

MUSANDAM POWER COMPANY SAOG

**Unaudited interim financial statements
for the period ended 31 March 2021**

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**Unaudited statement of financial position
as at**

		31 March 2021 RO '000	Audited 31 December 2020 RO '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	<u>71,467</u>	<u>71,924</u>
Total non-current assets		<u>71,467</u>	<u>71,924</u>
Current assets			
Inventories	6	2,957	3,165
Trade and other receivables	7	12,932	12,741
Cash and bank balances	8	<u>1,016</u>	<u>53</u>
Total current assets		<u>16,905</u>	<u>15,959</u>
Total assets		<u>88,372</u>	<u>87,883</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	9	7,039	7,039
Legal reserve	10	940	940
Retained earnings		<u>282</u>	<u>2,006</u>
Total equity		<u>8,261</u>	<u>9,985</u>
Non-current liabilities			
Senior facility loan	11(a)	59,343	59,327
Provision for asset retirement obligation	13	170	168
Lease liability	14	108	106
Deferred tax liability	20	<u>2,751</u>	<u>2,653</u>
Total non-current liabilities		<u>62,372</u>	<u>62,254</u>
Current liabilities			
Senior facility loan	11(a)	3,733	3,733
Lease liability	14	3	3
Trade and other payables	12	11,503	11,908
Short term loan facility	11(b)	<u>2,500</u>	<u>-</u>
Total current liabilities		<u>17,739</u>	<u>15,644</u>
Total liabilities		<u>80,111</u>	<u>77,898</u>
Total equity and liabilities		<u>88,372</u>	<u>87,883</u>
Net assets per share	24	<u>0.117</u>	<u>0.142</u>

Chairman

Director

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

**Unaudited statement of profit or loss and other comprehensive income
for the three months period ended 31 March 2021**

	Notes	31 March 2021 RO '000	31 March 2020 RO '000
Revenue	15	2,407	2,490
Operating costs	16	<u>(2,164)</u>	<u>(2,231)</u>
Gross profit		243	259
General and administrative expenses	17	(147)	(102)
Finance costs – net	18	<u>(751)</u>	<u>(825)</u>
Loss before tax		(655)	(668)
Tax expense	20	<u>(98)</u>	<u>(101)</u>
Loss and total comprehensive loss for the period		<u>(753)</u>	<u>(769)</u>
Basic and diluted loss per share for the period	23	<u>(0.011)</u>	<u>(0.011)</u>

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

**Unaudited statement of changes in equity
for the three months period ended 31 March 2021**

	Share capital RO '000	Legal reserve RO '000	Retained earnings RO '000	Total RO '000
At 1 January 2020	7,039	706	1,848	9,593
Loss for the period	-	-	(769)	(769)
Transfer to legal reserve (note 10)	-	-	-	-
Dividends paid (note 28)	-	-	(971)	(971)
At 31 March 2020	<u>7,039</u>	<u>706</u>	<u>108</u>	<u>7,853</u>
At 1 January 2021	7,039	940	2,006	9,985
Loss for the period	-	-	(753)	(753)
Transfer to legal reserve (note 10)	-	-	-	-
Dividends paid (note 28)	-	-	(971)	(971)
At 31 March 2021	<u>7,039</u>	<u>940</u>	<u>282</u>	<u>8,261</u>

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

**Unaudited statement of cash flows
for the three months ended 31 March 2021**

	Notes	31 March 2021 RO '000	31 March 2020 RO '000
Cash flows from operating activities			
Loss before tax		(655)	(668)
Adjustments for:			
Finance cost		751	845
Depreciation	5	497	505
<i>Operating cash flows before working capital changes</i>		593	682
Inventories		208	147
Trade and other receivables		(191)	4,324
Trade and other payables		(402)	(188)
Amounts due to related parties		-	(8,177)
Net cash generated from / (used in) operating activities		208	(3,212)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(40)	(23)
Net cash used in investing activities		(40)	(23)
Cash flows from financing activities			
Proceeds from short term loan facility	11(c)	2,500	(3,000)
Dividends paid	28	(971)	(971)
Finance costs paid		(735)	(825)
Net cash generated from / (used in) financing activities		794	(4,796)
Net increase / (decrease in) cash and cash equivalents		963	(8,031)
Cash and cash equivalents at the beginning of the period		53	8,659
Cash and cash equivalents at the end of the period (note 8)		1,016	628

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

**Notes to the unaudited financial statements
for the period ended 31 March 2021****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 Company is selling the electrical energy generated to Oman Power and Water Procurement Company SAOC (the “OPWP”). The registered address of the Company is Muscat, P O Box 228, Postal code 134, Sultanate of Oman. Before listing, the Company was a subsidiary of Oman Oil Facilities Development Company LLC (“OOFDC”) which is owned by OQ SAOC (“OQ”), a closely held joint stock Company incorporated in the Sultanate of Oman. In 2019, upon listing of the Company in MSM, the shareholding of OOFDC and OQ reduced to 42% 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.

Significant agreements:

The Company has entered into the following significant agreements:

- An Engineering, Procurement and Construction (EPC) contract with Wartsila Muscat LLC (‘the EPC 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 Energy and Minerals (MEM) (formerly named as 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.
- A diesel purchase agreement with Al Maha Petroleum Products Marketing Co. SAOG.
- 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.

Notes to the unaudited financial statements for the period ended 31 March 2021

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

2.1 New and amended IFRS applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these financial statements.

New and revised IFRSs	Effective for annual periods beginning on or after
Definition of a Business - Amendments to IFRS 3 <i>Business Combinations</i>	1 January 2020
The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have ‘the ability to contribute to the creation of outputs’ rather than ‘the ability to create outputs’.	
Amendments to <i>References to the Conceptual Framework in IFRS Standards</i>	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards related 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.	
<i>IFRS 7 Financial Instruments: Disclosures and IFRS 9 - Financial Instruments</i>	1 January 2020
Amendments regarding pre-replacement issues in the context of the IBOR reform	

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2020.

3. Summary of significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (“IASB”), applicable requirements of the Commercial Companies Law of the Sultanate of Oman (“CCL”) and disclosure requirements of Capital Market Authority of the Sultanate of Oman (“CMA”).

Notes to the unaudited financial statements for the period ended 31 March 2021

3. Summary of significant accounting policies (continued)

Basis of preparation

The financial statements are prepared under the historical cost basis unless otherwise stated.

The financial statements have been presented in Rial Omani ("RO") which is also the functional currency of the Company, and all values are rounded to the nearest thousands (RO '000) except where otherwise stated.

A summary of significant accounting policies, which are consistent with those used in the previous year 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.

Notes to the unaudited financial statements for the period ended 31 March 2021

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

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.

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.

**Notes to the unaudited financial statements
for the period ended 31 March 2021**

3. Summary of significant accounting policies (continued)

Leases (continued)

Lease liability (continued)

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 liability 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.

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 cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset

**Notes to the unaudited financial statements
for the period ended 31 March 2021****3. Summary of significant accounting policies (continued)****Leases (continued)****Right-of-use asset (continued)**

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 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 cost 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 (for capacity revenue please refer revenue accounting policy). 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.

Notes to the unaudited financial statements for the period ended 31 March 2021

3. Summary of significant accounting policies (continued)

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

Financial assets 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.

The Company does not have any FVTOCI and FVTPL financial assets.

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

Amortised cost and effective interest rate method

For financial instruments 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.

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 and is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Notes to the unaudited financial statements for the period ended 31 March 2021

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Amortised cost and effective interest rate method (continued)

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 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.

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;

Notes to the unaudited financial statements for the period ended 31 March 2021

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

(i) Significant increase in credit risk (continued)

- 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 foregoing, 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 are no past due amounts.

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.

(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).

Notes to the unaudited financial statements for the period ended 31 March 2021

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

(ii) Definition of default (continued)

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. 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.

(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 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.

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.

**Notes to the unaudited financial statements
for the period ended 31 March 2021**

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

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

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.

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.

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.

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, the Company does not have any FVTPL liabilities.

Financial liabilities measured subsequently at amortised cost

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

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'.

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.

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.

Notes to the unaudited financial statements for the period ended 31 March 2021

3. Summary of significant accounting policies (continued)

Financial instruments (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.

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

Obligation for contribution to a defined contribution retirement plan for Omani employees, in accordance with the terms of the Social Insurance Law of Oman, are recognised as an expense in the income statement as incurred.

Provision for end of service benefits 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.

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.

Notes to the unaudited financial statements for the period ended 31 March 2021

3. Summary of significant accounting policies (continued)

Income tax

Income tax on the profit or loss for the year comprises current and deferred 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.

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 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.

Notes to the unaudited financial statements for the period ended 31 March 2021

3. Summary of significant accounting policies (continued)

Deferred financing costs

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

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. The tariff structure under the PPA is comprised of power capacity (includes investment charge and fixed operation and maintenance charge), electrical energy and fuel charges components.

Capacity revenue

The PPA with OPWP is considered as a lease within the context of IFRS 16 and has been classified as an operating lease under IFRS 16. 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.

Other revenue from contracts with customer

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.

Notes to the unaudited financial statements for the period ended 31 March 2021

3. Summary of significant accounting policies (continued)

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.

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.

Directors' sitting fees and remuneration

The Board of Directors sitting fees and remuneration are calculated as per the guidelines prescribed by CMA and these are approved by the Shareholders in the ordinary annual general meeting of the Company.

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 are 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 Chief Executive Officer "CEO" who manages the Company on a day-to-day basis, as per the directives given by the Board of Directors that makes strategic decisions.

Notes to the unaudited financial statements for the period ended 31 March 2021

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, 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. 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.

Based on management’s evaluation, the PPA with OPWP is considered as a lease within the context of IFRS 16 Leases and has been classified as an operating lease under IFRS 16 Leases since significant risks and rewards associated with the ownership of the plant lies with the Company and not with OPWP.

**Notes to the unaudited financial statements
for the period ended 31 March 2021**

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

Lease classification (continued)

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 Energy and Minerals (“MEM”) 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 has recognised reimbursement of incremental fuel oil cost as allowed under NGSA, and based on the correspondence with MEM 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 MEM, the Company understand that MEM has already approved to release the payment from their side. The matter is currently under discussion between Ministry of Finance, MEM and the Company with respect to the settlement mechanism. The Company believes that the amount receivable would be settled in the financial year 2021.

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.

Novel Coronavirus (Covid-19)

In January 2020, the World Health Organization (“WHO”) announced a global health emergency due to the outbreak of coronavirus (“COVID-19”). Based on the rapid increase in exposure and infections across the world, WHO, in March 2020, classified the COVID-19 outbreak as a pandemic. Actions taken by governmental authorities, nongovernmental organizations, businesses and individuals around the world to slow the COVID-19 pandemic and associated consumer behavior

**Notes to the unaudited financial statements
for the period ended 31 March 2021**

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

Novel Coronavirus (Covid-19) (continued)

have negatively impacted forecasted global economic activity, thereby resulting in lower demand for oil. This has created a current and forecasted oversupply, precipitating the recent steep decline in oil prices and an increase in oil price volatility.

The Company has closely monitoring the situation during the period ended 31 March 2021 and continue to do so to manage the potential business disruption on its operations and financial performance. While circumstances still continuing, the risks are mitigated by the high level of committed contracts underpinning current forecasts; preventive measures taken by management to mitigate operational risks; continued evidence of demand in core Middle East markets; further cost cutting measures taken to improve financial resilience in the current environment.

The Company performed the assessment of the potential impact of the pandemic on its financial statements, and has concluded that there is no material impact to the operations or the profitability of the Company. The Company will continue to monitor the situation and adjust its critical judgements and estimates, as necessary, during the course of 2021.

**Notes to the unaudited financial statements
for the period ended 31 March 2021**

5. Property, plant and equipment

	Plant and machinery	Buildings and civil works	Furniture and fixtures	Computer and office equipment	Motor vehicles	Right-of- use asset	Capital work-in- progress	Total
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Cost								
1 January 2020	58,303	20,716	30	11	44	113	75	79,292
Additions	107	-	-	4	-	-	(70)	41
1 January 2021	58,410	20,716	30	15	44	113	5	79,333
Additions	-	-	-	1	-	-	39	40
31 March 2021	58,410	20,716	30	16	44	113	44	79,373
Accumulated depreciation								
1 January 2020	3,897	1,437	26	11	33	5	-	5,409
Charge for the year	1,412	567	4	1	11	5	-	2,000
1 January 2021	5,309	2,004	30	12	44	10	-	7,409
Charge for the period	366	130	-	-	-	1	-	497
31 March 2021	5,675	2,134	30	12	44	11	-	7,906
Carrying value								
31 March 2021	52,735	18,582	-	4	-	102	44	71,467
31 December 2020	53,101	18,712	-	3	-	103	5	71,924

The Company's power plant is constructed on land leased from Ministry of Housing. In this respect, the Company recognised right of use asset in 2019 upon adoption of IFRS 16.

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Notes to the unaudited financial statements for the period ended 31 March 2021

6. Inventories

	31 March 2021 RO '000	Audited 31 December 2020 RO '000
Stores and spares	1,283	1,307
Fuel and lube oil	1,674	1,858
	<u>2,957</u>	<u>3,165</u>

7. Trade and other receivables

	31 March 2021 RO '000	Audited 31 December 2020 RO '000
Trade receivables (note 19)	12,674	12,354
Prepaid expenses	68	115
(A)	<u>12,742</u>	<u>12,469</u>
Other receivables (B)	190	272
(A) + (B)	<u>12,932</u>	<u>12,741</u>

The Company has one customer OPWP which is included in the trade receivables balance as at reporting date. The average credit period on the invoices raised to OPWP on generation / sale of electricity is 25 days. Further, the Company has billed Ministry of Energy and Minerals (MEM) 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.

Other receivables include RO 19 thousand (2020: 19 thousand) which is due from related party i.e. OQ Gas Network Company SAOC (Refer note 19).

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

	31 March 2021 RO '000	Audited 31 December 2020 RO '000
At 1 January	-	115
written-off	-	(115)
As at 31 December	<u>-</u>	<u>-</u>

During the year 2020, the Company written off the allowance created against the amount receivable from OPWP on account of Commissioning charges. The claim was overruled by OPWP as it was not inline with PPA.

In 2018, 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 and agreed to settle an additional amount in respect of the Company's claims relating to losses and other expenditures incurred. As per the settlement deed, the EPC contractor

Notes to the unaudited financial statements for the period ended 31 March 2021

7. Trade and other receivables (continued)

settled an amount in 2018 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:

	31 March 2021 RO '000	Audited 31 December 2020 RO '000
Other receivables	<u>171</u>	<u>253</u>
	171	253

8. Cash and bank balances

	31 March 2021 RO '000	Audited 31 December 2020 RO '000
Cash in hand	2	1
Cash at bank	<u>1,014</u>	<u>52</u>
	1,016	53

Unrestricted cash and cash equivalent amounted to RO 1.016 million (31 December 2020: RO 0.053 million).

9. Share capital

	31 March 2021 RO '000	Audited 31 December 2020 RO '000
Authorised share capital 200,000,000 shares of RO 0.1 each	<u>20,000</u>	<u>20,000</u>
Issued and paid up share capital 70,390,000 shares of RO 0.1 each	<u>7,039</u>	<u>7,039</u>

In the Extra Ordinary General Meeting held on 28 May 2019, the nominal value of the Company's shares was split to 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 paid to these existing shareholders in the current period.

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.

Notes to the unaudited financial statements for the period ended 31 March 2021

9. Share capital (continued)

Shareholders details

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

	31 March 2021 Number of shares '000	Audited 31 December 2020	31 March 2021 %	Audited 31 December 2020 %
Oman Oil Facilities Development Company LLC	29,564	29,564	42	42
LGI International Corp.	12,670	12,670	18	18

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 period NIL amount is transferred as there is no profit. The reserve is not available for distribution.

11. Borrowings

a) Senior facility loan

	31 March 2021 RO '000	Audited 31 December 2020 RO '000
At 1 January	63,786	67,357
Less: repayments made during the period/year	-	(3,571)
At 31 March / December (gross)	63,786	63,786
Less: Deferred financing charges	(1,090)	(1,090)
Deferred financing charges amortised	380	364
At 31 March / December (net)	63,076	63,060
Less: current portion	(3,733)	(3,733)
Non-current portion	59,343	59,327

The senior facility loan is denominated in Rials Omani and carries a rate of 4.6% (2020: 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.

Notes to the unaudited financial statements for the period ended 31 March 2021

11. Borrowings (continued)

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

During the year, the Company has obtained a short term working capital facility from a commercial bank which carried an interest rate of 3.4% per annum.

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	Proceeds / (Repayments) during the period / year	Non-cash changes	At 31 December
31 March 2021	RO'000	RO'000	RO'000	RO'000
Short term loan facility	-	2,500	-	2,500
Senior facility loan	63,060	-	16	63,076
	<u>63,060</u>	<u>2,500</u>	<u>16</u>	<u>65,576</u>
31 December 2020 (Audited)				
Short term loan facility	3,000	(3,000)	-	-
Senior facility loan	66,568	(3,571)	63	63,060
	<u>69,568</u>	<u>(6,571)</u>	<u>63</u>	<u>63,060</u>

12. Trade and other payables

	31 March 2021 RO '000	Audited 31 December 2020 RO '000
Trade payables	10,131	11,208
Accrued expenses and provisions	1,372	700
	<u>11,503</u>	<u>11,908</u>

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 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 is maintained. The movement in the provision for asset retirement obligation is as follows:

Notes to the unaudited financial statements for the period ended 31 March 2021

13. Provision for asset retirement obligation (continued)

	31 March 2021 RO '000	Audited 31 December 2020 RO '000
At 1 January	168	160
Unwinding of discount	2	8
At 31 December	<u>170</u>	<u>168</u>

14. Lease liability

	31 March 2021 RO '000	Audited 31 December 2020 RO '000
Gross lease liability related to right-of-use asset	109	111
Future finance charges on finance leases	2	(2)
Present value of lease liability	<u>111</u>	<u>109</u>
The maturity of finance lease liability is as follows:		
Not later than 1 year	3	3
Later than 1 year	108	106
	<u>111</u>	<u>109</u>

Interest expense on lease liability was RO 1.9 thousand (31 December 2020: RO 7.8 thousand). For the disclosure related to the liquidity please refer to note 22.

15. Revenue

	31 March 2021 RO '000	31 March 2020 RO '000
Revenue from lease contract		
Capacity charges	<u>1,273</u>	<u>1,263</u>
Revenue from the contract with the customer		
Energy charges	371	362
Other charges	763	865
	<u>1,134</u>	<u>1,227</u>
	<u>2,407</u>	<u>2,490</u>

16. Operating costs

Fuel cost	752	847
Operating and maintenance expenses	739	723
Depreciation	496	501
Connection fees	70	70
Insurance costs	57	43
Others	50	47
	<u>2,164</u>	<u>2,231</u>

**Notes to the unaudited financial statements
for the period ended 31 March 2021**

17. General and administrative expenses

	31 March 2021 RO '000	31 March 2020 RO '000
Professional charges	13	(5)
Staff costs	79	53
Office expenses	52	47
Depreciation	1	4
Others	2	3
	<u>147</u>	<u>102</u>

18. Finance costs - net

Interest on senior facility loan	723	772
Amortization of deferred finance charges [note 11]	16	18
Interest on short term loan facility	10	25
Other finance charges	2	10
	<u>751</u>	<u>825</u>

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% (2020: 42%) 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:

	31 March 2021 RO '000	Audited 31 December 2020 RO '000
a) Due from a related party		
OQ Gas Network Company SAOC	<u>19</u>	<u>19</u>

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

	31 March 2021 RO '000	Audited 31 December 2020 RO '000
Due from government and other state controlled entities (note 7)	<u>12,674</u>	<u>12,354</u>
Due to government and other state controlled entity	<u>10,067</u>	<u>9,461</u>

Notes to the unaudited financial statements for the period ended 31 March 2021

19. Related parties transaction (continued)

Amounts due from / (due to) government and other state controlled entities mainly include balances receivable / payable from OPWP and MEM in relation the power generation revenue and incremental cost receivables and gas payables respectively.

Transactions

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

	31 March 2021 RO '000	Audited 31 December 2020 RO '000
c) Transactions with entities related to the major shareholder		
Support services provided by OQ Gas Network Company SAOC	-	17
d) Transactions with government and state controlled entities		
Purchase of gas from Ministry of Energy and Minerals	606	2,999
Fuel incremental cost charge to Ministry of Energy and Minerals	224	5,177
Revenue from Oman Power and Water Procurement Company SAOC	2,407	17,658
Connection charges to Rural Areas Electricity Company SAOC	70	278
e) Directors' remuneration and sitting fees		
	-	97
f) Key management remuneration		
	43	139

20. Taxation

The tax rate applicable to the Company is 15% (2020: 15%). For the purpose of determining the taxable result for the period, 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 March 2021. 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. No deferred tax asset has been recognized on the cumulative tax losses up to 31 March 2021 in the amount of RO 5.261 million (2020 - RO 5.136 million) as the Company does not expect to have sufficient taxable profits in the future years against which such tax losses will be adjusted.

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 period is comprised of:

	31 March 2021 RO '000	31 March 2020 RO '000
Deferred tax – current period	98	101
	98	101

Notes to the unaudited financial statements for the period ended 31 March 2021

20. Taxation (continued)

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 period. The reconciliation of the accounting profit with the taxation charge in the financial statements is as follows:

	31 March 2021 RO '000	31 March 2020 RO '000
Profit before tax	<u>(655)</u>	<u>(668)</u>
Taxation @ 15% [(2020: 15%)]	(98)	(100)
Add: Tax effect of:		
Non-deductible expenses	136	-
Deferred on tax losses	(42)	(44)
IFRS 16 Adjustment	-	1
Deferred tax – prior period	102	244
Tax expense	<u>98</u>	<u>101</u>

c) Deferred tax liability

	As at 1 January RO '000	Recognised during the period / year RO '000	As at 31 March RO '000
2021			
<i>Taxable temporary differences</i>			
Effect of accelerated tax depreciation	(3,181)	(140)	(3,321)
Right-of-use asset	(16)	-	(16)
<i>Deductible temporary differences</i>			
Provision for assets retirement	25	-	25
Right of use liability	17	-	17
Tax losses	502	42	544
	<u>(2,653)</u>	<u>(98)</u>	<u>(2,751)</u>
	As at	Recognised	As at 31
	1 January	during the	December
	RO '000	period / year	RO '000
		RO '000	
2020			
<i>Taxable temporary differences</i>			
Effect of accelerated tax depreciation	(2,486)	(695)	(3,181)
Right-of-use asset	(17)	1	(16)
<i>Deductible temporary differences</i>			
Impairment of receivables	17	(17)	-
Provision for assets retirement	24	1	25
Right of use liability	17	-	17
Tax losses	252	250	502
	<u>(2,193)</u>	<u>(460)</u>	<u>(2,653)</u>

Notes to the unaudited financial statements for the period ended 31 March 2021

20. Taxation (continued)

c) Tax status

As of 31 March 2021, the Company's tax assessments for the period from 2014 to 2016 have been completed by the Omani taxation authorities without any modification to the Company's declared income tax returns. For the remaining years, the 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 March 2021.

21. Commitments

Operation and maintenance commitment

As per the O&M Agreement, Wartsila Muscat LLC will operate and maintain the Company's plant 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:

	31 March 2020	Audited 31 December 2020
	RO '000	RO '000
Due within one year	1,149	1,149
Due after one year but within five years	288	575
	<u>1,437</u>	<u>1,724</u>

As per the LTSA Agreement, Wartsila Muscat LLC will operate and maintain the Company's plant 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 LTSA agreement (excluding indexation) are as follow:

	31 March 2020	Audited 31 December 2020
	RO '000	RO '000
Due within one year	438	438
Due after one year but within five years	1,753	1,753
Due after five years	2,739	2,848
	<u>4,930</u>	<u>5,039</u>

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.

Notes to the unaudited financial statements for the period ended 31 March 2021

22. Financial risk management (continued)

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 senior facility loan as this carry fixed interest rate. At the reporting date the interest rate risk profile of the Company's interest bearing financial instruments were:

	31 March 2021 RO '000	Audited 31 December 2020 RO '000
Borrowings (senior and short term loan facilities)	<u>65,576</u>	<u>63,060</u>

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.

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

Notes to the unaudited financial statements for the period ended 31 March 2021

22. Financial risk management (continued)

Credit risk (continued)

Oman represented by the Ministry of Energy and Minerals (“MEM”) and Oman Power and Water Procurement Company SAOC (“OPWP”). Under the terms of the PPA and NGSA as disclosed in note 1, the Company’s sales and fuel incremental costs are billed wholly to OPWP (indirectly wholly owned by the Government) and MEM (as disclosed in note 4) respectively. Therefore, the Company’s credit risk on receivables from OPWP and MEM 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.

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:

	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				RO’000	RO’000	RO’000
31 March 2021						
Trade and other receivables	Ba3	-	Lifetime	12,742	-	12,742
Cash at bank	Ba3	-	12 month	1,014	-	1,014
Other receivables	-	-	12 month	171	-	171
				13,927	-	13,927
31 December 2020 (Audited)						
Trade and other receivables	Ba3	-	Lifetime	12,373	-	12,373
Cash at bank	Ba3	-	12 month	52	-	52
Other receivables	-	-	12 month	253	-	253
				12,678	-	12,678

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 MEM receivables 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. Trade and other payables includes RO 10.067 million (2020: RO 9.461 million) payable to MEM

Notes to the unaudited financial statements for the period ended 31 March 2021

22. Financial risk management (continued)

Credit risk (continued)

for the purchase of Gas. However, trade receivables include RO 11.771 million (2020: RO 11.547 million) receivable from MEM relating to fuel incremental cost. The Company is currently negotiating with MEM to off-set the balance and pay the net amount of RO 1.704 million accordingly. In relation to receivable from MEM 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 overdue two years past due. None of the trade receivables that have been written off are subject to enforcement activities.

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

	Carrying amount RO'000	Not due RO'000	Upto 90 days RO'000	Past due		Total RO'000
				Upto 365 days RO'000	Over 365 days RO'000	
Gross carrying amount:						
31 March 2021						
Trade and other receivables	12,742	1,185	70	5,491	5,996	12,742
Cash at bank	1,014	1,014	-	-	-	1,014
Other receivables	171	171	-	-	-	171
	<u>13,927</u>	<u>2,370</u>	<u>70</u>	<u>5,491</u>	<u>5,996</u>	<u>13,927</u>
31 December 2020 (Audited)						
Trade and other receivables	12,373	866	1,073	4,189	6,245	12,373
Cash at bank	52	52	-	-	-	52
Other receivables	253	253	-	-	-	253
	<u>12,678</u>	<u>1,171</u>	<u>1,073</u>	<u>4,189</u>	<u>6,245</u>	<u>12,678</u>

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 a reputed financial institution having appropriate credit rating.

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:

Notes to the unaudited financial statements for the period ended 31 March 2021

22. Financial risk management (continued)

Liquidity risk (continued)

	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
31 March 2021					
Trade and other payables*	11,503	-	-	-	11,503
Senior facility loan	-	6,628	23,888	55,785	86,301
Short term loan facility	-	2,500	-	-	2,500
Lease liabilities	-	10	41	154	205
	<u>11,503</u>	<u>9,138</u>	<u>23,929</u>	<u>55,939</u>	<u>100,509</u>
31 December 2020 (Audited)					
Trade and other payables	11,908	-	-	-	11,908
Senior facility loan	-	6,628	23,888	55,785	86,301
Lease liabilities	-	10	41	154	205
	<u>11,908</u>	<u>6,638</u>	<u>23,929</u>	<u>55,939</u>	<u>98,414</u>

Categories of financial instruments	31 March 2021 RO '000	Audited 31 December 2020 RO '000
<i>Financial assets (at amortised cost)</i>		
Cash and bank balances	1,016	53
Trade and other receivables	12,864	12,626
	<u>13,880</u>	<u>12,679</u>
<i>Financial liabilities (at amortised cost)</i>		
Senior facility loan	63,076	63,060
Short term loan facility	2,500	-
Lease liability	111	109
Trade and other payables	11,503	11,908
	<u>77,190</u>	<u>75,077</u>

Fair value of financial instruments

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

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

Notes to the unaudited financial statements for the period ended 31 March 2021

22. Financial risk management (continued)

Capital management (continued)

comprises share capital, reserves and retained earnings. Debt comprise of loan facilities from bank, 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:

	31 March 2021 RO '000	Audited 31 December 2020 RO '000
Debt (senior and short loan term facilities)	65,576	63,060
Cash and bank balances	(1,016)	(53)
Net debt	<u>64,560</u>	<u>63,007</u>
Equity	<u>8,261</u>	<u>9,985</u>
Net debt to equity ratio	<u>782%</u>	<u>631%</u>

High gearing ratio is normal for the power companies in Oman due to their investment structure.

23. Earnings per share: basic and diluted

	31 March 2021	31 March 2020
Net profit attributable to ordinary Shareholders of the Company for basic and diluted earnings per share (RO '000)	<u>(753)</u>	<u>(769)</u>
Weighted average number of shares (in '000s)	<u>70,390</u>	<u>70,390</u>
Loss per share (RO)	<u>(0.011)</u>	<u>(0.011)</u>

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.

Notes to the unaudited financial statements for the period ended 31 March 2021

24. Net assets per share

Net assets per share is calculated by dividing the net assets attributable to the ordinary shareholders of the Company at the reporting date by the weighted average number of ordinary shares outstanding during the period/year.

	31 March 2021	Audited 31 December 2020
Net assets (RO in '000)	<u>8,261</u>	<u>9,985</u>
Number of shares outstanding at period/year end ('000s)	<u>70,390</u>	<u>70,390</u>
Net assets per share (RO)	<u>0.117</u>	<u>0.142</u>

25. Non-cash financing and investing activities

The right of use asset and related lease liabilities recognised on the adoption of IFRS 16 in 2019 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 CEO 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 CEO 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 and 4 of these financial statements, the arrangement between the Company and OPWP under the PPA is covered under IFRS 16 Leases and such arrangement in substance represents an operating lease under IFRS 16 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:

	31 March 2021	Audited 31 December 2020
	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	71,055	73,897
	<u>127,899</u>	<u>130,741</u>

**Notes to the unaudited financial statements
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28. Dividends

On 3 February 2020, the Board of Directors proposed a final cash dividend of Baisas 13.8 per share amounting to RO 0.971 million which was paid on 18 March 2020. The dividend was approved by the shareholders in an Annual General Meeting held on 5 March 2020.

On 23 September 2020, the Board of Directors approved an interim cash dividend of Baisas 13.8 per share amounting to RO 0.972 million which was paid on 30 September 2020.

On 25th March 2021, the Board of Directors approved a final cash dividend of Baisas 13.8 per share amounting to RO 0.971 million which was paid on 30 March 2021.

29. Approval of the financial statements

The financial statements were approved by the board and authorised to issue on 28 April 2021.