MUSANDAM POWER COMPANY SAOG

Report and financial statements for the year ended 31 December 2019

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for the year ended 31 December 2019

Independent auditor's report
to the shareholders of
Musandam Power Company SAOG

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Musandam Power Company SAOG** (the "Company") which comprise the statement of financial position as at 31 December 2019, 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 and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

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

Key audit matters

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

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Useful life of the generation plant

The Company operates its generation plant (the "plant") under a Power Purchase Agreement ("PPA") entered into with Oman Power and Water Company ("OPWP"), which is the single buyer of power for all projects within the Sultanate of Oman. The PPA, which is for 15 years, expires on 17 June 2032 and has no renewal option, has been determined to be an operating lease. The total cost of the plant and other associated assets was initially recognised during 2017 as plant and machinery in the financial statements of the Company with an estimated useful life of 40 years. The carrying amount of the plant and machinery and building and civil works as at 31 December 2019 was RO 73.685 million.

The useful life of plant and equipment is based on management's technical assessment of factors which are subject to judgement and accordingly contains significant estimation uncertainty. In addition, the estimated useful life that has been assumed by management is more than the term of the PPA as the plant will have an economic viability beyond the initial term of 15 years covered by the current PPA.

In making its assessment of the asset's useful life, management appointed an independent valuation expert in 2018 to prepare a cash flow model for the plant's entire expected operating life-cycle and the cash flow implications of the various options that may apply after the initial 15 year PPA expires. This includes consideration of a potential contract extension or the implementation of a merchant market arrangement. The valuation expert has assessed the useful life of the plant considering various factors such as plant operating cycles, maintenance programs, normal wear and tear and future cash flow forecasts. Management are of the view that the plant will be economically viable and will continue to operate after the PPA has expired.

We focused on this area as a key audit matter because the estimation of the useful life of the asset impacts the measurement of accumulated depreciation. This involves application of judgments as to how the plant will be utilised in the post-PPA period and is a matter that is reconsidered annually by management for any changes that may affect the original assessment.

Refer to note 3 (Summary of significant accounting policies) and note 5 (Property, plant and equipment) to the financial statements for further details.</td><td>In relation to the key audit matter, our procedures included the following:

• Evaluating the design and implementation of controls around the estimation of useful life of the plant;

• At the time the initial evaluation was performed, we evaluated the appropriateness and reasonableness of the assumptions (including checking inputs relevant to our audit used in the model and reperforming the arithmetical accuracy of the sections in the model which were relevant for audit purposes) considered by the independent valuation expert for the cash-flow forecasts pertaining to the post-PPA period;

• We re-assessed the relevance and appropriateness of the assumptions detailed above by making enquiries of management as to:
o the current status of operations of the plant, including the future plans and utilisation of the plant after the end of the PPA; and
o the Company's right to extend the land lease under a Usufruct Agreement for an additional term;

• Reviewing OPWP's plan for the power sector in the region of Musandam, where the Company operates, which substantiates the Company's strategic position in the region;

• Reviewing OPWP's plans for implementation of a merchant market arrangement;

• Reassessing the reasonableness of the useful life of the plant and the depreciation method used by comparing it with other companies in the country which have operating plants with similar technology; and

• Reassessing the continuing adequacy of the disclosures in these financial statements relating to asset lives and the judgments surrounding them to determine if they are in accordance with IFRS.</td></tr>
</table>

Other information

The Board of Directors (the "Board") is responsible for the other information. The other information comprises annual report of the Company. We obtained the Board of Directors' report, the Corporate Governance Report and Management's Discussion and Analysis prior to the date of this auditor's report and the remaining annual report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of management and those charged with governance for the financial statements

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the relevant requirements of the Capital Market Authority ("the CMA") of the Sultanate of Oman, the Commercial Companies Law of the Sultanate of Oman, as amended, and for such internal control as the directors 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, the Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Company or to cease operations, or have 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board 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.

Auditor's responsibilities for the audit of the financial statements (continued)

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

Report on other legal and regulatory requirements

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

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
Xx xxxxx 2020

Signed by
Mark Dunn
Partner

Musandam Power Company SAOG

Statement of financial position
at 31 December 2019

	Notes	2019 RO '000	2018 RO '000
ASSETS			
Non-current assets			
Property, plant and equipment	**5**	**73,883**	75,706
Other receivables	**7**	**253**	466
Total non-current assets		**74,136**	76,172
Current assets			
Inventories	**6**	**3,532**	3,386
Trade and other receivables	**7**	**11,068**	2,548
Cash and bank balances	**8**	**8,659**	7,056
Total current assets		**23,259**	12,990
Total assets		**97,395**	89,162
EQUITY AND LIABILITIES			
Equity			
Share capital	**9**	**7,039**	7,039
Legal reserve	**10**	**706**	442
Retained earnings		**1,848**	3,797
Total equity		**9,593**	11,278
Non-current liabilities			
Senior facility loan - non-current portion	**11(a)**	**62,997**	66,495
Lease liability - non-current portion	**14**	**108**	-
Deferred tax liability	**20**	**2,193**	1,602
Provision for asset retirement obligation	**13**	**160**	152
Provision for end of service benefits		**6**	6
Total non-current liabilities		**65,464**	68,255
Current liabilities			
Senior facility loan - current portion	**11(a)**	**3,571**	3,407
Lease liability - current portion	**14**	**3**	-
Loan from shareholders	**19**	**-**	3,067
Trade and other payables	**12**	**7,090**	3,090
Short term loan facility	**11(b)**	**3,000**	-
Amounts due to related parties	**19**	**8,674**	65
Total current liabilities		**22,338**	9,629
Total liabilities		**87,802**	77,884
Total equity and liabilities		**97,395**	89,162
Net assets per share	**24**	**0.136**	0.160

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 2019

	Notes	2019 RO '000	2018 RO '000
Revenue	15	18,017	16,496
Operating costs	16	(11,385)	(9,609)
Gross profit		6,632	6,887
Other income		998	1,750
General and administrative expenses	17	(964)	(599)
Finance costs – net	18	(3,438)	(3,303)
Profit before tax		3,228	4,735
Tax expense	20	(591)	(1,014)
Profit and total comprehensive income for the year		2,637	3,721
Basic and diluted earnings per share for the year	23	0.037	0.053

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

Musandam Power Company SAOG

Statement of changes in equity
for the year ended 31 December 2019

	Share capital RO '000	Legal reserve RO '000	Retained earnings RO '000	Total RO '000
At 1 January 2018	7,039	70	448	7,557
Profit and total comprehensive income for the year	-	-	3,721	3,721
Transfer to legal reserve	-	372	(372)	-
At 31 December 2018	7,039	442	3,797	11,278
At 1 January 2019	**7,039**	**442**	**3,797**	**11,278**
Profit and total comprehensive income for the year	-	-	**2,637**	**2,637**
Transfer to legal reserve (note 10)	-	**264**	**(264)**	-
Transactions with owners in their capacity as owners:				
Dividends paid (note 28)	**-**	**-**	**(4,322)**	**(4,322)**
At 31 December 2019	**7,039**	**706**	**1,848**	**9,593**

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

Musandam Power Company SAOG

Statement of cash flows
for the year ended 31 December 2019

	Notes	2019 RO '000	2018 RO '000
Cash flows from operating activities			
Profit before tax		**3,228**	4,735
Adjustments for:			
Asset retirement obligation - unwinding of discount	**13**	**8**	(196)
Finance costs – net	**18**	**3,438**	3,303
Allowance for impairment of other receivables	**7**	**-**	115
Deferred finance costs		**72**	63
Depreciation	**5**	**2,004**	1,809
Operating cash flows before working capital changes		**8,750**	9,829
Inventories		**(146)**	(92)
Trade and other receivables		**(8,307)**	1,170
Trade and other payables		**4,000**	(9,239)
Amounts due to related parties		**1,012**	(303)
Net cash from operating activities		**5,309**	1,365
Cash flows from investing activities			
Purchase of property, plant and equipment		**(68)**	(7)
Reimbursement of costs		**-**	654
Net cash (used in) / from investing activities		**(68)**	647
Cash flows from financing activities			
Proceeds from senior facility loan	**11 (c)**	**-**	10,253
Repayment of senior facility loan	**11 (c)**	**(3,406)**	(3,475)
Proceeds from short term loan facility	**11 (c)**	**3,000**	1,500
Repayment of principal portion of lease liabilities		**(2)**	-
Repayment of working capital facility		**-**	(1,500)
Repayment of shareholders' loan	**11 (c)**	**(3,067)**	(3,477)
Movement in restricted cash		**-**	3,468
Amounts due to related parties	**19 (c)**	**7,597**	-
Dividends paid	**28**	**(4,322)**	-
Finance costs paid		**(3,438)**	(3,303)
Net cash (used in) / from financing activities		**(3,638)**	3,466
Net increase in cash and cash equivalents		**1,603**	5,478
Cash and cash equivalents at beginning of the year		**7,056**	1,578
Cash and cash equivalents at the end of the year	**8**	**8,659**	7,056

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

1. Corporate information and activities

Musandam Power Company SAOG (the "Company") was registered and incorporated as a closed joint stock company in the Sultanate of Oman on 18 November 2014. The shareholders at the Company's Extraordinary General Meeting held on 28 May 2019 approved the conversion of the Company from a Closed Joint Stock Company (SAOC) to a Public Joint Stock Company (SAOG) by offering its shares for the public subscription. The Company was listed on the Muscat Securities Market ("MSM") on 5 December 2019 and became a listed public company.

The Company is engaged in the design, construction, ownership, financing, operation and maintenance of a dual fuel power plant (the "Plant") with natural gas as the primary fuel and diesel oil as the alternative fuel with a capacity of 120 Mega Watt (MW) located in Wilayat Bukha in the Musandam Governorate, Sultanate of Oman (the "Project"). The registered address of the Company is Muscat, P O Box 261, Postal code 118, Sultanate of Oman. Before listing, the Company was a subsidiary of Oman Oil Facilities Development Company LLC ("OOFDC") which is owned by Oman Oil Company SAOC ("OOC"), a closely held joint stock Company incorporated in the Sultanate of Oman, whose registered address is P O Box 261, Postal Code 118, Sultanate of Oman. During the year, upon listing of the Company in MSM, the shareholding of OOFDC and OOC has reduced to 42% (2018: 69.9%) of the Company's issued share capital and is considered as a major shareholder of the Company.

The Company commenced commercial operations on 17 June 2017. The electricity generated from the Plant is sold to Oman Power and Water Procurement Company SAOC under a 15 year Power Purchase Agreement. Natural gas required for the Project is supplied by the Ministry of Oil & Gas under a 15 year gas supply agreement.

The Company has entered into the following significant agreements:

- An Engineering, Procurement and Construction (EPC) contract with Wartsila Muscat LLC ('the contractor') to carry out and complete all design, engineering, procurement and construction of the power plant and implement the Project.
- A Long Term Services Agreement ("LTSA") with Wartsila Muscat LLC.
- A Power Purchase Agreement ("PPA') with Oman Water and Power Procurement Company SAOC ('OPWP') to sell the electricity generated from the Plant.
- A Natural Gas Sales Agreement ("NGSA") with Ministry of Oil & Gas ("MOG") to purchase natural gas for the Plant.
- An operation and maintenance agreement with Wartsila Muscat LLC to operate and maintain the Plant.
- An electrical connection agreement with Rural Areas Electricity Company SAOC ("RAECO") for the evacuation of the electricity generated from the Plant.
- Usufruct Agreement with Ministry of Housing for the project site, temporary areas and RAECO substation area.
- A senior facility loan agreement with Bank Muscat SAOG as the lead banker to fund the costs of the Project.

2. Application of new and revised International Financial Reporting Standards (IFRS)

2.1 New and amended IFRSs and standard that are effective for the current year

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these financial statements.

IFRS 16 Leases ("IFRS 16")

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

The Company has applied IFRS 16 using the modified retrospective approach which requires the Company to recognise the right-of-use asset measured at the amount of lease liability, using the interest rate at the time of first time application.

(a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation assessment. Assessment has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 New and amended IFRSs and standard that are effective for the current year (continued)

IFRS 16 Leases ("IFRS 16") (continued)

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii)
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

The Company has used the following practical expedients when applying the modified retrospective approach to leases previously classified as operating lease applying IAS 17.

- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 New and amended IFRSs and standard that are effective for the current year (continued)

IFRS 16 Leases ("IFRS 16") (continued)

(c) Financial impact of initial application of IFRS 16

The Company has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the incremental borrowing interest rate at the time of first time application. IFRS 16 transition disclosures also requires the Company to present the reconciliation. The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	RO '000
Operating lease commitments disclosed as of 31 December 2018 [note 21(a)]	**225**
Effect of discounting operating lease commitment using the lessee's incremental borrowing rate at the date of initial application of IFRS 16	**(112)**
Lease liability recognised as at 1 January 2019	**113**
Of which are:	
Current lease liabilities	**3**
Non-current lease liabilities	**110**
	113

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 7%.

The change in accounting policy affected the following items in the financial statements on 1 January 2019 and the Company has:

- Recognised right of use asset and lease liability initially measured at the present value of future lease payments amounting to RO 113 thousands.
- Recognised depreciation of right of use assets and interest on lease liabilities amounting to RO 5 thousands and RO 8 thousands respectively.
- Presented depreciation on right-of-use-assets and interest on lease liability as an adjustment to the cash flows from operating activities (included in the adjustments for depreciation and finance costs respectively)
- Presented separately the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 New and amended IFRSs and standard that are effective for the current year (continued)

IFRS 16 Leases ("IFRS 16") (continued)

The recognised right-of-use assets relate to the following type of asset:

	31 December 2019 RO'000	1 January 2019 RO'000
Properties	**108**	113

(d) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

IFRIC 4 dealt with the identification of services and take-or-pay sales or purchasing contracts that do not take the legal form of a lease but convey the rights to customers/suppliers to use an asset or a group of assets in return for a payment or a series of fixed payments. Contracts meeting these criteria should be identified as either operating leases or finance leases. This interpretation was applicable to the Company's PPA. As a practical expedient, IFRS 16 does not require the Company to reassess the contract that has already been assessed as a lease under IFRIC 4, i.e. whether or not a contract existing at transition is, or, contains lease.

The application of following interpretation and amendments has had no impact on the Company's financial statements for the current and prior years but may affect the accounting for future transactions or arrangements:

- Annual Improvements to IFRSs 2015–2017 Cycle amending IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing costs.
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments relating to prepayment features with Negative Compensation
- Amendments to IAS 28 Investments in Associates and Joint Ventures relating to long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 Employee Benefits relating to plan amendment, curtailment or settlement

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards - 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	1 January 2020
Amendment to IFRS 3 Business Combinations relating to definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8 relating to definition of material	1 January 2020
IFRS 17 Insurance Contracts	1 January 2022
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments. Amendments regarding pre-replacement issues in the context of the IBOR reform	January 1, 2020

The Directors anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

3. Summary of significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and the Commercial Companies Law of the Sultanate of Oman.

The new Commercial Companies Law promulgated by the Royal Decree No. 18/2019 (the Commercial Companies Law of the Sultanate of Oman) was issued on 13 February 2019 which has replaced the Commercial Companies Law. As per the articles of the Royal Decree No. 18/2019, the new Commercial Companies Law has come into force on 17 April 2019 and the companies should comply with the new law within 1 year from 17 April 2019.

3. Summary of significant accounting policies (continued)

Basis of preparation

The financial statements are prepared under the historical cost convention. The financial statements have been presented in Rial Omani ("RO") which is also the functional currency of the Company.

A summary of significant accounting policies, which are consistent with those used in the previous year except as those set out in note 2, are set out below.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any identified impairment loss.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Plant and machinery	40 years
Building and civil work	40 years
Computer and office equipment	3 years
Furniture and fixtures	3 years
Motor vehicles	3 years

Capital spares shall be recognised in the carrying amount of the affected item of property, plant and equipment when it is put in use. The carrying amount of the replaced item is derecognised. When it is not practical to determine the carrying amount of the replaced part, the cost of the capital spares may be used as an indication of what the cost of the replaced part was at the time it was acquired.

Expenditure incurred to replace a component of an item of property, plant and equipment that is capitalised if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

When each major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied and the carrying amounts of the replaced components are written off to the profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the period the asset is derecognised.

The assets' residual values, useful lives and methods are reviewed, and adjusted prospectively, if appropriate, at each financial year end.

3. Summary of significant accounting policies (continued)

Capital work-in-progress

Capital work-in-progress is stated at cost, less impairment, if any. When commissioned, capital work-in-progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with the Company's policy.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows (cash generating units).

Leases

Upon adoption of IFRS 16 – applicable from 1 January 2019

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3. Summary of significant accounting policies (continued)

Leases (continued)

Upon adoption of IFRS 16 – applicable from 1 January 2019 (continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease or, if that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:
- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives; and
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is presented as a line item in the statement of financial position.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease li ability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

3. Summary of significant accounting policies (continued)

Leases (continued)

Upon adoption of IFRS 16 – applicable from 1 January 2019 (continued)

Right-of-use asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cast of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate note line item in the property, plant and equipment. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any Identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Operating expenses" in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement- The Company has not used this practical expedient.

The Company as lessor

The Company has entered into a Power Purchase Agreement (“PPA”) with Oman Power and Water Procurement Company SAOC (“OPWP”) on take or pay arrangement for the sale Electricity Generated by the Company to OPWP. PPA do not take the legal form of a lease but convey the rights to OPWP to use the Company’s power generation plant in return for a payment or a series of fixed payments. Contracts meeting these criteria are identified as either operating leases or finance leases.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

3. Summary of significant accounting policies (continued)

Leases (continued)

Leases under IAS 17, applicable before 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership. All other leases are classified as operating leases.

Amounts receivable under operating leases, as lessor, are recognised as lease income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. 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.

IFRIC 4 deals with the identification of services and take-or-pay sales or purchasing contracts that do not take the legal form of a lease but convey the rights to customers/suppliers to use an asset or a group of assets in return for a payment or a series of fixed payments. Contracts meeting these criteria should be identified as either operating leases or finance leases. This interpretation is applicable to the Company's PPA.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets
Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets include trade and other receivable and cash at bank. These financial assets qualify for and are classified as debt instruments measured at amortised cost.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). The Company does not have any FVTOCI and FVTPL financial assets.

Amortised cost and effective interest rate method

(i) The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "finance income - interest income" line item.

Impairment of financial assets
The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.[a]

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets
The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

(v) Measurement and recognition of expected credit losses (continued)

Derecognition of financial assets (continued)
On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL. The Company does not have financial liabilities at FVTPL.

3. Summary of significant accounting policies (continued)

Financial liabilities (continued)

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses
For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the ‘other gains and losses’ line item in profit or loss (note 11) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

3. Summary of significant accounting policies (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Trade and other receivables

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade and other payables

Trade and other payables are initially measured at their fair value and subsequently measured at amortised cost, using the effective interest method.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where some or all of the economic benefits required to settle a provision are expected to be recovered from third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursements.

End of service benefits

End of service benefits for Omani employees are contributed in accordance with the terms of the Social Security Law of 1991.

Provision for end of service indemnity for non-Omani employees is made in accordance with the Oman Labour Law as amended and is based on current remuneration and cumulative years of service at the reporting date.

3. Summary of significant accounting policies (continued)

Income tax

Taxation is provided for in accordance with Omani fiscal regulations.

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

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

Income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank. Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value and have maturity of three months or less at the date of acquisition.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the profit or loss.

3. Summary of significant accounting policies (continued)

Fair values

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Interest bearing loans and borrowings

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Deferred financing costs

The cost of obtaining equity bridge loan and senior facility loan is deferred and amortised over the term of the respective loans using the effective interest rate method. Deferred financing costs less accumulated amortisation are offset against the drawn amount of equity bridge loan and senior facility loan.

Revenue

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue comprises tariffs for power capacity, electrical energy and fuel charges. Tariffs are calculated in accordance with the PPA.

Capacity revenue

The PPA with OPWP is considered as a lease within the context of IFRS 16 (2018: IFRIC 4) and has been classified as an operating lease under IFRS 16 (2018: IAS 17). Under the PPA, the Company is entitled to the Capacity charges for each hour during which the plant is available for power generation. Power capacity investment charge is treated as lease revenue under IFRS 16 and is recognised on a straight line basis over the lease term. Fixed O&M charge is recognised based on the capacity made available in accordance with contractual terms stipulated in PPA.

3. Summary of significant accounting policies (continued)

Other revenue from contracts with customers

Revenue is measured based on the terms specified in the contract with a customer. The Company recognizes electrical energy and fuel charges revenue when it transfers the control of a product or service to a customer i.e. when electricity is delivered and the customer has accepted the deliveries and the control has been transferred to the customer. Energy charge and fuel charge is determined based on the fuel and variable cost of power.

No revenue is recognised if it is not probable that the Company will collect the consideration to which the Company will be entitled in exchange for the goods or services that will be transferred to customers. In evaluating whether collectability of an amount of consideration is probable, the Company considers only the customers' ability and intention to pay that amount of consideration when it is due.

The Company has a long term agreement with OPWP which determines performance obligation, transaction price and allocates the transaction price to each of the separate performance obligations. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

The Company does not adjust any of the transaction prices for time value of money as the period between the transfer of the promised goods or services to the customer and payment by the customer does not exceed one year and the sales are made with agreed credit terms which is in line with the industry practice.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. As of reporting date, inventories consist of spares, diesel and lube oil.

Asset retirement obligation

The provision for asset retirement obligation is recognised when there is a present obligation as a result of assets constructed on land under usufruct contracts with the Ministry of Housing, 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. A corresponding asset is recognised as part of plant and machinery in property, plant and equipment and depreciated accordingly.

The provision for asset retirement obligation is a best estimate of the present value of expected costs required to settle the obligation, at the reporting date based on the current requirements of the Usufruct agreement, using estimated cash flows. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the asset retirement obligation. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss and other comprehensive income as a finance cost.

3. Summary of significant accounting policies (continued)

Asset retirement obligation (continued)

The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are dealt with prospectively and reflected as an adjustment to the provision and corresponding decommissioning asset recorded as property, plant and equipment. If there is an indication that the new carrying amount of the asset is not fully recoverable, the asset is tested for impairment and an impairment loss is recognised where necessary.

Directors' remuneration

The Board of Directors' remuneration is accrued within the limits and the requirements of the Commercial Companies Law of the Sultanate of Oman.

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders.

Earnings and net assets per share

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

Net assets per share is calculated by dividing the net assets attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the year. Net assets for the purpose is defined as total equity.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Project Director who manages the Company on a day-to-day basis, as per the directives given by the Board of Directors that makes strategic decisions.

4. Critical accounting judgments and key sources of estimation uncertainty

The presentation of financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenditures. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

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

Critical judgements

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

Lease classification

The Company has entered into the Power Purchase Agreement ("PPA") with Oman Power and Water Procurement Company SAOC ("OPWP") to generate electricity and make available the power capacity from its Plant.

Management believes that IFRIC 12 is not applicable to the arrangement as the residual interest is borne by the Company and not OPWP. The estimated useful life of the power plant of 40 years takes into account the Company's right to extend the land lease under a Usufruct Agreement for an additional term of 25 years. Furthermore, the residual value of the assets will have substantial value at the conclusion of the PPA and the Company will be able to continue to generate revenue through supply of power taking into account the government's future plans to deregulate the power sector in Oman.

Management considers the requirements of IFRS 16 Leases (2018: IFRIC 4, "Determining Whether an Arrangement Contains a Lease"), which sets out guidelines to determine when an arrangement might contain a lease. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Once a determination is reached that an arrangement contains a lease, the lease arrangement is classified as either financing or operating according to the principles in IFRS 16 Leases (2018: IAS 17, Leases). A lease that conveys the majority of the risks and rewards of operation is a finance lease. A lease other than a finance lease is an operating lease.

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

Lease classification (continued)

Based on management's evaluation, the PPA with OPWP is considered as a lease within the context of IFRS 16 Leases (2018: IFRIC 4) and has been classified as an operating lease under IFRS 16 Leases (2018: IAS 17 Leases) since significant risks and rewards associated with the ownership of the plant lies with the Company and not with OPWP.

The primary basis for this conclusion is that the PPA is for a term of 15 years while the economic life of the power plant is estimated to be 40 years. The present value of minimum lease payments under the PPA does not substantially recover the fair value of the plant at the inception of the lease.

Fuel incremental costs

The Company and Ministry of Oil and Gas ("MOG") have entered into a Natural Gas Sales Agreement ("NGSA"), which includes a clause for reimbursement of the incremental fuel oil costs this represents an amount by which the cost of Fuel Oil is more than the cost of Natural Gas. Due to the shortage of the natural gas supply, the Company has incurred additional fuel oil costs to maintain the operations of the Plant (since the commercial operation date). The Company had received correspondence from MOG, wherein it has established a mechanism for reimbursing the Company, additional fuel oil costs incurred on account of the shortage of natural gas supply. The Company has recognised reimbursement of incremental fuel oil cost in view of the correspondence with MOG and OPWP in respect of this matter. The Company has received the confirmation from OPWP that the parameters used by the Company in the calculation of the incremental fuel oil costs does not materially differ from their basis.

Based on the correspondence with MOG, the Company understand that MOG has already approved to release the payment from their side. The matter is currently under discussion between Ministry of Finance and OPWP. The Company believes that the amount receivable would be settled in the 2nd Quarter of the financial year 2020.

Key sources of estimation uncertainty

The following are the significant estimates used in the preparation of the financial statements:

Useful lives of property, plant and equipment
Depreciation is charged so as to write-off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating life, the maintenance programs, and normal wear and tear using its best estimates.

Asset retirement obligation
Upon expiry of their respective Usufruct Agreement (in relation to land lease) and Power Purchase agreements, the Company will have an obligation to remove the facilities and restore the affected area. The estimated cost, discount rate and risk rate used in the provision for decommissioning costs calculation is based on management's best estimates.

5. Property, plant and equipment

Cost	Plant and machinery RO '000	Buildings and civil works RO '000	Furniture and fixtures RO '000	Computer and office equipment RO '000	Motor vehicles RO '000	Right-of-use asset RO '000	Capital work-in-progress RO '000	Total RO '000
1 January 2018	64,302	20,716	30	11	44	-	-	85,103
Transfers / changes* / additions	(5,999)	-	-	-	-	-	7	(5,992)
1 January 2019	**58,303**	**20,716**	**30**	**11**	**44**	**-**	**7**	**79,111**
Impact of application of IFRS 16 [note 2.1(c)]	**-**	**-**	**-**	**-**	**-**	**113**	**-**	**113**
Additions	-	-	-	-	-	-	**68**	**68**
31 December 2019	**58,303**	**20,716**	**30**	**11**	**44**	**113**	**75**	**79,292**
Accumulated depreciation								
1 January 2018	1,210	371	6	6	3	-	-	1,596
Charge for the year	1,188	593	10	3	15	-	-	1,809
1 January 2019	**2,398**	**964**	**16**	**9**	**18**	**-**	**-**	**3,405**
Charge for the year	**1,499**	**473**	**10**	**2**	**15**	**5**	**-**	**2,004**
31 December 2019	**3,897**	**1,437**	**26**	**11**	**33**	**5**	**-**	**5,409**
Carrying value								
31 December 2019	**54,406**	**19,279**	**4**	**-**	**11**	**108**	**75**	**73,883**
31 December 2018	55,905	19,752	14	2	26	-	7	75,706

* This represents reimbursement of certain costs from OPWP, changes on account of reassessment of the asset retirement obligation and transfer to inventory from plant and machinery.

The Company's power plant is constructed on land leased from Ministry of Housing. In this respect, the Company has recognised right of use asset in the current year upon adoption of IFRS 16. The future minimum lease commitments in relation to prior year are disclosed in note 21 (a).

5. Property, plant and equipment (continued)

The Company achieved the commercial operation start date on 17 June 2017.

The depreciation charge has been allocated in the statement of profit or loss and other comprehensive income as follows:

	2019 RO 000	2018 RO 000
Operating expenses (note 16)	**1,982**	1,791
General and administrative expenses (note 17)	**22**	18
	2,004	1,809

6. Inventories

Stores and spares	**1,305**	1,555
Fuel and lube inventory	**2,227**	1,831
	3,532	3,386

7. Trade and other receivables

Trade receivables (note 19)	**10,381**	2,168
Prepaid expenses	**79**	111
	10,460	2,279
Other receivables	**976**	850
Non-current portion	**(253)**	(466)
Allowance for impairment of other receivables	**(115)**	(115)
Other receivables (net) – current portion	**608**	269
	11,068	2,548

The Company has one customer OPWP which is included in the trade receivables balance as at 31 December 2019. The average credit period on the invoices raised to OPWP on generation / sale of electricity is 30 days. Further, the Company has billed MOG the incremental fuel oil costs due to the shortage of the gas supply (as disclosed in note 4). The ageing of trade receivables at the reporting date is disclosed in note 22. No interest is charged on outstanding trade receivables.

7. Trade and other receivables (continued)

Movement in the allowance for impairment of other receivables is as follows:

	2019 RO '000	2018 RO '000
At 1 January	**115**	-
Charge for the year (note 17)	**-**	115
At 31 December	**115**	115

In the prior year, Wartsila Muscat LLC (the "EPC contractor") and the Company entered into the settlement deed to resolve matters relating to the Liquidated Damages and claims levied by the Company and the counter claims levied by the EPC Contractor. As per the settlement deed, the EPC contractor accepted and settled the liquidated damages of RO 3.6 million and also agreed to settle an additional amount of RO 1.5 million in respect of the Company's claims relating to losses and other expenditures incurred. As per the settlement deed, the EPC contractor settled an amount of RO 4.2 million in the prior year out of which RO 0.807 million will be settled by the EPC contractor over the period of three years. The remaining balance as of the reporting date is as follows:

	2019 RO '000	2018 RO '000
Current portion	**240**	254
Non-current portion	**253**	466
	493	720

8. Cash and bank balances

Cash in hand	**2**	2
Cash at bank	**8,657**	7,054
	8,659	7,056

Unrestricted cash and cash equivalent amounted to RO 8.659 million (2018: RO 7.056 million).

9. Share capital

	2019 RO '000	2018 RO '000
Authorised share capital 200,000,000 shares of RO 0.1 each (31 December 2018: 20,000,000 shares of RO 1 each)	**20,000**	20,000
Issued and paid up share capital 70,390,000 shares of RO 0.1 each (31 December 2018: 7,039,000 shares of RO 1 each)	**7,039**	7,039

9. Share capital (continued)

In the Extra Ordinary General Meeting held on 28 May 2019, the nominal value of the Company's shares was split between Baisas 100 each and to convert the Company to become a Public Joint Stock company (SAOG). Accordingly existing shareholders at the time of IPO sold their 40% shares in the Company to the new investors. The subscription amount was collected in the Company's bank account and subsequent to the year end paid to these existing shareholders.

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

Shareholders details

Details of shareholders, who own 10% or more of the Company's share capital, are as follows:

	Number of shares '000		%	
	2019	2018	**2019**	2018
Oman Oil Facilities Development Company LLC	**29,564**	4,920	**42%**	69.99%
LGI International Corp.	**12,670**	2,112	**18%**	30%

10. Legal reserve

As per the Commercial Companies Law of the Sultanate of Oman, 10% of the profit for the year is required to be transferred to a legal reserve until the reserve is equal to one third of the issued share capital. Accordingly, during the year RO 264 thousands (2018: RO 372 thousands) of Company's profit was transferred to the legal reserve. The reserve is not available for distribution.

11. Borrowings

a) Senior facility loan

	2019	2018
	RO '000	RO '000
At 1 January	**70,763**	63,985
Add: proceeds from drawdowns during the year	**-**	10,253
Less: repayments made during the year	**(3,406)**	(3,475)
At 31 December (gross)	**67,357**	70,763
Less: Deferred financing charges	**(1,090)**	(1,090)
Amortisation of deferred financing charges	**301**	229
At 31 December (net)	**66,568**	69,902
Less: current portion	**(3,571)**	(3,407)
Non-current portion	**62,997**	66,495

Notes to the financial statements
for the year ended 31 December 2019 (continued)

11. Borrowings (continued)

a) Senior facility loan (continued)

The senior facility loan is denominated in Rials Omani and carries an interest rate of 4.6% (2018: 4.6%) per annum. The loan is to be repaid in half yearly instalments commencing on 30 June 2017, with the last instalment scheduled on 17 December 2031. The loan is subject to applicable financial covenants and DSRA requirements. The loan is secured by:

- Legal mortgage over the Company's immovable assets.
- Pledge over the Owner's shares.
- Pledge over the project accounts.
- Assignment / charge over all of the Company's rights, titles and interest in and to the project documents, the insurances and reinsurance's, the consents and any other material agreements to which the Company is a party and other material property, asset and revenue of the Company.

b) Short term loan facility

In the current year, the Company obtained a short tem working capital facility from a commercial bank which carries an interest rate of 3% (2018: Nil) per annum. This loan facility is to be repaid by 31 March 2020. The loan is subject to applicable financial covenants and DSRA requirements.

c) Reconciliation of financing cash flows

A reconciliation between opening and closing balances in the statement of financial position for liabilities that result in financing cash flows is presented below:

Borrowings	**At 1 January RO'000**	**Proceeds during the year RO'000**	**Repayments during the year RO'000**	**Non-cash changes RO'000**	**At 31 December RO'000**
Short term loan facility	**-**	**3,000**	**-**	**-**	**3,000**
Loan from shareholders	**3,067**	**-**	**(3,067)**	**-**	**-**
Senior facility loan	**69,902**	**-**	**(3,406)**	**72**	**66,568**
2019	**72,969**	**3,000**	**(6,473)**	**72**	**69,568**
Working capital facility	-	1,500	(1,500)	-	-
Loan from shareholders	6,538	-	(3,471)	-	3,067
Senior facility loan	63,985	10,253	(3,475)	(861)	69,902
2018	70,523	11,753	(8,446)	(861)	72,969

12. Trade and other payables

	2019 RO '000	2018 RO '000
Trade payables	**6,880**	2,613
Accrued expenses and provisions	**210**	477
	7,090	3,090

13. Provision for asset retirement obligation

Under the Usufruct Agreement with the Ministry of Housing, the Company has an obligation to remove the plant and restore the land to its original condition. The provision for asset retirement obligation has been calculated using an expected present value technique. This technique reflects assumptions such as costs, plant's useful life, inflation and profit margin that third parties would consider to assume the settlement of the obligation. In estimating the costs an inflation rate is applied until the retirement obligations expire in order to determine the value of the future obligation and a discount rate is applied to determine the present value of the obligation. The costs to be incurred in the future may differ from the estimates in terms of their nature and timing of payment. The provisions may be subsequently adjusted in line with changes in the above-mentioned inputs.

During 2018, the Company appointed an independent external firm with relevant expertise to reassess the estimated provision for asset retirement obligation. Based on the expert's report, the provision was reduced and a corresponding adjustment was made in the de-commissioning asset as at 31 December 2018. The movement in the provision for asset retirement obligation is as follows:

	2019 **RO '000**	2018 RO '000
At 1 January	**152**	3,979
Change during the year on reassessment	**-**	(3,838)
Unwinding of discount	**8**	11
At 31 December	**160**	152

14. Lease liability

Gross lease liability related to right-of-use asset	**113**	-
Future finance charges on finance leases	**(2)**	-
Present value of lease liability	**111**	-
The maturity of finance lease liability is as follows:		
Not later than 1 year	**3**	-
Later than 1 year	**108**	-
	111	-

Interest expense on lease liability (included in finance cost) was RO 7.9 thousand (2018: Nil). For the disclosure related to the liquidity please refer to note 22.

15. Revenue

	2019 RO '000	2018 RO '000
Revenue under lease		
Capacity charges	**11,566**	11,250
Revenue from the contract with the customer		
Energy charges	**2,190**	1,858
Other charges	**4,261**	3,388
	6,451	5,246
	18,017	16,496

16. Operating costs

	2019	2018
Fuel cost	**5,063**	3,763
Operating and maintenance expenses	**3,590**	3,251
Depreciation (note 5)	**1,982**	1,791
Connection fees	**258**	317
Insurance costs	**182**	196
Others	**310**	291
	11,385	9,609

17. General and administrative expenses

	2019	2018
Professional charges	**513**	89
Staff costs	**297**	326
Allowance for impairment of other receivables (note 7)	**-**	115
Office expenses	**129**	45
Others	**3**	6
Depreciation (note 5)	**22**	18
	964	599

18. Finance costs - net

Finance costs primarily includes the interest on senior facility loan amounting to RO 3.214 million (December 2018: RO 3.160 million).

19. Related parties transaction

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions. Terms of these transactions are approved by the Company's management.

Government of Sultanate of Oman (the Government), indirectly owns 42% (2018: 70%) of the Company's shares. The Company has applied the exemptions in IAS 24 : Related Parties - related to transaction with the Government and other entities controlled, jointly controlled or significantly influenced by the Government. In this respect, the Company has disclosed certain information, to meet the disclosure requirements of IAS 24, in this note.

Balances with related parties included in the statement of financial position are as follows:

a) Loan from shareholders

In the year 2016, the Company received advances from the shareholders amounting to RO 13.08 million, which was utilised to repay the equity bridge loan obtained from commercial bank. In year 2017, the shareholders have resolved to convert one half of these advances into share capital of the Company and the remaining half has been classified as unsecured loan from shareholders. The loan carried an interest rate of 4.6% (2018: 4.6%) per annum. In the current year, the loan from shareholders has been fully repaid (2018: RO 3.483 million). Previously the loan from shareholders had been classified as a current liability as it was payable on demand.

b) Amounts due from related parties

	2019 **RO '000**	2018 RO '000
Oman Gas Company SAOC	**19**	-

c) Amounts due to related parties

	2019	2018
Entities related to the major shareholder		
Oman Oil Marketing Company SAOG	**1,125**	-
Oman Gas Company SAOC	**-**	40
Shareholders		
Oman Oil Facility Development Company LLC	**5,256**	-
Oman Oil Company SAOC	**19**	18
LG International Corp.	**2,274**	7
	8,674	65

Due to shareholders include the amount collected from Muscat Central Depository Company with respect of the IPO proceeds and payable to the aforementioned shareholders. This amount has been subsequently paid to the aforesaid shareholders.

19. Related parties transaction (continued)

d) Due to / from government and other state controlled entities

	2019 RO '000	2018 RO '000
Due from government and other state controlled entities (note 7)	**10,381**	2,168
Due to government and other state controlled entities	**6,319**	2,060

Amounts due from / (due to) government and other state controlled entities mainly include balances receivable / payable from Oman Power and Water Procurement Company SAOC and Ministry of Oil and Gas in relation the power generation revenue and incremental cost receivables and gas payables.

The amounts outstanding are unsecured and are settled in cash during the normal course of Company's business.

Transactions

Transactions with related parties included in the financial statements are as follows:

e) Transactions with entities related to the major shareholder

	2019 RO '000	2018 RO '000
Purchase of fuel from Oman Oil Marketing Company SAOG	**5,880**	2,264
Support services provided by Oman Gas Company SAOC	**234**	326
Interest on loan from shareholders	**129**	287
f) Transactions with government and state controlled entities		
Purchase of gas from Ministry of Oil and Gas (net of fuel incremental costs)	**3,739**	3,384
Revenue from Oman Power and Water Procurement Company SAOC	**18,017**	16,496
Connection charges to Rural Areas Electricity Company SAOC	**258**	317
g) Directors' remuneration and sitting fees	**98**	7
h) Key management compensation		
Salaries and other benefits	**28**	78

20. Taxation

The tax rate applicable to the Company is 15% (2018: 15%). For the purpose of determining the taxable result for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

No provision for the current tax been made in these financial statements in view of cumulative taxable losses incurred by the Company as at 31 December 2019. In the current year, the Company has recognized deferred tax asset on the tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilized.

The deferred tax on all temporary differences have been calculated and dealt with in the statement of profit or loss and other comprehensive income.

a) The taxation charge for the year is comprised of:

	2019	2018
	RO '000	RO '000
Statement of profit or loss and other comprehensive income:		
Deferred tax – current year	**592**	1,014
Deferred tax – prior year	**(1)**	-
	591	1,014

b) Tax reconciliation

The following is a reconciliation of income taxes calculated on accounting profits at the applicable tax rate with the income tax expense for the year. The reconciliation of the accounting profit with the taxation charge in the financial statements is as follows:

	2019	2018
	RO '000	RO '000
Profit before tax	**3,228**	4,735
Taxation @ 15% [(2018: 15%)]	**484**	710
Add: Tax effect of:		
Non-deductible expenses	**25**	43
Deferred tax not recognized on tax losses	**82**	313
IFRS 16 Adjustment	**1**	-
Deferred tax – prior period	**(1)**	(52)
Tax expense	**591**	1,014

20. Taxation (continued)

c) Deferred tax liability

	As at 1 January RO '000	Recognised during the year RO '000	As at 31 December RO '000
2019			
Taxable temporary differences			
Effect of accelerated tax depreciation	**(1,621)**	**(865)**	**(2,486)**
Right-of-use asset	**-**	**(17)**	**(17)**
Deductible temporary differences			
Impairment of receivables	**17**	**-**	**17**
Provision for assets retirement	**2**	**22**	**24**
Right of use liability	**-**	**17**	**17**
Tax losses	**-**	**252**	**252**
	(1,602)	**(591)**	**(2,193)**
2018			
Taxable temporary differences			
Effect of accelerated tax depreciation	(1,132)	(489)	(1,621)
Deductible temporary differences			
Impairment of receivables	-	17	17
Provision for assets retirement	544	(542)	2
	(588)	(1,014)	(1,602)

d) Tax status

As of 31 December 2019, none of the Company's tax assessments have been completed by the Omani taxation authorities. Management of the Company believe that additional taxes, if any in respect of open tax years, would not be significant to the Company's financial position as at 31 December 2019.

21. Commitments

a) Operating leases

The Company has entered into a lease agreement on 9 February 2015 with the Government of the Sultanate of Oman, represented by the Ministry of Housing in respect of the land used for project site. The lease agreement for land used for project site is for an initial term of 25 years, renewable for further period.

At 31 December 2019, the Company had lease commitments as follows:

	2019	2018
	RO '000	RO '000
Due within one year	**-**	10
Due after one year but within five years	**-**	41
Due after five years	**-**	174
	-	225

During the year, the operating lease has been recognized as a lease liability under IFRS 16 [note 2.1].

Operation and maintenance commitment

As per the O&M Agreement, Wartsila Muscat LLC will operate and maintain the Company's plant at Musandam until 16 June 2022. Under the O&M agreement, the Company has to pay the fixed operating fee.

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

	2019	2018
	RO '000	RO '000
Due within one year	**1,149**	1,083
Due after one year but within five years	**1,724**	3,249
	2,873	4,332

As per the LTSA Agreement, Wartsila Muscat LLC will operate and maintain the Company's plant at Musandam until 16 June 2032. Under the LTSA agreement, the Company has to pay the fixed operating fee.

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

	2019	2018
	RO '000	RO '000
Due within one year	**438**	431
Due after one year but within five years	**1,753**	1,723
Due after five years	**3,286**	3,876
	5,477	6,030

22. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including price risk, foreign currency risk and interest rate risk), liquidity risk and credit risk. However, the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has entrusted the Management with the responsibility of developing and monitoring the Company's risk management policies and procedures and its compliance with them.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Price risk
The permitted tariff (prices) for the generation of electricity are determined in accordance with the Power Purchase Agreement with OPWP. Hence, the Company is not subject to significant price risk.

Foreign currency risk
Foreign exchange risk arises when transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US Dollar. The Rial Omani is pegged to the US Dollar. Since most of the Company's foreign currency transactions are in US Dollars or other currencies linked to the US Dollar management believes that exchange rate fluctuations would have an insignificant impact on the Company's pre-tax profit.

Interest rate risk
The Company is not exposed to interest rate risk on its loan from shareholders and senior facility loan as these carry fixed interest rate. At the reporting date the interest rate risk profile of the Company's interest bearing financial instruments were:

	2019	2018
	RO '000	RO '000
Borrowings (senior and short term loan facilities)	**69,568**	69,902
Loan from shareholders	**-**	3,067
	69,568	72,969

Fair value sensitivity analysis for fixed rate instruments
The Company does not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss.

22. Financial risk management (continued)

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 and other receivables and cash balances held with banks.

As at reporting date, the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

The Company has significant concentration of credit risk with the Government of the Sultanate of Oman represented by the MOG and OPWP. Under the terms of the PPA and NGSA, the Company's sales and fuel incremental costs are billed wholly to OPWP (indirectly owned wholly by the Government) and MOG (as disclosed in note 4) respectively. Therefore, the Company's credit risk on receivables from OPWP and MOG is limited.

In order to minimise credit risk, the management develop and maintain the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Company's financial assets, as well as the Company's maximum exposure to credit risk by credit risk rating grades:

31 December 2019	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RO'000	Loss allowance RO'000	Net carrying amount RO'000
Trade and other receivables	**Ba1**	-	Lifetime	**10,381**	**-**	**10,381**
Cash at bank	**Ba1**	-	12 month	**8,657**	**-**	**8,657**
Other receivables	**-**	-	12 month	**976**	**(115)**	**861**
				20,014	**(115)**	**19,899**

22. Financial risk management (continued)

Credit risk (continued)

31 December 2018	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RO'000	Loss allowance RO'000	Net carrying amount RO'000
Trade receivables	Baa3	-	Lifetime	2,168	-	2,168
Cash at bank	A1	-	12 month	7,054	-	7,054
Other receivables	-	-	12 month	850	(115)	735
				10,072	(115)	9,957

As at the reporting date, the status of past due balances of financial assets is as follows:

31 December 2019	Carrying amount RO'000	Not due RO'000	Past due Upto 90 days RO'000	Upto 180 days RO'000	Over 365 days RO'000	Total RO'000
Gross carrying amount: 31 December 2019						
Trade and other receivables	**10,381**	**1,171**	**2,434**	**4,710**	**2,066**	**10,381**
Cash at bank	**8,657**	**8,657**	**-**	**-**	**-**	**8,657**
Other receivables	**976**	**861**	**-**	**-**	**115**	**976**
	20,014	**10,689**	**2,434**	**4,710**	**2,181**	**20,014**
31 December 2018						
Trade receivables	2,168	1,272	78	818	-	2,168
Cash at bank	7,054	7,054	-	-	-	7,054
Other receivables	850	735	-	-	115	850
	10,072	9,061	78	818	115	10,072

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECL using the simplified approach. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has not accounted for ECL against OPWP and MOG because these are government and/or government owned entities and taking into account the historical default experience and the current credit ratings of the Government, the management of the Company have assessed that there is no significant impairment loss. In relation to receivable from MOG further details are disclosed in note 4.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off are subject to enforcement activities.

22. Financial risk management (continued)

Credit risk (continued)

Bank balances

Balances with bank are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. Accordingly, the management of the Company estimates the loss allowance on balances with bank at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with bank at the end of the reporting period are past due and taking into account the historical default experience and the current credit ratings of the bank, the management of the Company have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

The Company limits its credit risk with regard to bank balance deposits by only dealing with reputable bank and financial institution with strong credit ratings. The Company's bank accounts are placed with reputed financial institutions having credit rating of Ba1 as per the recently ratings issued by Moody's Investors Service.

Liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Further, the Company maintains sufficient bank balances. The table below summarises the maturities of the Company's undiscounted financial liabilities at the reporting date:

At 31 December 2019	**Less than 3 month RO '000**	**3 to 12 month RO '000**	**1 to 5 years RO '000**	**more than 5 years RO '000**	**Total RO '000**
Trade and other payables	-	**7,090**	-	-	**7,090**
Senior facility loan	-	**6,539**	**24,276**	**61,062**	**91,877**
Short term loan facility	-	**3,000**	-	-	**3,000**
Lease liabilities	-	**10**	**41**	**164**	**215**
Amounts due to related parties	**8,674**	-	-	-	**8,674**
	8,674	**16,639**	**24,317**	**61,226**	**110,856**
At 31 December 2018					
Trade and other payables	1,321	1,769	-	-	3,090
Senior facility loan	-	6,684	23,886	77,327	107,897
Loan from shareholders	-	3,067	-	-	3,067
Amounts due to related parties	65	-	-	-	65
	1,386	11,520	23,886	77,327	114,119

22. Financial risk management (continued)

Categories of financial instruments	**2019**	2018
	RO '000	RO '000
Financial assets (at amortised cost)		
Cash and bank balances	**8,659**	7,056
Trade and other receivables	**11,242**	2,903
	19,901	9,959
Financial liabilities (at amortised cost)		
Senior facility loan	**66,568**	69,902
Short term loan facility	**3,000**	-
Amount due to related parties	**8,674**	65
Loan from shareholders	**-**	3,067
Lease liability	**111**	-
Trade and other payables	**7,090**	3,090
	85,443	76,124

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to provide an adequate return to shareholders.

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The capital structure of the Company comprises share capital, reserves and retained earnings. Debt comprise of senior loan facility, loan from shareholder and lease liability. The Company is not subject to external imposed capital requirements except those under the Commercial Companies Law of the Sultanate of Oman.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. During the year there is no change in the capital management policy of the Company.

Gearing ratio

The gearing ratio at the end of the reporting period was as follows:

	2019	2018
	RO '000	RO '000
Debt (senior / short loan term facilities and loan from shareholders)	**69,568**	72,969
Cash and bank balances	**(8,659)**	(7,056)
Net debt	**60,909**	65,913
Equity	**9,593**	11,278
Net debt to equity ratio	**635%**	584%

22. Financial risk management (continued)

Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash in hand, cash at bank and trade and other receivables. Financial liabilities consist of trade and other payable, loan from shareholders, senior / short term loan facility and amounts due to related parties.

The fair values of financial instruments are not materially different from their carrying values.

23. Earnings per share: basic and diluted

	2019	2018
Profit attributable to ordinary shareholders of the Company for basic and diluted earnings per share (RO '000)	**2,637**	3,721
Weighted average number of shares (in thousands) (note 24.1)	**70,390**	70,390
Earnings per share (RO) (note 24.1)	**0.037**	0.053

There is no difference between basic and diluted earnings per share because the Company has not issued any instruments which would have an impact on earnings per share when exercised.

24. Net assets per share

Net assets per share is calculated by dividing the equity attributable to the shareholders of the Company at the reporting date by the number of shares outstanding as follows:

	2019	2018
Net assets (RO in '000)	**9,593**	11,278
Number of shares outstanding at year end (in thousands) (note 24.1)	**70,390**	70,390
Net assets per share (RO) (note 24.1)	**0.136**	0.160

24.1 As disclosed in note 9, the Company has changed the number of ordinary shares denomination from RO 1 per share to RO 0.100 or 100 baisa per share. As a result, the number of ordinary shares issued have been increased from 7,039,000 to 70,390,000 shares in the current year. Accordingly, earnings per share for the comparative year and net assets per share as of prior year end have been restated.

25. Non-cash financing and investing activities

The right of use asset and related lease liabilities recognised on the adoption of IFRS 16 in the current year were non-cash financing and investing activities and therefore not presented in the statement of cash flows.

26. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic decisions maker. The Company's operating activities are disclosed in note 1 to the financial statements. The strategic business unit offers similar services and is managed as one segment. For the strategic business unit, the Project Director reviews internal management reports on a monthly basis. Performance is measured based on the profit before income tax, as included in the internal management reports. The Project Director considers the business of the Company as one operating segment and monitors accordingly. The requirements of IFRS 8 : Operating Segments - paragraphs 31 to 34 relating to entity wide disclosures have been covered under statements of financial position, profit and loss and other comprehensive income and also in notes 1 to 4 to these financial statements.

27. Operating lease arrangement where the Company acts as a lessor

As disclosed in note 1 of these financial statements, the Company has entered into a PPA with OPWP for a substantial element of the production of power with 100% 'take-or-pay' arrangement. As disclosed in note 4, management has determined that the PPA with OPWP is covered under IFRS 16 Leases (2018: International Financial Reporting Interpretation Committee IFRIC 4) and such arrangement in substance represents an operating lease under IFRS 16 Leases (2018: IAS-17 Leases). The lease commenced on 17 June 2017. The following is the total of future minimum lease receipts expected to be received under the PPA:

	2019	2018
	RO '000	RO '000
Due within one year	**11,369**	11,369
Due after one year but within five years	**45,475**	45,475
Due after five years	**85,266**	96,634
	142,110	153,478

28. Dividend

On 24 March 2019, the Board of Directors proposed a dividend of RO 3.351 million, RO 0.476 per share (47.6% of issued share capital) out of which a dividend of RO 2.379 million has been paid to the shareholders of the Company on 9 April 2019 and the remaining amount of RO 0.972 million has been paid on 18 December 2019.

On 3 December 2019, the Board of Directors proposed an additional dividend of RO 0.971 million, RO 0.013 per share which was paid on 18 December 2019.

The above arrangement was approved by the shareholders in an Annual General Meeting held on 24 March 2019 and Ordinary General Meeting held on 7 November 2019 respectively.

On 3 February 2020, the Board of Directors proposed a final cash dividend of Baisas XX per share (XX% of issued share capital).

29. Approval of financial statements

The financial statements were approved by the Board and authorized for issue on xx xx 2020.