is required to test on an ongoing basis whether the hedging instruments are highly effective in off-setting changes in fair values or cash flows of the hedged item. Accordingly, effective and ineffective portions, if any, will be recognised in the statement of other comprehensive income and the statement of profit or loss, respectively. The hedge accounting necessitates a sophisticated system to record these swap agreements and keep track of the changes after the initial recognition. The valuation of hedging instruments and determination of hedge effectiveness involve a significant degree of complexity and judgement. Consequently, we have determined hedge accounting to be a key audit matter.

Our audit procedures included 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. We also checked and agreed whether the effective and ineffective portions of the hedge have been appropriately recognised in the financial statements. We also requested and obtained appropriate confirmations from third parties regarding fair values of the hedging instruments as at the reporting date.

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BAKER TILLY
MKM (OMAN) LLC
Chartered Accountants

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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SOHAR POWER COMPANY SAOG** *(continued)*

Emphasis of Matter

We draw attention to notes15 and 16 of the financial statements. As per Power and Water Agreement the Company is entitled to fixed capacity charges during the Agreement duration and that means that regardless whether the plant will be operational or not the Company will earn revenue.

Other Matter - Impact of COVID-19 on the Financial Statements

We draw attention to note 28 of the financial statements regarding 'Impact of Covid-19', which describes the effect of the novel Coronavirus (COVID-19) pandemic on the Company's business. Our opinion is not modified in respect of this matter.

Other Matter - Other Information included in the Annual Report for the year ended 31 December 2020

The Management of the Company along with those charged with governance are responsible for the *Other Information* included in the annual report or any other publication of the Company for the year ended 31 December 2020. *Other Information* includes anything included in the annual report or other publication in addition to the financial statements and audit report on those financial statements and the Company's compliance with the Code of Corporate Governance, for the year then ended.

Our opinion on the financial statements does not cover the *Other Information* and we do not express any form of assurance/conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the *Other Information* and, in doing so, consider whether the *Other Information* is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 International Financial Reporting Standards, the requirements of the Commercial Companies Law No. 18/2019 of the Sultanate of Oman, the guidelines issued by the Capital Market Authority 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 relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

BAKER TILLY
MKM (OMAN) LLC
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SOHAR POWER COMPANY SAOG *(continued)*

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

- 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.
- 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; and
- 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 (written or verbal) that we have complied with relevant ethical requirements regarding independence, and to 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 year 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 the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements of **SOHAR POWER COMPANY SAOG** as at **31 December 2020**, comply in all material respects, with the requirements of the Commercial Companies Law No. 18/2019 of the Sultanate of Oman and the relevant disclosure requirements for public joint stock companies issued by the Capital Market Authority of the Sultanate of Oman.

The engagement partner on the audit resulting in this independent auditor's report is Dariusz Solecki.

Dariusz Solecki

Dariusz Solecki
Baker Tilly MKM (Oman) LLC
Muscat, 24 February 2021

BAKER TILLY MKM (OMAN) L.L.C. CHARTERED ACCOUNTANTS
C.R. No.: 1/09490/7
P.O. Box: 994, Postal Code: 100, Muscat

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Statement of financial position

as at 31 December 2020

	Notes	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	31 Dec 2020 USD (000)	31 Dec 2019 USD (000)
ASSETS					
Non-current assets:					
Property, plant and equipment	5	**81,821**	93,630	**212,523**	243,196
Right-of-use assets	6	**226**	376	**586**	976
Total non-current assets		**82,047**	94,006	**213,109**	244,172
Current assets:					
Inventories		**793**	705	**2,060**	1,831
Trade and other receivables	7	**2,655**	14,650	**6,897**	38,052
Cash at bank and on hand	8	**6,270**	4,998	**16,286**	12,982
Total current assets		**9,718**	20,353	**25,243**	52,865
Total assets		**91,765**	114,359	**238,352**	297,037
EQUITY AND LIABILITIES					
Shareholders' equity:					
Share capital	9a	**22,101**	22,101	**57,405**	57,405
Legal reserve	9b	**4,373**	4,148	**11,358**	10,774
Accumulated losses		**(7,146)**	(9,177)	**(18,559)**	(23,830)
Total shareholders' equity		**19,328**	17,072	**50,204**	44,349
Hedging reserve - net of tax	10	**(2,296)**	(3,140)	**(5,964)**	(8,157)
Total capital and reserves		**17,032**	13,932	**44,240**	36,192
Hedging deficit	10	**3,290**	4,152	**8,545**	10,785
Non-current portion of long-term loans	11	**46,628**	57,777	**121,112**	150,070
Non-current portion of lease liability	6	**75**	236	**195**	613
Provision for decommissioning costs	12	**1,800**	1,676	**4,675**	4,353
Non-current portion of deferred revenue	15a	**-**	1,881	**-**	4,886
Deferred tax liability	20b	**8,048**	9,261	**20,905**	24,056
Total non-current liabilities		**59,841**	74,983	**155,432**	194,763
Current liabilities:					
Current portion of long-term loans	11	**9,232**	8,649	**23,979**	22,465
Current portion of lease liability	6	**162**	150	**421**	390
Current portion of deferred revenue	15a	**1,881**	1,533	**4,886**	3,982
Trade and other payables	13	**2,016**	13,795	**5,236**	35,825
Amount due to a related party	14a	**288**	235	**748**	610
Provision for taxation	20c	**1,313**	1,082	**3,410**	2,810
Total current liabilities		**14,892**	25,444	**38,680**	66,082
Total liabilities		**74,733**	100,427	**194,112**	260,845
Total equity and liabilities		**91,765**	114,359	**238,352**	297,037
Net assets per share	21	**0.087**	0.077	**0.226**	0.201

The financial statements set out on pages 40 to 75 were approved and authorised for issue by the Board of Directors on 24 February 2021 and were signed on its behalf by:

Chairman   Director

The accompanying notes form an integral part of these financial statements.

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2020

	Notes	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	31 Dec 2020 USD (000)	31 Dec 2019 USD (000)
Revenue	15b	**27,264**	50,586	**70,816**	131,392
Cost of revenue	16	**(19,138)**	(43,069)	**(49,709)**	(111,868)
Gross profit		**8,126**	7,517	**21,107**	19,524
Other income		**343**	287	**891**	745
EXPENSES	17	**8,469**	7,804	**21,998**	20,269
General and administrative expenses	18	**(1,147)**	(828)	**(2,980)**	(2,151)
Finance costs	19	**(4,803)**	(5,369)	**(12,475)**	(13,945)
Total expenses		**(5,950)**	(6,197)	**(15,455)**	(16,096)
Profit before tax		**2,519**	1,607	**6,543**	4,173
Income tax expense	20a	**(263)**	(452)	**(682)**	(1,174)
Net profit for the year		**2,256**	1,155	**5,861**	2,999
Other comprehensive income:					
Fair value gain on effective interest rate swaps	10	**862**	213	**2,239**	553
Related deferred tax	20a	**(126)**	(33)	**(327)**	(86)
Other comprehensive income for the year		**736**	180	**1,912**	467
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,992**	1,335	**7,773**	3,466
Earnings per share - basic and diluted	22	**0.0096**	0.0052	**0.0249**	0.0136

The financial statements set out on pages 40 to 75 were approved and authorised for issue by the Board of Directors on 24 February 2021 and were signed on its behalf by:

Chairman Director

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2020

	Share capital RO (000)	Legal reserve RO (000)	Accumulated losses RO (000)	Hedging re-serve RO (000)	Total RO (000)	Total USD (000)
For the year ended 31 December 2020:						
Balance at 1 January 2020	**22,101**	**4,148**	**(9,177)**	**(3,140)**	**13,932**	**36,192**
Net profit for the year	**-**	**-**	**2,256**	**-**	**2,256**	**5,860**
Transfer to legal reserve	**-**	**225**	**(225)**	**-**	**-**	**-**
Other comprehensive income for the year	**-**	**-**	**-**	**736**	**736**	**1,912**
Ineffective portion of cash flow hedge (note 10)	**-**	**-**	**-**	**108**	**108**	**277**
Balance at the end of the year	**22,101**	**4,373**	**(7,146)**	**(2,296)**	**17,032**	**44,241**
For the year ended 31 December 2019:						
Balance as at 1 January 2019	22,101	4,032	(10,216)	(3,514)	12,403	32,222
Net profit for the year	-	-	1,155	-	1,155	2,999
Transfer to legal reserve	-	116	(116)	-	-	-
Other comprehensive income for the year	-	-	-	180	180	467
Ineffective portion of cash flow hedge (note 10)	-	-	-	194	194	504
Balance at the end of the year	22,101	4,148	(9,177)	(3,140)	13,932	36,192

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December 2020

	Notes	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	31 Dec 2020 USD (000)	31 Dec 2019 USD (000)
Operating activities:					
Net profit before taxation		2,519	1,607	6,543	4,173
Adjustments to net profit before taxation					
to arrive at net cash flow from operating activities:					
Depreciation	5	11,792	11,779	30,629	30,595
Property, plant and equipment written-off	5	22	-	57	-
Depreciation relating to right-of-use assets	6	150	150	390	390
Finance costs	19	4,759	5,369	12,361	13,945
Operating profit before changes in working capital		19,242	18,905	49,980	49,103
Movements in working capital:					
(Increase)/decrease in inventories		(88)	61	(229)	158
Deferred revenue	15b	(1,533)	(1,273)	(3,982)	(3,306)
Decrease/(increase) in trade and other receivables		11,995	(8,807)	31,155	(22,875)
(Decrease)/increase in trade and other payables		(11,779)	5,092	(30,595)	13,226
Increase/(decrease) in amount due to a related party		53	(239)	138	(621)
Cash generated from operations		17,890	13,739	46,467	35,685
Payment of finance costs		(4,473)	(4,994)	(11,618)	(12,970)
Payment of income tax	20c	(1,371)	(1,118)	(3,561)	(2,904)
Net cash generated from operating activities		12,046	7,627	31,288	19,811
Investing activities:					
Purchase of property, plant and equipment	5	(5)	(36)	(13)	(94)
Net cash (used in) investing activities		(5)	(36)	(13)	(94)
Financing activities:					
Net movement in long term loans		(10,769)	(10,504)	(27,971)	(27,283)
Net cash (used in) financing activities		(10,769)	(10,504)	(27,971)	(27,283)
Net increase/(decrease) in cash and cash equivalents		1,272	(2,913)	3,304	(7,566)
Cash and cash equivalents at the beginning of the year		4,998	7,911	12,982	20,548
Cash and cash equivalents at the end of the year	8	6,270	4,998	16,286	12,982

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2020

1. Legal status and principal activities

SOHAR POWER COMPANY SAOG (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 Company into a Public Listed Joint Stock Company. The commercial operation date (COD) of the Company was determined to be 28 May 2007.

The Company was established 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.

The Company's principal place of business is located at Sohar and the registered office address of the Company is PO Box 147, PC 134, Jawharat Al Shatti, Muscat, the Sultanate of Oman.

2. Significant agreements

The Company has the following significant agreements with various parties:

a. *Power and Water Purchase Agreement (PWPA):*

Power and Water Purchase Agreement (PWPA) with the Government of the Sultanate of Oman (the Government) granting the Company the right to generate electricity and produce water at Sohar:

(i) to make available to the Government the Guaranteed Contracted Power Capacity and the Guaranteed Contracted Water Capacity; and

(ii) to sell to the Government the Electrical Energy and Potable Water associated with the Guaranteed Contracted Power Capacity and the Guaranteed Contracted Water Capacity.

The Company has entered into a long-term power and water supply agreement with the Ministry of Housing, Electricity and Water (MHEW) of the Government for a period of fifteen years commencing from the scheduled COD of 28 May 2007 (i.e. the agreement will end by April 2022). On 1 May 2005, the PWPA was novated to Oman Power and Water Procurement Co. SAOC (OPWP), a closed joint stock company owned by the Government. All the financial commitments of OPWP are guaranteed by the Government.

b. *Natural Gas Sales Agreement:*

Natural Gas Sales Agreement with the Ministry of Energy and Minerals (MEM) for the purchase of natural gas from the MEM. The Natural Gas Sale Agreement is co-terminus with the PWPA.

c. *Sub-usufruct Agreement:*

Sub-usufruct agreement with Sohar Industrial Port Company SAOC for the grant of usufruct rights over the project site for 15 years from 20 July 2004, with the option of a possible extension of 15 years. It has been extended until May 2022.

d. *Sea-water Extraction Agreement:*

Sea-water Extraction Agreement with the Ministry of National Economy of the Government, to provide sea-water inlet and reject facilities for the plant. The Sea-water Extraction Agreement is co-terminus with the PWPA. This agreement was later novated to Majis Industrial Services SAOC (Majis Oman). On 7 February 2019, the Company was notified by OPWP it did not pre-qualify for supply of water, and as a consequence, the Company will not be able to extend the operations of its Water Desalination Plant beyond the term of the current PWPA.

e. *Operation and Maintenance Agreement (O&M):*

Operation and Maintenance Agreement (O&M Agreement) with Sohar Operation and Maintenance Company LLC, a related party, for the operation and maintenance of the plant for a period of 15 years from the COD or until the date of termination of the PWPA, whichever is earlier.

Notes to the financial statements
for the year ended 31 December 2020

2. Significant agreements (continued)

f. Financing Agreements:

Financing agreements with lenders for long-term loan facilities.

g. Management Company Agreement:

Management Company Agreement with Power Management Company LLC, a related party, for providing management services.

3. Basis of preparation:

a. Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as promulgated by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (the Committee), the requirements of the Commercial Companies Law of 18/2019 of the Sultanate of Oman and the Capital Market Law and relevant disclosures requirements for public joint stock companies issued by the Capital Market Authority (CMA).

b. Basis of preparation:

These financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value.

c. Functional currency:

These financial statements are presented in Rial Omani (RO) since this is the functional currency of the Company and United States Dollar (USD), rounded off to the nearest thousand. The financial statements are also presented in the USD because the loans are denominated in USD.

d. Adoption of new and revised International Financial Reporting Standards (IFRS):

For the year ended 31 December 2020, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (the Committee) of the IASB that are relevant to its operations and effective for periods beginning on or after 1 January 2020.

The new and revised Standards and Interpretations in issue but not yet effective at the date of these financial statements have not been adopted in these financial statements. Management anticipates that the adoption of these Standards and Interpretations in the current and future periods will have no material impact on the financial statements in the period of initial application.

New and revised IFRS in issue and effective

The following new and revised standards, improvements, amendments and interpretations issued are effective for the first time for periods beginning on or after 1 January 2020 and have been adopted in the preparation of these financial statements.

• Amendments to IFRS 3	Business Combinations
• Amendments to IFRS 7	Financial Instruments: Disclosures
• Amendments to IFRS 9	Financial Instruments
• Amendments to IAS 1	Presentation of Financial Statements
• Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors

Notes to the financial statements
for the year ended 31 December 2020

3. Basis of preparation (continued)

d. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

- Amendments to IAS 39 — Financial Instruments: Recognition and Measurement
- Amendments to IFRS 16 — COVID-19: Related Rent Concessions
- IBOR Transition (Interest Rate Benchmark Reforms Phase 1)
- Amendments due to the Conceptual Framework:

- Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

The adoption of these new standards, improvements, amendments and interpretations did not have a material impact on the Company for the year ended 31 December 2020.

New and revised IFRS in issue but not yet effective

The following new accounting standards, improvements, interpretations and amendments have been issued, but are not mandatory until the dates shown, and hence have not been early adopted by the Company in preparing the financial statements for the year ended 31 December 2020.

• IFRS 17	Insurance Contracts	1 January 2023
• Amendments to IFRS 3	Business Combinations	1 January 2022
• Amendments to IFRS 9	Financial Instruments	1 January 2022
• Amendments to IAS 1	Presentation of Financial Statements	1 January 2023
• Amendments to IAS 16	Property, Plant and Equipment	1 January 2022
• Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022

Annual Improvements to IFRS Standards 2018-2020 Cycle — 1 January 2022

- IFRS 1 — First-Time Adoption of IFRS
- IFRS 9 — Financial Instruments
- IFRS 16 — Leases
- IAS 41 — Agriculture

Management anticipates that all of the above standards, improvements, interpretations and amendments will be adopted by the Company to the extent applicable from their effective dates. The adoption of these standards, improvements, interpretations and amendments is not expected to have a material impact on the financial statements of the Company in the year of their initial application.

Notes to the financial statements

for the year ended 31 December 2020

4. Summary of significant accounting policies

A summary of significant accounting policies adopted in the preparation of these financial statements is set out below:

a. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Cost includes all costs directly attributable to bringing the asset to its working condition for its intended use.

Depreciation is charged to the statement of profit or loss and other comprehensive income using a straight-line method and estimated rates of depreciation. The estimated useful economic lives for the current and comparative periods are as follows:

	General		Water desalination plant		
	31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19	Year 2018 and before
Buildings	30 years	30 years	15 years	15 years	30 years
Plant and machinery	30 years	30 years	15 years	15 years	30 years
Technical parts	30 years	30 years	15 years	15 years	30 years
Other assets	4 years	4 years	-	-	-
Decommissioning costs (asset)	30 years	30 years	-	-	-

The depreciation rates of the desalination plant were changed from the year ended 31 December 2018 so as to be consistent with the agreements referred to (note 2). The water desalination plant is therefore expected to have a remaining useful life of approximately 3 years from 31 December 2018.

If there is any indication that there has been a significant change in the useful economic life of a particular asset, the depreciation of that asset is revised prospectively to reflect the new expectation.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss and other comprehensive income.

Repairs are charged to the statement of profit or loss and other comprehensive income when the expenditure is incurred.

b. Capital work-in-progress:

Capital work-in-progress is stated at cost including capital expenses incurred up to the date of the statement of financial position and is not depreciated. Depreciation of capital work-in-progress commences when the assets are ready for their intended use.

Notes to the financial statements
for the year ended 31 December 2020

4. Summary of significant accounting policies (continued)

c. *Impairment of assets:*

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 requirements include financial assets measured at amortised cost, such as trade receivables measured under IFRS 15 and lease receivables measured under IAS 17. The Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and 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");
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2"); and
- "Stage 3" which covers 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.

Non-financial assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the cash-generating unit to which the asset belongs is used. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

d. *Dividends*

Dividends are recognised as a liability in the period in which they are approved by the shareholders. The Board of Directors can only recommend to the shareholders a dividend to be paid out of the Company's net retained earnings. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law No. 18/2019 of the Sultanate of Oman while recommending dividends.

Notes to the financial statements
for the year ended 31 December 2020

4. Summary of significant accounting policies (continued)

e. *Inventories*

Inventories comprise fuel oils and are stated at the lower of cost and net realisable value. The cost of inventories is accounted for on the first-in first-out basis and includes all costs incurred in acquiring the inventory. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

f. *Trade and other receivables*

Trade and other receivables originated by the Company are measured at cost. Trade receivables (including lease receivables) are stated at original invoice amount less provision for any uncollectible amounts as per the expected credit loss model as required under IFRS 9. Bad debts are written-off when there is no possibility of recovery.

The Company makes use of a simplified approach in accounting for doubtful 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 provision, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The carrying values of trade and other receivables approximate their fair values due to the short-term nature of those receivables.

g. *Cash and cash equivalents*

For the purposes of the statement of cash flows, cash and cash equivalents consist of bank balances and cash and short-term fixed deposits with original maturities of three months or less from the date of placement unless the deposits can be cashed in early.

h. *Legal reserve*

In accordance with the requirements of the Commercial Companies Law No. 18/2019 of the Sultanate of Oman, the Company transfers 10% of its net profit, regardless of accumulated losses, for the year to legal reserve until such time as the reserve amount equals one third of the fully paid-up share capital of the Company. This reserve is not available for distribution unless on liquidation of the Company.

i. *Trade payables*

Trade payables are recognised for amounts to be paid in the future for goods or services received, whether claimed by the supplier or not.

j. *Provisions*

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Notes to the financial statements

for the year ended 31 December 2020

4. Summary of significant accounting policies (continued)

j. Provisions (continued)

Provision for decommissioning 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.

k. Employees' termination benefits:

Defined contribution plan

In respect of Omani employees, contributions are made in accordance with the Oman Social Insurance Law issued under Royal Decree number 72/91 (as amended) and recognised as an expense in the statement of profit or loss and other comprehensive income as incurred.

Defined benefit plan

For non-Omani employees, provision is made for amounts payable under the Oman Labour Law issued under Royal Decree number 35/2003 based on the employees' accumulated periods of service at the statement of financial position date. The expected costs of these benefits are accrued over the period of employment.

l. Deferred revenue:

The Power Capacity Investment Charge Rate and Water Capacity Investment Charge Rate in the 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.

m. Revenue:

Operating lease revenue is recognised on a straight-line basis over the lease term. In accordance with IFRS, revenue stemming from (substantial) services in connection with the leased asset is not considered as lease revenue and is accounted for separately.

Revenue comprises tariffs for power capacity, electrical energy, water capacity and water output charges. Tariffs are calculated in accordance with the PWPA. The operating revenue is recognised by the Company on the accrual basis of accounting. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and associated costs.

Notes to the financial statements
for the year ended 31 December 2020

4. Summary of significant accounting policies (continued)

n. Other income:

Other income is accounted for on the accruals basis, unless collectability is in doubt and includes reimbursement of tax from OPWPC (note 17).

o. Leases

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

a - Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful lives and the lease terms. Right-of-use assets are subject to impairment.

b - Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. a change in future payments resulting from a change in index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

c - Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Notes to the financial statements
for the year ended 31 December 2020

4. Summary of significant accounting policies (continued)

o. *Leases (continued)*

d - Foreign currency transactions

Transactions denominated in foreign currencies are translated to Rial Omani using the foreign exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to Rial Omani using the foreign exchange rates prevailing at that date. Foreign exchange differences arising on translation are recognised in the statement of profit or loss and other comprehensive income.

e - Bank borrowings

Bank borrowings are recognised initially at fair value, net of deferred financing costs (note 11). Bank borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of the bank borrowings using the effective interest rate method.

f - Borrowing costs

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

g - Taxation

Taxation for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax-rates enacted or substantially enacted at the end of the reporting period.

Deferred tax is calculated using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax-rates enacted or substantially enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised in other comprehensive income, in which case, the tax is also recognised in other comprehensive income.

Notes to the financial statements

for the year ended 31 December 2020

4. Summary of significant accounting policies (continued)

o. Leases (continued)

h - Deferred financing costs

The cost of obtaining long-term financing is deferred and amortised over the term of the long-term loan using the effective interest rate method. Deferred financing costs less accumulated amortisation are offset against the drawn amount of long-term loans. The amortisation of deferred financing costs is capitalised as part of the cost of the plant during construction. Subsequent to plant completion, the element of amortisation of deferred financing costs is charged to the statement of profit or loss and other comprehensive income.

i - Financial liabilities:

All the financial liabilities are initially measured at fair value and are subsequently measured at amortised cost.

j - Derivative financial instruments:

The Company holds derivative financial instruments to hedge its interest rate risk exposures. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period on a recurring basis. The resulting gains or losses are recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non- current liability if the remaining maturity of the instrument at the reporting date is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Company designates the hedging instruments as fair value or cash flow hedges. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an on-going basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gains or losses relating to the ineffective portion is recognised immediately in profit or loss as part of finance costs and credited to the hedging reserve in equity.

Amounts previously recognised and accumulated in other comprehensive income are reclassified to profit or loss in the periods when the hedged item is recognised.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

p. Directors' remuneration

The Company follows the Commercial Companies Law of 18/2019 of the Sultanate of Oman and other relevant directives issued by the Capital Markets Authority, with 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.

Notes to the financial statements
for the year ended 31 December 2020

4. Summary of significant accounting policies (continued)

Q. *Critical accounting judgments and key sources of estimation uncertainty*

Preparation of financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions in the financial statements relate to:

Useful economic lives of property, plant and equipment

The Company's property, plant and equipment are depreciated on a straight-line basis over their useful economic lives. Useful economic lives of property, plant and equipment are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Company.

Credit losses relating to financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that specific financial assets may be impaired. The Company uses the ECL model of IFRS 9 to determine/recognise credit losses relating to financial assets.

The Company uses the simplified approach of IFRS 9 for impairment of trade receivables. Any provision required by application of this model will be recognised in profit or loss.

Trade receivables have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the sole customer to settle the receivables. At every reporting date, the default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between default rates, forecast economic conditions and ECLs require the use of estimates.

Provisions for obsolete and slow-moving inventories

The Company has a policy to create provisions for obsolete and slow-moving inventories, if any. Estimates of net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the statement of financial position date to the extent that such events confirm conditions existing at the end of the reporting period.

Notes to the financial statements

for the year ended 31 December 2020

4. Summary of significant accounting policies (continued)

Q. *Critical accounting judgments and key sources of estimation uncertainty (continued)*

Impairment of non-financial assets

For non-financial assets, the Company assesses at each reporting date whether there is any indication that an asset may be impaired. If such indication exists, or when impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired.

Going concern

The management of the Company reviews the financial position of the Company on a periodical basis and assesses the requirement for any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due. In addition, the major shareholders of the Company ensure that they will provide adequate financial support for funding the requirements of the Company to ensure the going concern status of the Company.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

5. Property, plant and equipment

	Buildings RO (000)	Plant & machinery RO (000)	Technical parts RO (000)	Other assets RO (000)	Decommissioning costs (asset) 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 during the year	-	-	3	-	-	2	5	13
Transferred from CWIP	-	-	41	-	-	(41)	-	-
Written-off during the year	-	-	-	-	-	(22)	(22)	(57)
At 31 December 2020	7,027	189,443	5,093	26	777	219	202,585	526,196
Accumulated depreciation and impairment								
At 1 January 2020	3,820	102,182	2,618	25	327	-	108,972	283,044
Depreciation for 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

5 , 1 Land on which the power station, buildings and auxiliaries are constructed has been sub-leased from Sohar Industrial Port Company SAOC for a period till 2022. COD. The sub-lease is further extendable for another 15 years (note 6.1). Currently, the lease rent is paid at the rate of approximately RO 65,000 (USD 168,000) per annum [31 December 2019: RO 65,000 (USD 168,000) per annum]. It is included in right-of-use assets (note 6).

5 , 2 Property, plant and equipment are mortgaged against long-term loan facilities (note 11) utilised by the Company.

5 , 3 CWIP is related to replacement of two valves which require long planned shutdown and is scheduled to be done in 2022.

5. Property, plant and equipment (continued)

Cost	Buildings RO (000)	Plant & machinery RO (000)	Technical parts RO (000)	Other assets RO (000)	Decommissioning costs (asset) RO (000)	Capital work in progress RO (000)	Total RO (000)	Total USD (000)
At 1 January 2019	7,027	189,435	5,032	26	777	269	202,566	526,146
Additions during the year	-	8	17	-	-	11	36	94
At 31 December 2019	7,027	189,443	5,049	26	777	280	202,602	526,240
Accumulated depreciation and impairment								
At 1 January 2019	3,411	91,137	2,320	24	301	-	97,193	252,449
Depreciation for the year	409	11,045	298	1	26	-	11,779	30,595
At 31 December 2019	3,820	102,182	2,618	25	327	-	108,972	283,044
Net book value At 31 December 2019	3,207	87,261	2,431	1	450	280	93,630	243,196

5 , 4 As mentioned in note 2a, the Company's existing long-term agreement for generation of electricity and production of water at Sohar (PWPA) is expected to end by April 2022. Therefore, the Company decided to participate in the "2022 Power procurement process" launched by the OPWP (the Tender). The Company submitted a binding bid for supply of electricity and water after end of the existing contract in the year 2019. In the first phase of the process, the Company pre- qualified for supply of electricity but failed to pre-qualify for supply of water, as per the notification from the OPWP dated 7 February 2019. It implied that the Company would not be able to extend operations of its Water Desalination Plant beyond the term of the current PWPA. This situation triggered an impairment review of the water desalination plant, which resulted in an impairment loss of RO 18.554 million being recorded in the financial statements of the Company for the year ended 31 December 2018. Moreover, the useful life of the water desalination plant was revised to 15 years from the earlier estimate of 30 years, with an approximate remaining useful life of 3 years from January 2019. As at 31 December 2020 the net book value of the Water Desalination Plant included above is RO 7,216,501 (2019: NBV of RO 14,433,002). Subsequently, the Company participated in the second phase of the process for supply of electricity. The final decision of the off-taker is expected towards end of the first quarter of 2021.

No impairment effect in the value of the Power Plant is considered as at the end of the year, as the Company is still waiting for the decision of the off-taker. As of now, the management's main objective is to extend the PPA contract beyond April 2022. This will be reconsidered as and when the decision of the off-taker is known.

Notes to the financial statements

for the year ended 31 December 2020

5. Property, plant and equipment (continued)

5 , 4 The depreciation charge for the year has been dealt with in the statement of profit or loss and other comprehensive income as follows:

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
Cost of revenue (note 16)	**11,791**	11,778	**30,626**	30,592
General and administrative expenses (note 18)	**1**	1	**3**	3
	11,792	11,779	**30,629**	30,595

6. Right-of-use assets and lease liability

Right-of-use assets

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
At 1 January 2020	**526**	526	**1,366**	1,366
Less: accumulated depreciation				
At the beginning of the year	**(150)**	-	**(390)**	-
For the year (note 16)	**(150)**	(150)	**(390)**	(390)
	226	376	**586**	976

Lease liability

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
At 1 January 2020	**386**	526	**1,003**	1,366
Finance charges	**17**	26	**44**	68
Payments during the year	**(166)**	(166)	**(431)**	(431)
	237	386	**616**	1,003
Current portion	**(162)**	(150)	**(421)**	(390)
Non-current portion	**75**	236	**195**	613

6.1 The right-of-use assets and the lease liability relate 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 more 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.

The management awaits the outcome of the tender in 2022 regarding the decision of further extension of these leases which can be done 6 months prior to the existing contract expiry.

Notes to the financial statements
for the year ended 31 December 2020

7. Trade and other receivables

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
Trade receivables (note 7.1)	**1,910**	13,418	**4,961**	34,852
Advances and prepayments	**273**	237	**709**	616
Other receivables	**472**	995	**1,227**	2,584
	2,655	14,650	**6,897**	38,052

7.1 Trade receivables are generally on 25 days credit terms. All of the trade receivables relate to Oman Power and Water Procurement Company SAOC, the only customer of the Company. The management is confident that these outstanding balances will be settled shortly, therefore no allowance for credit losses has been accounted for. During the current year, the Company received a letter from the Ministry of Energy and Minerals (the Ministry), allowing the Company to adjust trade receivables from OPWP of RO 11,407,995 (refer note 7.1) with the amount payable to the Ministry against fuel charges of RO 11,597,217 (refer note 13), relating to the period from May to December 2019 and January to December 2020 RO 1,491,228. However, the Company is required to pay the balance amount to the Ministry. As per the letter from OPWP, a similar settlement mechanism will be applied for receivables and payables relating to the year ended 31 December 2020.

7.2 The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above.

8. Cash and cash equivalents

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
Bank balances - current accounts	**1,969**	1,997	**5,114**	5,187
Bank balances - short term deposits	**4,300**	3,000	**11,169**	7,792
Cash on hand	**1**	1	**3**	3
	6,270	4,998	**16,286**	12,982

8.1 The current account balances with banks are non-interest bearing.

8.2 Short term deposits consist of RO 4.3 million placed with a commercial bank at an interest rate of 1.75% per annum maturing on 24 March 2021.

Notes to the financial statements

for the year ended 31 December 2020

9. Share capital and reserves

9a Share capital

The authorised, issued and fully paid-up share capital of the Company as registered with the Ministry Trade, Industry and Investment Promotion is as follows:

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
Authorised share capital of 600,000,000 shares of RO 0.100 each	**60,000**	60,000	**156,000**	156,000
Issued and fully paid-up share capital of 221,010,000 shares of RO 0.100 each	**22,101**	22,101	**57,405**	57,405

Details of shareholders who own 10% or more of the Company's share capital at the end of the year were as follows:

Name of the shareholder	**Percentage shareholding 31 Dec 2020**	**Number of shares held 31 Dec 2020**	Percentage shareholding 31 Dec 2019	Number of shares held 31 Dec 19
Kahrabel FZE, UAE	**35%**	**77,353,500**	35%	77,353,500
MENA Sohar 1 SPV Ltd, UAE	**20%**	**44,202,000**	20%	44,202,000
Civil Service Employees' Pension Fund, Oman	15%	33,151,500	15%	33,151,500

9b Legal reserve

The legal reserve has been established in accordance with requirements of the Commercial Companies Law No. 18/2019 of the Sultanate of Oman, which requires 10% of a company's net profit, regardless of accumulated losses, to be transferred to a non-distributable legal reserve until the amount of the legal reserve is equal to one-third of the Company's fully-paid up share capital. During the current year, RO 225,000 was transferred to the legal reserve (31 December 2019: RO 116,000).

9c Dividends

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. Furthermore the Company has accumulated losses. Therefore, no dividends have been proposed or approved during the current year (2019: the same terms and conditions).

10 Hedging deficit and reserve

Interest rate swaps (IRS)

The long-term loan facilities of the Company bear interest at USD LIBOR - 6 months plus applicable margins (refer note 11). In accordance with the term loan agreements, 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 facilities until 31 March 2022. The corresponding hedged notional amount of the swaps at 31 December 2020 was approximately RO 65.232 million (USD 169.435 million) [31 December 2019: RO 74 million (USD 191 million)], bearing fixed interest rates of 7.89%,

4.50%, 5.70%, 4.36% and 4.36% per annum [31 December 2019: 7.89%, 4.50%, 5.70%, 4.36% and 4.36% per annum] excluding applicable margins.

Notes to the financial statements
for the year ended 31 December 2020

10 Hedging deficit and reserve (continued)

At 31 December 2020, reflecting the ongoing impact of the COVID-19 pandemic, the interest rate for USD LIBOR - 6 months was 0.26925% per annum (31 December 2019: 2.60438% per annum) whereas the Company has fixed interest on its borrowings as described below:

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
HSBC Bank Plc	**(187)**	(415)	**(486)**	(1,078)
Standard Chartered Bank	**(134)**	(266)	**(348)**	(691)
HSBC Bank Plc	**(544)**	(618)	**(1,413)**	(1,605)
Standard Chartered Bank Credit	**(1,213)**	(1,432)	**(3,151)**	(3,719)
Agricole Corporate and Investment Bank	**(1,212)**	(1,421)	**(3,147)**	(3,691)
Hedging deficit at the end of the year	**(3,290)**	(4,152)	**(8,545)**	(10,784)
Deferred tax (note 20)	**494**	620	**1,283**	1,610
Hedging reserve at the end of the year (net of deferred tax) - before deducting the ineffective portion of cash flow hedge	**(2,796)**	(3,532)	**(7,262)**	(9,174)
Less: hedging reserve at the beginning of the year (net of deferred tax)- before deducting the ineffective portion of cash flow hedge	**(3,532)**	(3,712)	**(9,174)**	(9,642)
Effective portion of change in the fair value of cash flow hedge for the year	**(736)**	(180)	**(1,912)**	(468)

10.1 The following is the movement in hedging deficit and reserve:

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
Hedging deficit at the beginning of the year	**(4,152)**	(4,365)	**(10,784)**	(11,338)
Change gain during the year	**862**	213	**2,239**	553
Hedging deficit at the end of the year	**(3,290)**	(4,152)	**(8,545)**	(10,785)
Ineffective portion of cash flow hedge (note 19)	**500**	392	**1,298**	1,018
Deferred tax (note 20)	**494**	620	**1,283**	1,610
Hedging reserve at the end of the year	**(2,296)**	(3,140)	**(5,964)**	(8,157)

10.2 If the Company had terminated the IRS at 31 December 2020, it would have incurred losses of approximately RO 4.02 million (USD 10.43 million) [31 December 2019: RO 4.65 million (USD 12.09 million)]. However, under the terms of the loan agreements, the Company is not permitted to terminate the IRS.

10.3 In accordance with the requirements of IFRS 9, the hedge is tested on an ongoing basis (i.e. quarterly basis) for its effectiveness on the basis of clean fair values from the swap banks, and consequently effective and ineffective portions, if any, are recognised in other comprehensive income and profit or loss respectively.

Notes to the financial statements

for the year ended 31 December 2020

11 Long term loans

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
Base facility	**47,235**	56,267	**122,688**	146,148
Repayment facility	**9,086**	10,823	**23,600**	28,112
Less: current portion of long term loans	**(9,232)**	(8,649)	**(23,979)**	(22,465)
	47,089	58,441	**122,309**	151,795
Less: deferred financing costs	**(461)**	(664)	**(1,197)**	(1,725)
Non-current portion of long term loans	**46,628**	57,777	**121,112**	150,070

Maturity profile of long term loans along with swaps is as follows:

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
Within one year	**11,542**	10,769	**29,980**	27,972
1 to 2 years	**24,663**	22,795	**64,059**	59,207
2 to 5 years	**20,116**	33,526	**52,248**	87,081
	56,321	67,090	**146,287**	174,260

Syndicated facilities

The Company has syndicated long-term loan facilities (Syndicated Facilities), comprising a Base facility and a Repayment facility in the aggregate maximum amount of approximately USD 455 million. HSBC Bank plc is the facility agent (Facility Agent) for the administration and monitoring of the overall loan facilities. HSBC Bank USA – National Association and Bank Muscat have 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 a term loan under a Base facility in an aggregate amount of USD 382.50 million. The aggregate amount of the 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 are of USD 20.35 million each. Repayments under the revised Base facility commenced from 30 September 2007.

Repayment facility

The Company has obtained a term loan under a Repayment facility in an aggregate amount of USD 72 million. The aggregate amount of the 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 are of USD 3.91 million each. Repayments under the Repayment facility commenced from 30 September 2008.

Interest

The facilities bear interest at USD LIBOR - 6 months rates plus applicable margins. The margins vary depending upon the outstanding facilities.

Notes to the financial statements

for the year ended 31 December 2020

11 Long term loans (continued)

Commitment and other fees

Under the terms of the loan facilities, the Company is required to pay commitment fees, performance bond fees and front end fees for the facilities, as well as agency fees 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 the 17th repayment date i.e. 30 September 2015. The cash sweep prepayment amount equals 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.

12 Provision for decommissioning costs

The provision for decommissioning costs represents the present value of management's best estimate of the costs that will be required to remove the facilities and restore the affected areas at the Company's sites. The movement in provision for decommissioning costs is as follows:

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
At the beginning of the year	**1,676**	1,577	**4,353**	4,096
Un-winding of discount on decommissioning costs (note 19)	**124**	99	**322**	257
At the end of the year	**1,800**	1,676	**4,675**	4,353

13 Trade and other payables

Trade payables	**55**	11,495	**142**	29,854
Accruals and other payables	**1,961**	2,300	**5,094**	5,971
	2,016	13,795	**5,236**	35,825

Notes to the financial statements
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14 Related party transactions and balances

The Company enters into transactions with related parties in the ordinary course of business. These transactions are entered into on terms which the management consider correspond to the normal course of business. The balances due from/to related parties are unsecured, bear no interest, have no fixed repayment terms and have been disclosed separately in the statement of financial position.

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	31 Dec 2020 USD (000)	31 Dec 2019 USD (000)
Key management remuneration	**203**	178	**527**	462
Directors' meeting attendance fees (note 18)	**24**	29	**62**	76
Services provided by Sohar Operations and Maintenance Co. LLC (SOMC)	**3,955**	5,203	**10,273**	13,514
Services provided by Power Management Co. LLC				
Administrative expenses	**370**	283	**960**	735
Management fees (note 18)	**154**	154	**400**	400
Services provided by Suez Tractebel S.A.	**229**	148	**595**	384
International Power S.A. - PS guarantee fee	**213**	319	**554**	829
Electrabel S.A. - guarantee fee	**52**	57	**136**	148
MENA Sohar 1 SPV Ltd - LC fee	**30**	32	**79**	83
SOGEX Oman LLC - LC fee	**8**	9	**21**	23
MOD Pension Fund - LC fee	**8**	8	**21**	21

A summary of the related party balances as at 31 December 2020 and 31 December 2019 was as follows:

14a Amount due to a related party

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
SOMC	**288**	235	**748**	610

Notes to the financial statements

for the year ended 31 December 2020

15 Deferred revenue and revenue

15a Deferred revenue

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
At the beginning of the year	**3,414**	4,687	**8,868**	12,174
Transferred to revenue (note 15b)	**(1,533)**	(1,273)	**(3,982)**	(3,306)
At the end of the year	**1,881**	3,414	**4,886**	8,868
Less: current portion of deferred revenue	**(1,881)**	(1,533)	**(4,886)**	(3,982)
Non-current portion of deferred revenue	**-**	1,881	**-**	4,886

15b Revenue

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
Power and water revenue (as billed)	**25,731**	49,313	**66,834**	128,086
Transferred from deferred revenue (note 15a)	**1,533**	1,273	**3,982**	3,306
Total revenue (on a straight-line basis)	**27,264**	50,586	**70,816**	131,392

15.1 Power and water revenue consists of fixed capacity charges and variable charges as well as fuel costs recovery. The reduction of revenue during the year was a direct result of the pandemic however, includes a tariff which is receivable regardless of supply provided.

16 Cost of revenue

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
Fuel gas	**1,478**	24,079	**3,839**	62,543
Depreciation (note 5)	**11,791**	11,778	**30,626**	30,592
Operating and maintenance costs	**3,955**	5,203	**10,273**	13,514
Other operating expenses	**979**	1,089	**2,542**	2,829
Sea water extraction costs	**785**	770	**2,039**	2,000
Depreciation relating to right-of-use assets (note 6)	**150**	150	**390**	390
	19,138	43,069	**49,709**	111,868

Fuel gas has decreased significantly reflecting the pandemic and the lack of operational activity of the plant during the year.

Notes to the financial statements
for the year ended 31 December 2020

17 Other income

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	31 Dec 2020 USD (000)	31 Dec 2019 USD (000)
Reimbursement of extra tax payable (note 20c)	**299**	273	**777**	709
Interest on short term deposits (note 8.2)	**44**	14	**114**	36
	343	287	**891**	745

17.1 The actual amount of reimbursement for extra tax payable for the year is RO 307,000 (USD 798,000). However, income for the year has been reduced due to a reversal of a receivable of RO 21,000 (USD 54,000) relating to previous years due to non-recovery.

18 General and administrative expenses

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	31 Dec 2020 USD (000)	31 Dec 2019 USD (000)
Administrative expenses	**468**	467	**1,216**	1,212
Tender related costs	**413**	-	**1,073**	-
Management fees	**154**	154	**400**	400
Legal and professional fees	**54**	145	**140**	377
Staff costs	**33**	32	**86**	83
Directors' meeting attendance fees (note 14)	**24**	29	**62**	76
Depreciation (note 5)	**1**	1	**3**	3
	1,147	828	**2,980**	2,151

Notes to the financial statements
for the year ended 31 December 2020

19 Finance costs

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
Interest on swaps	**2,532**	1,820	**6,577**	4,727
Interest on Base facility	**1,226**	2,264	**3,184**	5,880
Interest on Repayment facility	**236**	435	**617**	1,130
Other finance charges	**357**	309	**927**	802
Amortisation of deferred financing costs (note 11)	**203**	222	**527**	577
Unwinding of discount on decommissioning costs (note 12)	**124**	99	**322**	257
Ineffective portion of cash flow hedge (note 10.1)	**108**	194	**277**	504
	17	26	**44**	68
	4,803	5,369	**12,475**	13,945

20 Taxation

20a Current tax

The Company is liable to income tax at the rate of 15% (2019: 15%) on its taxable profits, in accordance with the Income Tax Law of the Sultanate of Oman. For the purpose of determining the tax provision, the net profit for the year has been adjusted for tax purposes. The adjustments are made to certain items relating to expenses and are based on the current understanding of tax regulations.

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
Recognised in profit or loss				
Current tax charge				
- Current year	**1,602**	1,373	**4,161**	3,566
- last year	**1,602**	1,373	**4,161**	3,566
Deferred tax charge (net)				
- Current year:				
Origination and reversal of temporary differences	**(1,339)**	(921)	**(3,479)**	(2,392)
	263	452	**682**	1,174
Recognised in other comprehensive income				
Deferred tax charge relating to interest rate swap	**126**	33	**327**	86

Notes to the financial statements

for the year ended 31 December 2020

20 Taxation (continued)

20a Current tax (continued)

The following is a reconciliation of income taxes calculated at the applicable tax rate with income tax expense for the year noting that the effective rate of tax is significantly impacted by deferred tax adjustments:

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
Profit before taxation	**2,519**	1,607	**6,543**	4,173
Income tax as per rates mentioned above	**376**	241	**977**	626
Non-deductible expenses	**6**	3	**16**	9
Prior year - current tax	**(4)**	-	**(10)**	-
Prior year - deferred tax Income tax expense	**(115)**	208	**(301)**	539
	263	452	**682**	1,174

20b Deferred tax

Deferred tax liability balance as at the end of the year was as follows:

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
Recognised in the statement of financial position Deferred tax liability	**8,048**	9,261	**20,905**	24,056

The deferred tax liability and deferred tax charge (net) in profit or loss and other comprehensive income are attributable to the following items:

	At 31 December 2019	Recog-nised in profit or loss	**in other compre-hensive income**	At 31 December 2020
	RO (000)	RO (000)	**RO (000)**	RO (000)
Provisions	**135**	135	**-**	270
Fair value of hedging instruments	**620**	-	**(126)**	494
Property, plant and equipment	**(10,018)**	1,205	**-**	(8,813)
Right-of-use assets and lease liability	**2**	(1)	**-**	1
	(9,261)	1,339	**(126)**	(8,048)

Notes to the financial statements
for the year ended 31 December 2020

20 Taxation (continued)

20b Deferred tax (continued)

	USD (000)	USD (000)	**USD (000)**	USD (000)
Provisions	**348**	351	**-**	699
Fair value of hedging instruments	**1,614**	-	**(327)**	1,287
Property, plant and equipment	**(26,023)**	3,130	**-**	(22,893)
Right-of-use assets and lease liability	**5**	(3)	**-**	2
	(24,056)	3,478	**(327)**	(20,905)

20c Provision for taxation

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
Balance at the beginning of the year	**1,082**	827	**2,810**	2,148
Charge for the year	**1,602**	1,373	**4,161**	3,566
Payments during the year	**(1,371)**	(1,118)	**(3,561)**	(2,904)
Balance at the end of the year	**1,313**	1,082	**3,410**	2,810

Due to a change in revenue recognition policies in 2018, revised tax returns for the years ended 31 December 2017 and 2018 were submitted to the Omani Tax Authorities in October 2020, whereby the Company is claiming an overpayment of income tax. These revised tax returns are still being assessed by the Omani Tax Authorities. On the basis that these revised returns are accepted by the Omani Tax Authorities, the tax liability as at 31 December 2020 has been reduced by the excess amount.

20d Status of tax assessments

The Company has filed annual tax returns up to the year ended 31 December 2019. The Company's tax assessments from the year ended 31 December 2017 to the year ended 31 December 2019 have not yet been finalised by the Secretariat General for Taxation of the Sultanate of Oman. The management believe that amount of additional taxes, if any, that may become payable in relation to the tax years for which assessments are pending would not be material to the Company's financial position as at 31 December 2020.

Notes to the financial statements

for the year ended 31 December 2020

20 Taxation (continued)

20d Status of tax assessments (continued)

The taxation charge for the year includes an estimated amount of RO 0.307 million (USD 0.798 million) [2019: RO 0.273 million (USD 0.709 million)] which will subsequently be reimbursed by Oman Power and Water Procurement Co. SAOC (OPWP) according to an agreement between the Company and OPWP. As per a letter from OPWP captioned "Material adverse change claim due to changes in the Income Tax Law", dated 21 December 2016, OPWP agreed to reimburse the Company, throughout the term of the PWPA, for extra tax payable due to an increase in tax rates from 12% to 15%, applicable from year 2017 and onwards.

21 Net assets per share

Net assets value per share is calculated by dividing the shareholders' equity by the number of shares outstanding at the end of the year.

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
Shareholders' equity	**19,328**	17,072	**50,204**	44,349
Number of issued and fully paid-up shares at the end of the year	**221,010**	221,010	**221,010**	221,010
Net assets per share {RO (000)/USD (000)}	**0.087**	0.077	**0.227**	0.200

22 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the net profit for the year with the weighted average number of shares outstanding during the year. There are no dilution effects.

	31 Dec 2020 RO (000)	31 Dec 2019 RO (000)	**31 Dec 2020 USD (000)**	31 Dec 2019 USD (000)
Net profit for the year {RO (000)/USD (000)}	**2,256**	1,155	**5,861**	2,999
Weighted number of shares outstanding during the year	**221,010**	221,010	**221,010**	221,010
Basic and diluted earnings per share {RO (000)/USD (000)}	**0.0102**	0.0052	**0.0265**	0.0136

Notes to the financial statements
for the year ended 31 December 2020

23 Capital risk management

Capital is managed by the Company so that it is able to continue to operate as a going concern while maximising the profitability of the Company.

The capital structure of the Company consists of share capital and various reserves. The Company manages its capital by making adjustments to dividend payments and bringing in additional capital in the light of changes in business conditions. No changes were made in the objectives, policies and processes during the year ended 31 December 2020 and year ended 31 December 2019.

24 Financial risk management

Financial assets and liabilities

Financial assets of the Company carried on the statement of financial position include bank balances and trade and other receivables. Financial liabilities include long term loans, lease liabilities, trade and other payables and amount due to a related party.

Risk management

The Company's activities expose it to various financial risks, including market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. Exposure to market, credit and liquidity risks arise in the normal course of the Company's business.

The Company's risk management is carried out internally in accordance with the policies approved by the Board of Directors. Risk management policies and systems are reviewed regularly to ensure that they reflect any change in market conditions and activities of the Company.

Market risk:

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk on bank borrowings that are denominated in a currency other than the functional currency of the Company. These transactions are denominated in United States Dollar (USD). In respect of the Company's transactions denominated in USD, the management believe that the Company is not materially exposed to currency risk as the RO is effectively pegged to the USD and as the revenues of the Company are protected against foreign exchange fluctuation, by a provision under the PWPA.

(ii) 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 rate interest 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.

Notes to the financial statements

for the year ended 31 December 2020

24 Financial risk management (continued)

Financial assets and liabilities (continued)

Risk management (continued)

Market risk (continued):

(iii) 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 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 having no exposure to price risk.

Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables. At the end of the year, the entire trade receivables were from a government owned company (OPWP). The management therefore considers the credit risk associated with trade receivables to be very low. Furthermore, cash is placed with reputable banks, with good credit ratings, which further minimises the credit risk.

The age analysis of current trade receivables is as follows:

	31 December 2020		31 December 2019	
	Receivables	**Provision**	Receivables	Provision
	RO (000)	**RO (000)**	RO (000)	RO (000)
Not past due (up to 30 days)	**1,910**	**-**	2,137	-
Past due up to 270 days	**-**	**-**	11,281	-
	1,910	**-**	13,418	-

	31 December 2020		31 December 2019	
	Receivables	**Provision**	Receivables	Provision
	USD (000)	**USD (000)**	USD (000)	USD (000)
Not past due (up to 3 months)	**4,961**	**-**	5,551	-
Past due up to 270 days	**-**	**-**	29,301	-
	4,961	**-**	34,852	-

Notes to the financial statements
for the year ended 31 December 2020

24 Financial risk management (continued)

Financial assets and liabilities (continued)

Risk management (continued)

Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash and bank balances to meet the Company's obligations as they fall due for payment.

31 December 2020	Carrying value RO (000)	Contractual cash flows RO (000)	Less than 6 months RO (000)	6 to 12 months RO (000)	1 to 2 years RO (000)	2 to 5 years RO (000)	More than 5 years RO (000)
Non-derivative financial liabilities (A)							
Secured bank loans	55,860	56,321	3,174	6,058	3,392	43,697	-
Trade, other and related party payables	2,304	2,304	2,304	-	-	-	-
Derivative financial liabilities (B)							
Interest rate swaps used for hedging	3,290	4,020	712	1,407	1,901	-	-
Total (A+B)	61,454	62,645	6,190	7,465	5,293	43,697	-

	Carrying value USD (000)	Contractual cash flows USD (000)	Less than 6 months USD (000)	6 to 12 months USD (000)	1 to 2 years USD (000)	2 to 5 years USD (000)	More than 5 years USD (000)
Non-derivative financial liabilities (A)							
Secured bank loans	145,091	146,288	8,245	15,734	8,811	113,498	-
Trade, other and related party payables	5,985	5,985	5,985	-	-	-	-
Derivative financial liabilities (B)							
Interest rate swaps used for hedging	8,545	10,442	1,849	3,655	4,938	-	-
			-	-	-	--	-
Total (A+B)	159,621	162,715	16,079	19,389	13,749	113,498	-

Notes to the financial statements
for the year ended 31 December 2020

24 Financial risk management (continued)

Financial assets and liabilities (continued)

Risk management (continued)

Liquidity risk (continued)

31 December 2019	Carrying value RO (000)	Contractual cash flows RO (000)	Less than 6 months RO (000)	6 to 12 months RO (000)	1 to 2 years RO (000)	2 to 5 years RO (000)	More than 5 years RO (000)
Non-derivative financial liabilities (A)							
Secured bank loans	66,503	67,090	3,038	5,807	9,232	49,013	-
Trade, other and related party payables	14,030	14,030	14,030	-	-	-	-
Derivative financial liabilities (B)							
Interest rate swaps used for hedging	4,152	4,653	1,091	1,879	1,683	-	-
Total (A+B)	84,685	85,773	18,159	7,686	10,915	49,013	-

	Carrying value USD (000)	Contractual cash flows USD (000)	Less than 6 months USD (000)	6 to 12 months USD (000)	1 to 2 years USD (000)	2 to 5 years USD (000)	More than 5 years USD (000)
Non-derivative financial liabilities (A)							
Secured bank loans	172,735	174,260	7,890	15,082	23,980	127,308	-
Trade, other and related party payables	36,441	36,441	36,441	-	-	-	-
Derivative financial liabilities (B)							
Interest rate swaps used for hedging	10,784	12,088	2,837	4,881	4,370	-	-
Total (A+B)	219,960	222,789	47,168	19,963	28,350	127,308	-

Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders. The Management's policy is to maintain a strong capital base so as to retain market confidence and sustain the future development of the business.

Notes to the financial statements
for the year ended 31 December 2020

25 Capital commitments

Total amount of capital commitments outstanding as at 31 December 2020 was RO Nil [31 December 2019: RO 28,464 (USD 73,932)].

26 Fair value measurement

The management believe that the fair values of financial assets and liabilities are not significantly different from their carrying amounts at the end of the year. The fair value hierarchy has the following levels:

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

The fair value of derivative financial liabilities (interest rate swaps) with a carrying value of RO 3.29 million (USD 8.54 million) [31 December 2019: RO 4.15 million (USD 10.78 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 the Level 2 hierarchy. There were no transfers between the Level 1 and Level 2 hierarchies in the current year.

27 Subsequent events

There are no events occurring subsequent to the date of the statement of financial position and subsequent to the date of approval of the financial statements that are expected to have a significant impact on these financial statements.

28 Impact of COVID-19

The World Health Organization declared the outbreak of novel coronavirus (COVID-19) as a pandemic on the global level on 11 March 2020. The Pandemic continues to spread and has impacted various sectors and businesses across the globe and forced many countries (including the Sultanate of Oman) to impose various precautionary measures to protect the health and safety of its people.

These measures, however, resulted in disruption in businesses and affected various sectors of the economy. Although the disruption is expected to be temporary, there is uncertainty regarding the duration of these precautionary measures.

As the situation is constantly evolving, the management is not in a position to estimate the potential impact of this outbreak on the Company. However, the management is aware of the fact that the COVID-19 has resulted in a significant decrease in electricity demand, among other factors, and resultantly a decrease in revenue of the Company for the year ended 31 December 2020. The management believe that COVID-19 affect, if any, on the Company can be claimed back from the OPWP as part of the Material Adverse Change (as per clause no. 26 of the Power and Water Purchase Agreement, relating to 'Government Risk'). The management is continuously assessing the situation and is in the process of preparing a detailed assessment of the impact of the COVID-19 on the future operations of the Company, which will be taken into account once finalised.

29 Approval of the financial statements

These financial statements were approved and authorised for issue by the Board of Directors on 24 February 2021.