شركة ظفار لتوليد الكهرباء
Dhofar Generating Company

ANNUAL REPORT 2021

His Majesty
Sultan Qaboos Bin Said (Late)

His Majesty
Sultan Haitham bin Tarik

Our Vision

To be the leading power generating company which meets the needs of all stakeholders by maintaining plant reliability, ensuring world class safety and environmental practices while meeting shareholder expectations on project economics.

Our Mission

Provide reliable power source for customers all the time

Maintain high safety standards for our staff, contractors, customers with quality and be environment friendly

Be the employer of choice within the power sector

Maintain expectation and growth

We do it best

Positioned to lead

Highest priority to HSE

World class operational performance

Best in class technology

Internationally reputed operator with local experience

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Board of Directors

Ahmad Sulaiman
Chairman

Rohit Gokhale
Deputy Chairman

Mitsuru Yasuhara
Member

Abdul Majid Syed
Member

Ahmed Hamed Saif Al Busaidi
Member (Independent)

Said BaOmar
Member (Independent)

Said Safrar
Member (Independent)

Senior Management Team

Amer Al Mashani
Chief Executive Officer

Ruwan Chanaka
Finance Manager

Board of Directors' Report

Dear Shareholders,

The Board of Directors is pleased to present the performance of your company, Dhofar Generating Company SAOG ('DGC' or 'Company') for 2021.

The risk presented by the coronavirus alongwith its emerging variants ('COVID19') has continued to create a severe strain on every business and indeed the community at large. Power generation is an essential activity, and the Authorities have coordinated with the sector to ensure uninterrupted supply of this critical output. The challenge remains ongoing, but we are extremely pleased to report that this risk has been well managed during 2021 despite hardships faced by the team. These efforts have been aligned with our commitment to the Company's safety and environment values of zero incidents and exceedances.

Good safety practices ultimately enable excellent plant performance which is evident in the extremely high reliability factors of the assets of more than 99.5%. The excellent operational performance has enabled the business to fulfil its financial obligations to the shareholders and, importantly, to the project lenders.

The directors convened all necessary meetings during the year, along with Audit Committee and Nomination and Remuneration Committee meetings, as required.

Strategic positioning

DGC is one of two independent power plants owners in the Dhofar region, with a 62% share in the southern power grid of the Sultanate of Oman. It owns and operates two power plants: a 273MW Open Cycle Gas Turbine ('OCGT') power plant ('Existing Plant') and a 445MW Combined Cycle Gas Turbine ('CCGT') Power Plant ('New Plant').

The Company has one customer, the Oman Power and Water Procurement Company SAOC ("OPWP"), and one supplier for the primary fuel (natural gas), the Ministry of Energy and Minerals. The EPC Contractor for the New Plant is SEPCO III Electric Power Construction Corporation, a leading power construction contractor from China with extensive international and regional experience. Plant operations and maintenance for both plants have been contracted to Dhofar O&M Company LLC and further sub-contracted to the First National Company for Operation and Maintenance Services LLC ('NOMAC Oman') with an agreement that is co-terminus with the Power Purchase Agreement ('PPA').

Operational performance

NOMAC Oman has demonstrated operational excellence during the year by maintaining excellent reliability factors above 99.5% for both OCGT and CCGT power plants (2020: OCGT plant 99.9%; CCGT plant 99.9%). The operator has adopted a strategy of continuous improvement and reliability of supply programs to ensure consistent performance. The advanced Monitoring Performance System is an excellent initiative which has helped secure stable and top-notch performance.

On 6 July 2021 at 13:00 hours external grid disturbance occurred on Dhofar grid resulting in plant trip. Consequently, a blackout occurred at 13:00 hours in the Dhofar grid. Subsequent to the Blackout the power units were restored and were available to export. An investigation was carried out by Authority for Public Services Regulation and reported their findings.

The Company and the EPC Contractor has agreed upon commercial positions to close out the EPC Contract, including to set out the EPC Contractor's liability in exchange for the closure of all outstanding works and open claims, and subject to the satisfaction of certain conditions, to allow for the Final Completion Certificate to be issued under the EPC Contract.

COVID19 Challenges, Impacts and Mitigation

The team at DGC and NOMAC Oman have continued to deal with the risks posed by COVID19 in a proactive and responsible manner. We are highly cognizant of the change management efforts by NOMAC Oman in its HSE plan to secure its personnel's health and availability of different resources to keep plant operations manned at all time.

A business continuity plan has been implemented to ensure that the effect of any disruption that may occur due to the COVID19 virus is minimized to the extent possible. The key risk faced by all people is the health hazard posed by the virus. Vaccination drive for all Employees, contractors, contract employees was completed. As a proactive measure, all non-essential staff was working from home while operation and maintenance staff had been divided into shifts to minimize the risk of infection and to ensure continuity of operations. Travels restrictions are followed as per the directions of the Government. Further, mitigation actions at site include avoidance of gathering at the plant, social distancing, continuous awareness programs, temperature screening of all personnel and implementation of emergency procedures. Vendor visits are heavily monitored and controlled with a prior compliance to a specific Company's COVID 19 HSE policies and procedures. A key challenge has been ensuring expert availability for routine planned maintenance due to COVID19 travel restriction. This is being managed by identifying alternate expert sourcing within the region.

Gas is the primary fuel of which supply disruption is not expected, however, backup diesel fuel reserves are maintained full as per PPA requirements. The operator sources chemicals and key spares as required in advance to avoid disruption in supply. The business has been able to service its debt on a timely basis and does not envision any challenges on fund management based on the reliability of receipt of capacity charges. Liquidity is further supported by the availability of a working capital facility. Key project agreements offer protection through force majeure clauses.

The Company is working closely with all stakeholders and is following the guidance issued by the regulatory authorities to manage the risks faced by this pandemic virus.

Cash Sweep mechanism

As per DGC's financing agreements, the Cash Sweep Mechanism requires that 95% of the free cash flows, after accounting for the operating costs and debt service payments, shall be paid to the lenders towards prepayment of the balloon repayment ("Cash Sweep Mechanism") of the loan. The cash sweep start date was 31 July 2021. The Cash Sweep Mechanism could be avoided, if the Backstop DSRA letters of credit ("Back Stop DSRA LC") is provided for amounts that increase over time as specified in the financing agreements. The Company continued to work diligently to arrange the Backstop DSRA LC and to ensure its maximum efforts, an extension was sought in the Cash Sweep date till 28 October 2021 through unanimous lenders' approval (Extended Cash Sweep Start Date).

The Company was not able to arrange an acceptable Backstop DSRA LC on or before the Extended Cash Sweep Start Date as no international lender has agreed to provide an acceptable Backstop DSRA LC due to the country credit ratings and they have also declined to accept any Backstop DSRA LC facility from a local bank due to lower credit ratings of the local banks.

As a result, the Cash Sweep Mechanism commenced from 28 October 2021 impacted the ability of the Company to make any future dividend distributions including the dividend distributions of September 2021 and March 2022 proposed at the Annual General Meeting held on 9th March 2021.

The Cash Sweep Mechanism will remain effective until the balloon amount is fully prepaid, which is expected to continue for the remaining term of Power Purchase Agreement (i.e. expiring on 1 January 2033).

In view of the above, the Company will not be able to make future dividend distributions unless the Cash Sweep Mechanism is reversed, which is subject to (1) arrangement of acceptable Backstop DSRA LC, and (2) unanimous approval of project lenders.

Financial Performance

Overall financial performance of the business clearly reflects the continuous strong operational performance of the entire 718MW facility. Profit after tax is OMR 2.8m (2020: OMR 1.6m). The Company has met its obligations to the lenders by the timely debt service of OMR 15.1m during the year (2020: OMR 13.9m). The Company distributed dividends of OMR 2m (i.e. 9bz per share in February 2021) to its shareholders during the year. The dividend profile is noted in the table below.

Dividend OMR 'MM	2021	2020	2019
Distribution amount	2.0	4.0	4.0

Your Company remains in compliance with the Code of Corporate Governance of the Capital Market Authority.

Our people

A business's results are directly linked to people performance. Whether it is equipment, financial, administration or HSE performance, excellence can only be achieved if the entire team cumulatively works together for a common goal. We are pleased to report that the excellent coordination and alignment of the entire business team, including the operator, led by the Board and management team with excellent support from the founder shareholders has reaped good results. The Board and management commit to continue developing the strong framework which allows for this successful collaboration. Development of Omani talent remains a key consideration of the entire business value chain.

I, alongwith the Board, would like to extend my gratitude to the entire team who have worked diligently throughout the year to deliver business commitments. The team has faced hardship specially during 2021 due to COVID19, however, still managed to deliver the same excellent results on all aspects of the business.

Social Responsibility

The Board has developed a Corporate Social Responsibility ('CSR') policy to help guide us be a better and more effective corporate citizen while recognizing the scale of our footprint. By its very nature, the Company is a responsible corporate citizen as it focuses in providing clean and reliable power. The scope of the policy includes:

- Practical financial assistance, sponsored programs, free products and services to a wide range of educational, charitable, cultural, health, community and environment causes in Oman, and
- Community support through sponsorship of worthy initiatives in the field of education.

In line with the vision developed in the CSR policy and within the approved budget by shareholders, the Company has invested OMR 15,000 in two initiatives projects during 2021 in the Dhofar region as following:

#	Beneficiary	Amount (OMR)	Description
1	Ministry of Health	4,948	Provide two devices to Sultan Qaboos Hospital (the main hospital in Dhofar Governorate): a. Echoprobe for VIVID E9 b. Tilt Table Electrical
2	Ministry of Education	10,052	Support electronic education by providing projectors & screens for schools in Salalah (35 projectors and 15 screens).
	Total	**15,000**	

Further, DGC hosted two days site visit from University of Technology and Applied Sciences, Salalah College of Technology, engineering department of 16 engineers' induction on live operation of power generation.

Medium term outlook

The business has taken reasonable steps to ensure high reliability in the coming year through a required maintenance program and improvement initiatives. High availability will ensure financial performance as returns are not dependent on demand. We will continue to work with the relevant authorities to monitor the fuel settlement mechanism for 2022. The main challenge will remain effective control of COVID19 related impacts. The team will closely work with EPC Contractor to satisfy the conditions to issue the Final Completion Certificate under the EPC Contract and will focus on routine O&M practices during the year as prescribed by the OEMs and best practices.

Acknowledgements

We appreciate the support of all our key stakeholders especially our customer (the Oman Power and Water Procurement Company SAOC), our fuel supplier (Ministry of Energy and Minerals), the Authority for Public Services Regulation and the Ministry of Commerce, Industry and Investment Promotion.

Finally, on behalf of the Board of Directors, I would like to take the opportunity to express our gratitude to His Majesty Sultan Haitham bin Tarik and His Government for their vision, guidance, wisdom and continued support. We would also like to acknowledge the progressive and enlightened vision of His Majesty Sultan Qaboos bin Said (Late) which continues to be a model for others to emulate and without it, the success being achieved by many would not have been possible.

Ahmad Sulaiman
Chairman

Rohit Gokhale
Deputy Chairman

Amer Al Mashani
Chief Executive Officer

Management Discussion and Analysis Report

Main objectives and business

The principal activities of Dhofar Generating Company SAOG (the 'Company' or 'DGC') are to develop, finance, design, construct, operate, maintain, insure and own a net 718 MW power generating station and other relevant infrastructure. The Company comprises of an 273MW Open Cycle Gas Turbine ('OCGT') Power Plant ('Existing Plant') with commercial operations in May 2003 and a 445MW Combined Cycle Gas Turbine ('CCGT') Power Plant ('New Plant') with commercial operation date ('COD') on 1 January 2018. The Company is located at Raysut, Salalah and has no subsidiaries as of 31 December 2021.

The Company's business is regulated by project agreements with various government entities and financing agreements with project lenders. These project agreements provide an assurance both over revenue and cost elements of the business.

The principal agreement is the 15 year Power Purchase Agreement ('PPA') with the Oman Power and Water Procurement Company ('OPWP') which requires the Company to make the power facilities available and deliver electrical energy as per contractual terms. The PPA expires on 1 January 2033 i.e. 15 years from the COD of the New Plant. The Company has a fuel supply agreement with the Ministry of Energy and Minerals, the term being co-terminus with the PPA term.

The Company has been granted a Generation License by the Authority of Public Service Regulation for a period of 25 years effective 1 January 2014. This license was modified by the Authority on 26 January 2017 to include the additional power capacity available through the New Plant.

The Company has contracted out the operation and maintenance activities to Dhofar O&M Company LLC ('Dhofar O&M' or 'Operator') effective from 4 June 2015. The term of the O&M Agreement is co-terminus with the term of the PPA. Dhofar O&M is an Omani company wholly owned by ACWA Power, Mitsui & Co., Ltd and DIDIC. The Operator has sub-contracted the entire scope of the O&M Agreement to First National Company For Operation & Maintenance Services LLC ('NOMAC Oman'). NOMAC Oman is a subsidiary of First National Operation and Maintenance Company ('NOMAC') which is a wholly owned subsidiary of ACWA Power. The term of the sub-contract O&M agreement is co-terminus with the O&M Agreement.

Brief History of the Project

The Company was incorporated with the commercial registration number 1668714 for an unlimited duration and registered as an SAOC on 28 February 2001. In 2001, Dhofar Power Company (DPC), DGC and the Ministry of Housing, Electricity and Water of Oman entered the Salalah Concession Agreement, a 20 year concession under which DPC became the sole electricity transmission, distribution and supply company within its concession area.

The Salalah Concession Agreement was terminated on 31 December 2013, and all generation activities and assets were transferred to DGC which became a stand-alone entity in which DPC's shares were purchased by Electricity Holding Company (EHC – currently known as "NAMA Group") and Ministry of Finance (MOF). The Government invited proposals for the acquisition of all shares in DGC and the development of the New Plant in an adjacent site on the following basis:

- The IPP was proposed to have a total aggregate capacity of 718 MW.
- The Project involved the ownership, operation and maintenance of the Existing Plant and the design, financing, construction, ownership, operation and maintenance of the New Plant, on a BOO basis, and the capacity of the Plant would be dedicated to sell the entirety of its output to OPWP under the PPA.

Following a competitive bidding process run by OPWP, Mitsui & Co., Ltd., ACWA Power and DIDIC (the 'Founders') were awarded the contract to acquire DGC, operate the Existing Plant and build the New Plant. EHC and MOF entered into a Share Purchase Agreement with the Founders for the sale of 100% of the shares in DGC on 19 April 2015. The sale and purchase was completed on 4 June 2015. The term of the PPA is 15 years from the COD of the New Plant.

The PFA required the Founders to float 40% of the Shares on the MSM through an IPO. Accordingly, the Company was listed on the Muscat Securities Market on 5 September 2018.

Risks faced by the company

The main risks faced by the Company include coronavirus alongwith its emerging variants ('COVID19'), loss of availability due to breakdowns, accidental damage and default in payment by the off-taker. The Company has been able to transfer its operations and maintenance risk as per the O&M Agreement to its Operator after implementing the agreement in 2015.

The Company has continued to deal with the risks posed by COVID19 during 2021 in a responsible manner. Only essential staff is allowed in the plant while operations and maintenance teams stay onsite on shift basis to minimize the risk of business disruption. The operator has implemented a formal COVID19 risk management plan which includes assessment of key maintenance requirements and inventory levels for the next six months on a rolling basis, medical consumables and staff testing requirements and stakeholder engagement. COVID19 vaccination is completed for DGC & NOMAC Oman staffs.

The Operator has maintained almost perfect reliability since taking over the operations and maintenance function of the plant by implementing robust predictive, proactive and preventive procedures which are well aligned with best international power sector practices.

Financial obligations of the OPWP are secured under the PPA. Additionally, adequate insurance policies are in place to protect the business against property damage, business interruption, public liability and sabotage and terrorism risks. The PPA protects the Company against inflation and the Rial Omani/US Dollar exchange rate movement, if any. Fuel cost is pre-determined in the fuel supply agreement over the period of the PPA. As per the terms of the PPA, reliability of the power plant is the key element relating to the profitability of the Company. The load factor has a limited impact on the profits mainly to the extent of any heat rate loss and maintenance of the plant.

Under the NGSA, the Company is required to make payments for natural gas procured within 30 days of receipt of invoice, irrespective of the Company receiving the fuel revenue payments from OPWP. In the event that OPWP delays or fails to make the fuel revenue payments, the Company is still required to make payments under the NGSA. In order to mitigate any such delay or payment shortfall of OPWP, the Company has maintained a Fuel Reserve Account ('FRA') of US$ 8.1 million through a combination of corporate guarantees, letters of credit and cash deposit. In the event there is a delay or reduction of the fuel revenue payments due from OPWP, the Company may draw upon the FRA to meet its payment obligations for natural gas under the NGSA.

Interest on the Dollar portion of the long-term loan, which reflects 58% of the total outstanding loan, is hedged through interest rate swap agreements. With respect to its Omani Riyal denominated loans, the interest rate was fixed for a period of five years from the date of the CTA, i.e: until 8th July 2020. Under the OMR Commercial Facility Agreement, the Company and the lenders have put in place a mechanism that allows for the interest rate post this period to be reset for a further period of five years, subject to a cap of 6.50%. Under this mechanism, any increase in interest expense is structured to result in principal repayments to be contractually deferred to after the loan term such that the amount of debt service paid to the Omani lenders will remain the same. Such deferred principal repayments, called Term Out Repayment will be payable in six equal instalments, three years after the end of the PPA term. Any decrease in interest expense is structured to result in increased principal repayments to repay any such Term Out Repayments (if any) such that the amount of debt service paid to the Omani lenders will remain the same. The second interest rate reset of the Omani Riyal denominated loan happened in July 2021 and Company was successful in maintaining it at 5% for another one year.

The long-term agreements noted above with best-in-class service providers and government entities provide a high degree of confidence in continuity of operations with minimal disruptions. The management will continue to actively perform risk analyses to identify and mitigate potential challenges.

The Company continues to work closely with all stakeholders and is following the guidance issued by regulatory authorities to manage the risks faced by this pandemic virus.

Operational & Organizational Highlights

The operational performance during the year has been excellent especially considering the challenges posed by COVID19 and the consequent hardship on the team. Commercial availability factor for both the Existing and New Plant was above 99.5%, a remarkable result in these circumstances.

NOMAC Oman continues to demonstrate its acumen in operations and maintenance by sustaining performance since 2015.A key achievement during this year was the completion of interconnection project to connect two blocks of 445MW Plant to optimize the power import cost. The project achieved go-live on 15 March 2021.

Both DGC and NOMAC Oman have worked together as one team to produce desired results.

Power Generation

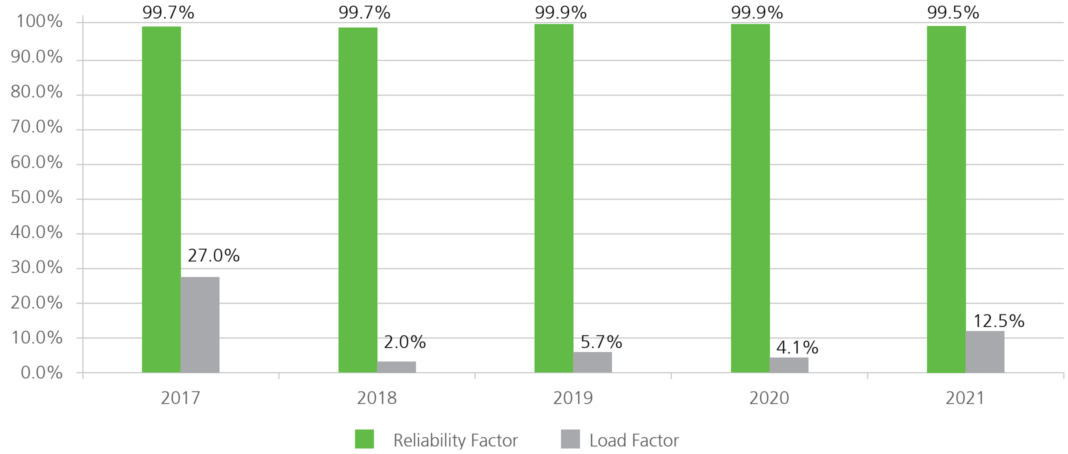
273MW Existing Plant

The Existing Plant delivered an outstanding power reliability factor in 2021 of 99.5%, which is consistent with prior years. The plant exported 299 GWh during 2021 (2020: 98 GWh). The load factor, which is 12.5% for 2021 (2020: 4.1%), is dependent on the demand for power by the national grid.

The following table reflects the reliability factor, load factor and energy export trend for the last five years.

Year	Energy Exported (GWH)	Load Factor	Reliability Factor
2021	299	12.5%	99.5%
2020	98	4.1%	99.9%
2019	136	5.7%	99.9%
2018	49	2%	99.7%
2017	653	27%	99.7%

A graphical comparison of reliability factor vs load factor for the last five years is shown below.



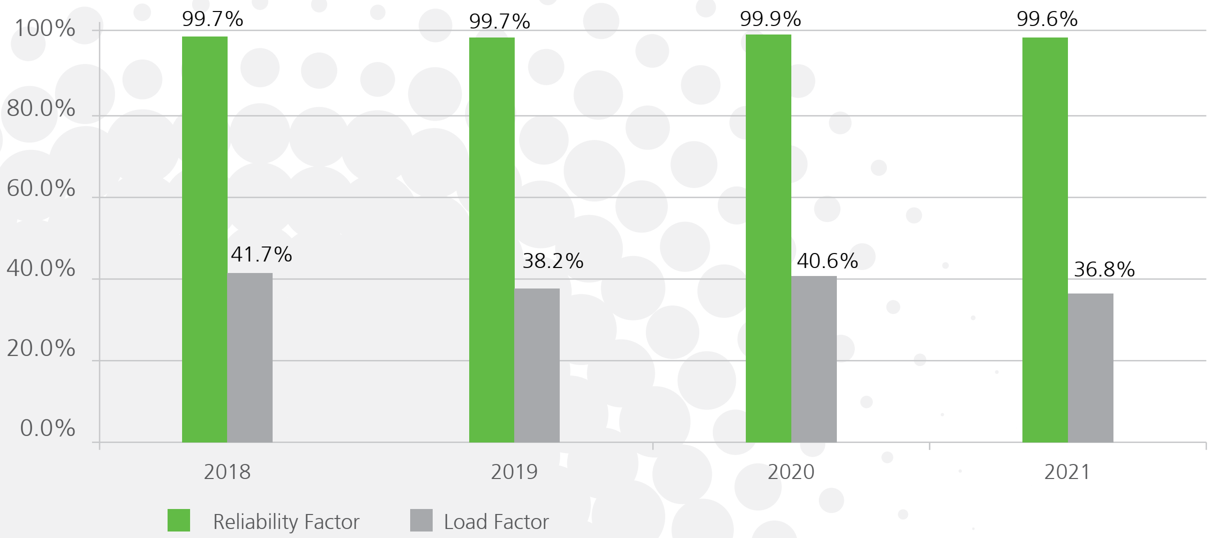
445MW New Plant

The New Plant has performed sustained its performance with an almost perfect reliability factor of 99.6%. The plant exported 1,428 GWh during 2021 (2020: 1,580 GWh). The load factor, which is 36.8% for 2021 (2020: 40.6%), is dependent on the demand for power by the national grid.

The following table reflects the reliability factor, load factor and energy export trend for the last five years.

Year	Energy Exported (GWH)	Load Factor	Reliability Factor
2021	1,428	36.8%	99.6%
2020	1,580	40.6%	99.9%
2019	1,489	38.2%	99.7%
2018	1,625	41.7%	99.7%

A graphical comparison of reliability factor vs load factor for the last two years is shown below.



Plant Maintenance Philosophy

The 273MW Plant consists of eight 6B.03 open-cycle gas turbines (GT), i.e. six General Electric PG6581 B gas turbines, one General Electric LM2500 aero-derivative gas turbine and one General Electric PG6561 B gas turbine. GTs 1 to 6 were commissioned in May 2003. Subsequently, GTs 7 and 8, which were in operation by the Ministry of Electricity & Water since 1995 and 1998 respectively, were taken over by the company and integrated with GTs 1 to 6 in 2007.

The 445MW Plant consists of two blocks with a net capacity of 222.65MW per block. Each block includes two GE 6FA.03 gas turbines, two triple pressure HRSGs and one steam turbine from Skoda.

NOMAC Oman has a proactive and predictive strategy to ensure high standards of maintenance. The business employs a sophisticated Monitoring and Prediction System to detect failures in advance. NOMAC Oman's philosophy includes safety, people and performance and have implemented an ERP, ERM, MPC and a well-established supply chain management process. This approach has been integral in achieving the operational results during 2021 despite the pandemic.

Maintenance has been performed on all machines in line with Existing Equipment Manufacturer ('OEM') recommendations. NOMAC Oman has entered into a long-term services agreement for the maintenance services to the gas turbines of the New Plant with General Electric International (GE). The term of this agreement is sized to continue till the maturity of the PPA. This ensures that the Company has adequate access to the spare parts and technological upgrades so as to minimize risk of unplanned outages, with long term price risk largely passed on to GE.

The power plant is required to be 100% available in the summer months due to peak summer demand while in winter period there is a mandatory 15% availability deduction within which required scheduled maintenance is carried out. All planned outages were performed in the winter period without effecting the revenue stream. The planned outages were in line with recommendations of the OEM. NOMAC Oman has performed routine preventive and predictive maintenance activities along with corrective maintenance to ensure sustained healthiness and reliability of all machines and equipment.

There was no planned major maintenance during 2021.

Health, Safety and Environment

Your Company is very proud to announce that it has achieved 6 years without LTI on 4 June 2021. Managing safety is never an easy task and high-quality results cannot be achieved without a fully committed team. During the past 6 years, the business has faced many challenges the latest including abnormally heavy rainfall coupled with the pandemic coronavirus. The team has never given safety a day off, always remaining proactively vigilant. The entire team under the guidance of the Board has worked hard to maintain the Company's safety principles and ambitions.

The team achieved 6 years without LTI on 4 June 2021. Sub-contractors are expected to conform to the organization's safety standards and they are trained in this respect by the team. Due to COVID19, the company celebrated the annual Occupational, Health, Safety and Environment Day on 17 June 2021 via video call. The company and NOMAC Oman have reached 1.87 Million LTI Free Man hours at the end of December 2021.

NOMAC Oman continues to maintain the OSHAS 18001:2007 certification for Occupational Health and Safety and ISO 14001:2004 for its Environmental Management System. We are also pleased to inform that were no environmental non-conformances during the reporting period. The team is committed to fight complacency and sustain its HSE goals.

Omanisation

Omanisation is a key principle in the human resources strategy of the Company. Key business leaders of DGC and NOMAC Oman are from the local talent pool, which has set a high standard in the local IWPP and IPP sector. This not only in line with regulatory requirements but also as per the strategy of the founding sponsors.

Social responsibility

As part of corporate social responsibility, the Company reached out to the local community through various methods by procuring two devices for Sultan Qaboos Hospital with coordination of Directorate General of Health Services in Dhofar Governorate and procuring 35 projectors and 15 screens for Salalah Schools with coordination of Directorate General of Education in Dhofar Governorate. Further, hosted two days site visit from University of Technology and Applied Sciences, Salalah College of Technology, engineering department of 16 engineers' induction on live operation of power generation.

Financial Highlights

Income Statement	OMR in MM's				
	2021	2020	2019	2018	2017
Revenue	42.1	40.6	39.8	39.4	15.4
Operating costs	(31.1)	(29.8)	(28.8)	(28.1)	(14.0)
Gross profit	11.0	10.8	11.0	11.3	1.4
Admin, financial and tax costs	(8.1)	(9.2)	(10.3)	(10.9)	(1.9)
Profit/(loss) after tax	2.9	1.6	0.7	0.4	(0.5)
Gross profit margin	26.1%	26.6%	27.6%	9.3%	7.4%
Net profit/(loss) margin	6.7%	4.0%	1.9%	(3.1%)	(1.2%)

Revenues

The net revenues have increased by OMR 1.5m compared to the previous year. This is due to higher load factor of 273MW plant.

Operating costs

Operating cost has increased by OMR 1.9m mainly due to OMR 2.1m higher fuel cost on higher load factor and OMR 0.2m lower expenses.

Gross profit

The gross profit is lower by OMR 0.4m due to OMR0.3m fuel under recovery and OMR0.1 lower finance lease interest income.

Admin, financial and tax costs

Admin expenses: G&A expense is lower by OMR 0.2m mainly due to the lower provision for expected credit losses.

Finance cost: Finance cost is higher by OMR 0.1m due to revision in decommissioning liability discount rates effective from 1 January 2021 based on external auditors' recommendation.

Tax: Tax expense has decreased by OMR 1.5mn compared to previous year. This is due to recognition of OMR 1.3m deferred tax asset on carried forward tax losses. The government of Sultanate of Oman announced an Economic Stimulus Plan on 9 Mar 2021 to support the Sultanate's efforts to counter Covid effects on the economy. As per the plan, companies are allowed to carry forward their tax losses incurred for tax year 2020 for an unlimited period to be adjustable against future taxable income. The Company incurred tax loss of OMR 8.6m for 2020 and the Company has recognised a deferred tax asset of OMR 1.3m in 2021 financial statements.

Net Profit after Tax

The increase of OMR 1.2m in net profit after is mainly due to deferred tax credit on carried forward tax losses.

Balance Sheet	OMR in MM's				
	2021	2020	2019 (R*)	2018	2017
Total assets	220.7	239.3	230.1	235.0	216.9
Total shareholders' funds	42.6	37.6	44.3	51.4	47.9
Paid up capital	22.2	22.2	22.2	22.2	0.5
Net assets per share – OMR	0.192	0.169	0.199	0.231	95.747
Return on paid up capital (%)	12.8	7.3	3.3	1.6	(95.7%)
Debt equity ratio	3.2	3.9	3.4	3.1	3.1
Ordinary dividend (%)	0.9	1.8	1.8	-	-

Cash flows and Dividends

The Company has met its obligations to the lenders by the timely debt service of OMR 13.9m during the year. Interest payments are on a quarterly basis while principal payments are due in July and January of each year. The Company distributed ordinary dividends of OMR 2m during 2021 to its shareholders.

The Cash Sweep Mechanism under the financing agreements commenced from 28 October 2021 impacted the ability of the Company to make any future dividend distributions including the dividend distributions of September 2021 and March 2022 proposed at the Annual General Meeting held on 9th March 2021.

The Cash Sweep Mechanism will remain effective until the balloon amount is fully prepaid, which is expected to continue for the remaining term of Power Purchase Agreement (i.e. expiring on 1 January 2033).

In view of the above, the Company will not be able to make future dividend distributions unless the Cash Sweep Mechanism is reversed, which is subject to (1) arrangement of acceptable Backstop DSRA LC, and (2) unanimous approval of project lenders.

Fuel related receivables and payables

The Company's revenues include capacity and output charges. The capacity portion is received from the offtaker based on availability of the plant and it covers the debt service, equity returns (dividends), tax payments, G&A costs and maintenance related costs. The output revenue includes costs related to recovery of fuel cost payable to the fuel supplier on export of energy and variable O&M charges related to export of energy. As described above, the business earnings are dependent on the capacity revenues and not the fuel revenue. The offtaker has paid entire capacity revenue during 2021 on due dates, however the output revenue was not been reimbursed by the offtaker since January 2021. Subsequently, offtaker paid the Company against the outstanding fuel revenue bills from January 2021 to April 2021 in October 2021. Correspondingly, the Company paid to Ministry of Energy and Minerals ('MEM') against the fuel bills outstanding for the same period. Reimbursement of output revenue for the period May 2021 onwards remains on hold and the Company is in discussion with offtaker to settle the same through "Net Adjustment Mechanism".

Acknowledgement

The management would like to acknowledge and appreciate the support of the Board under whose guidance 2021 has concluded on a successful note. Most importantly, the management would like to highlight and appreciate the diligent efforts of the entire team whose efforts have brought the year to a positive close despite the challenges posed by COVID19.

Amer Al Mashani

Chief Executive Officer

Corporate Governance Report

Deloitte.

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TO THE SHAREHOLDERS OF
DHOFAR GENERATING COMPANY SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority (CMA) Circular No. E/4/2015 dated 22 July 2015 with respect to the accompanying corporate governance report of **Dhofar Generating Company SAOG** as at and for the year ended 31 December 2021 and its application of corporate governance practices in accordance with CMA code of corporate governance issued under Circular No. 4/2015 dated 22 July 2015 and amendments to CMA Code of Corporate Governance issued under circular no. E/10/2016 (collectively the "Code"). Our engagement was undertaken in accordance with the International Standards on Related Services to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the Company's compliance with the Code as issued by the CMA and are summarized as follows:

1. We obtained the corporate governance report issued by the Board of Directors and checked that the report of the Company includes as a minimum, all items suggested by the CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in Annexure 3; and

2. We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors with the Code, for the year ended 31 December 2021. The Company's Board of Directors has not identified any areas of non-compliance with the Code.

We have no exceptions to report in respect of the procedures performed.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on review Engagements, we do not express any assurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of **Dhofar Generating Company** SAOG to be included in its annual report for the year ended 31 December 2021 and does not extend to any financial statements of **Dhofar Generating Company SAOG,** taken as a whole.

Deloitte & Touche

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
8 February 2022

ديلويت آند توش (الشرق الأوسط) وشركاه ش.م.م
C.R. No. 1736256
Deloitte.
0901-02
Deloitte & Touche (M.E.) & Co. LLC

Statement of Issue

This report is being presented to comply with the fourteenth principle of the Code of Corporate Governance of Muscat Securities Exchange (the "MSX") applicable to Public Joint Stock Companies issued vide Circular No E/4/2015 dated 22 July 2015 and further amendments to CMA Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016, (collectively the "Code") issued by Capital Market Authority (the "CMA") for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

We are pleased to report that Dhofar Generating Company SAOG (the "Company") remained in compliance with the principles of the Code. The Company was listed on the Muscat Securities Market on 5 September 2018.

Company Philosophy on Code of Governance

The Company is committed to the highest standards of corporate governance. The Company is operating with a set of business principles and corporate conduct is its most important element. These values are reflected in the leadership, management and day to day operations of the Company by the Board of Directors, the management and the employees of the Company.

The Company believes in and practices good corporate governance. The Company's philosophy of the Code of Corporate Governance is aimed at assisting the top management in the efficient conduct of its business and fulfilling its obligations towards all its stakeholders.

The Company has applied the principles of corporate governance in the following manner:

The Company has adopted a Code of Business Conduct and Ethics which is applicable to the employees. The code is intended to govern as a requirement of employment and governs the actions of everyone who works at the Company. This code addresses the following topics:

- Compliance with all Laws, rules, regulations and this Code
- Conflicts of interest and corporate opportunities
- Quality of public disclosures
- Protection and proper use of company assets
- Protection of confidential proprietary information
- Insider trading
- Fair dealing
- Interacting with government
- Environment, health and safety
- Respect for one another

Board of directors

The Company encourages representation of non-executive and independent directors on its Board of Directors. At present the Board consists of seven directors all of which are non-executive directors and three of them are independent directors. All the directors have excellent industry and corporate governance experience. Their experience is complimented by their academic qualifications in the field of administration, management, finance, accounting and engineering.

Board of Directors was elected at the Annual General Meeting held on on 9 March 2021 and will be subject to re-election in March 2024. Six meetings of the Board of Directors were convened during the year on the following dates:

Meeting number	Date of the meeting
BOD meeting #1/2021	14 February 2021
BOD meeting #2/2021	10 March 2021
BOD meeting #3/2021	25 April 2021
BOD meeting #4/2021	26 July 2021
BOD meeting #5/2021	26 October 2021
BOD meeting #6/2021	20 December 2021

These meetings were convened by issuing proper notices along with the agenda and relevant work papers. All the meetings were presided over by the Chairman of the Board or the Deputy Chairman in his absence. The minutes of the meetings were appropriately recorded and circulated.

Details of composition and category of directors and their attendance at the meetings of the Board of Directors are given as under:

Name of the Director	Category	Board Meetings held during 2021						AGM
		14 Feb	10 Mar	25 Apr	26 Jul	26 Oct	20 Dec	9 Mar 21
Mr. Ahmad Sulaiman (Chairman)*	Non-Independent	✓	✓	✓	✓	✓	✓	✓
Mr. Rohit Gokhale (Deputy Chairman)	Non-Independent	✓	✓	✓	✓	✓	✓	✓
Mr. Syed Abdul Majid	Non-Independent	✓	✓	✓	✓	✓	✓	✓
Mr. Mitsuru Yasuhara	Non-Independent	✓	✓	✓	✓	✓	✓	✓
Mr. Ahmed Al Busaidi	Independent	✓	✓	✓	✓	✓	✓	✓
Mr. Anshul Rai**	Independent	✓	–	–	–	–	–	✓
Mr. Said Ahmed Safrar	Independent	✓	✓	✓	✓	✓	✓	✓
Mr. Said BaOmar	Independent	–	✓	✓	✓	✓	✓	–

* appointed as the Chairman on 10 March 2021
** term completed on 9 March 2021

"✓": Present, "–": Not applicable, "✗" - Apologies

The Company held its Annual General Meeting ('AGM') of shareholders on 9 March 2021 for the year ended 31 December 2020.

The following table shows the number of DGC Board members' directorships in other public joint stock companies in the Sultanate of Oman as of 31 December 2021.

Name of the Director	Number of listed companies	Position (Member/ Chairperson)
Mr. Said Ahmed Safrar	4	Member

Board committees

- **Audit Committee**

The Board of Directors reconstituted the Audit Committee on 10 March 2021 by appointing three directors as Audit Committee members two of which are independent. The Chairman of the Audit Committee is an independent director. These members have required knowledge and experience of accounting, international financial reporting standards and commercial law that enable them to perform their functions. The Committee supports the Board in fulfilling its oversight and review function. The Committee reviews the Company's adherence to policies, procedures, practices and compliance with laws and regulations.

The Committee ensures that the financial statements prepared are in accordance with the International Financial Reporting Standards and the disclosure rules issued by the CMA. A brief description of the terms of reference of the audit committee is as under:

- The audit committee has the power to seek required information and/or presence of any employee of the Company.
- Ensuring adequacy of the control environment and overseeing the issuance of financial statements to the stake holders.
- Acting as a communication channel between Auditors, Management and the Board.

Four meetings of the Board Audit Committee were held during the year of which attendance details as follows.

Name of the Director	Category	Audit Committee Meetings held during 2021			
		14 Feb	25 Apr	26 Jul	26 Oct
Mr. Said Safrar (Chairman)	Independent	✓	✓	✓	✓
Mr. Anshul Rai *	Independent	✓	–	–	–
Mr. Said BaOmar **	Independent	–	✓	✓	✓
Mr. Syed Abdul Majid **	Non-Independent	–	✓	✓	✓
Mr. Ahmad Sulaiman *	Non-Independent	✓	–	–	–

* term completed on 9 March 2021
** appointed on 10 March 2021

"✓": Present, "–": Not applicable

The Audit Committee heard the views of the external auditors before forwarding the financial statements for the year 2020 to the Board of Directors in their meeting held on 14 February 2021. During this meeting, the views of the auditors were heard separately without the presence of management. In addition, the Audit Committee has also reviewed the reports and views of Internal Audit on quarterly basis. The Audit Committee reviewed and approved the Internal Audit plan for 2021.

By interaction with the Management and the External and Internal Auditors along with evaluation of submitted reports, the Audit Committee reviewed the effectiveness of the internal control system and found it to be adequate and effective.

On a yearly basis, the Audit Committee defines it working plan for the coming year which is presented to the Board. The 2021 Audit Committee plan was approved by the Board on 22 October 2020, while the 2022 Audit Committee plan was approved by the Board on 26 October 2021.

External quality assessment of internal audit activity of the Company

As per the requirements of the Capital Market Authority (CMA) Decision 10/2018, International Professional Practices Framework (IPPF) and the duly approved Engagement Letter, "External Quality Assessment of Dhofar Generating Company SAOG's Internal Audit Activity" was carried out by "Moore Stephens LLC (External Quality Assessor)" in 2019.

Nomination and Remuneration Committee ('NRC')

The Board of Directors reconstituted the Nomination and Remuneration Committee on 10 March 2021 by appointing three directors as members, one of whom is independent. These members possess adequate knowledge and experience to carry out their responsibilities diligently. The role of the Committee is to assist the board and the shareholders in the nomination of the most proficient directors and it may also assist the board in selecting the appropriate and necessary executives for the Executive Management, as required. The Committee meets at least 2 times annually.

A brief description of the terms of reference of the Nomination and Remuneration Committee is as under:

- Ensuring the nominated directors possess the necessary skills and abilities as has been defined in the Code.
- Ensure a succession strategy in place for directors and the executive management.

On a yearly basis, the NRC defines it working plan for the coming year which is presented to the Board. The 2021 NRC plan was approved by the Board on 22 October 2020, while the 2022 NRC plan was approved by the Board on 26 October 2021.

Three meetings of the Nomination and Remuneration Committee were held during the year on the following dates with details of attendance as under.

Name of the Director	Category	NRC Meetings held during 2021	
		14 Feb	26 Oct
Mr. Rohit Gokhale (Chairman) *	Non-Independent	✓	✓
Mr. Mitsuru Yasuhara **	Non-Independent	✓	–
Mr. Ahmed Al Busaidi	Independent	✓	✓
Mr. Ahmad Sulaiman ***	Non-Independent	–	✓

* appointed as the Chairman on 10 March 2021.
** served as the Chairman till 10 March 2021.
*** appointed on 10 March 2021.

"✓": Present "–": Not applicable

Process of nomination of directors

Directors are selected as per the Articles of Association of the Company at the AGM. The process calls for any individual or registered shareholders to file their nominations for the post of directors in prescribed form as stipulated by the CMA. The nomination files are scrutinized as prescribed by the CMA guidelines before being accepted. Elections are held by ballot at the AGM.

Pursuant to the terms of Article 181 of the Commercial Companies Law No 18/2019 as translated and Articles of Association of the Company, the tenure of the members of the Board shall be for three (3) years.

Remuneration

- Members of the board and other committees

  As approved by the shareholders, members of the Board are entitled to a sitting fee of RO 400 per meeting attended during the year. Audit Committee and Nomination & Remuneration Committee members are entitled to a sitting fee of RO 200 per meeting attended during the year. The sitting fee of directors for the year ended 31 December 2021 amounted to RO 20,400 for the Board and its sub-committee meetings attended during the year.

- Key management personnel

  Key management personnel are those executives having powers, authority and responsibility in planning, directing and monitoring the business of the company directly or indirectly. The key management personnel were paid an aggregate amount of RO 185,537 which includes secondment fees, salaries, end of service benefits and performance based bonus. The performance based bonus is aligned with achievements of objectives set at the beginning of the year. The remuneration paid is commensurate with the qualification, role, responsibility and performance of the executives during the year 2021. The employment contracts stipulate a notice period of three months.

Details of the non-compliance by the Company

There were no penalties or strictures imposed on the Company by CMA, MSX or any other statutory authority on any matter related to capital markets since listing on 5 September 2018.

Means of Communication with Shareholders and Investors

The Company communicates its financial results and material information by uploading the same on the Muscat Securities Exchange ('MSX') website. The Company is committed to publishing its quarterly unaudited financial results and annual audited results in two newspapers, English and Arabic. The annual accounts and the Directors' report are dispatched to all the shareholders by mail as required by law and are also available at the Company's Office. The Company discloses its initial and unaudited financial results by uploading the same onto the MSX website. The Company is available to meet its shareholders and their analysts as and when needed. In addition, annual audited financial statements and annual reports are published in the Company's website. The Company has also appointed an Investment Relations Officer as in compliance with the requirements of MSX.

The Management Discussion and Analysis Report appended to this report assure fair presentation of the affairs of the Company.

Market price and Company's stock performance

The Company was listed on the Muscat Securities Exchange on 5 September 2018. The monthly high/low prices of the Company shares from 1 January 2021 to 31 December 2021 are as shown below:

Year 2021	Company share price (OMR)		MSM Services index	
	High	Low	High	Low
January	0.190	0.170	1,631	1,592
February	0.170	0.155	1,606	1,545
March	0.160	0.158	1,555	1,525
April	0.160	0.150	1,588	1,518
May	0.155	0.149	1,626	1,588
June	0.150	0.130	1,723	1,623
July	0.130	0.124	1,774	1,703
August	0.131	0.120	1,723	1,698
September	0.129	0.113	1,725	1,666
October	0.107	0.080	1,700	1,655
November	0.082	0.069	1,673	1,615
December	0.077	0.065	1,630	1,572

Source: MSX website

The shareholding of the Company is widely distributed. The pattern of shareholding, major shareholders and their shareholdings as on 31 December 2021, were as follows:

Shareholders by type	Shareholding
Omani	44.0%
GCC nationals	54.2%
Foreigners	1.8%

Source: MCDC website

Major shareholders	Shareholding
MAP Power Holding Company Limited	27.0%
Mitsui & Co. Middle East and Africa Projects Investment & Development Limited	27.0%
Civil Service Employees Pension Fund	8.9%
Public Authority for Social Insurance	7.5%
Dhofar International Energy Services Co LLC	6.0%
Shareholders holding less than 5%	23.6%

Source: MCDC website

The Company has not issued any securities or convertible financial instruments which have any impact on equity.

Professional profile of External Auditor

Deloitte & Touche (M.E.) LLP ("DME") is the affiliate for the territories of the Middle East and Cyprus of Deloitte NSE LLP ("NSE"), a UK limited liability partnership and member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). Deloitte refers to one or more of DTTL, its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms are legally separate and independent entities. DTTL, NSE and DME do not provide services to clients. Please see www.deloitte.com/aboutto learn more. Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories, serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 300,000 people make an impact that matters at www.deloitte.com.

DME is a leading professional services firm established in the Middle East region with uninterrupted presence since 1926. DME's presence in the Middle East region is established through its affiliated independent legal entities, which are licensed to operate and to provide services under the applicable laws and regulations of the relevant country. DME's affiliates and related entities cannot oblige each other and/or DME, and when providing services, each affiliate and related entity engages directly and independently with its own clients and shall only be liable for its own acts or omissions and not those of any other affiliate.

The annual audit fee of the Company payable to the external auditor for the year 2021 was OMR 12,250.

Acknowledgement

The Board of Directors acknowledges as at 31 December 2021:

- Its' responsibility for the preparation of financial statements in accordance with the applicable standards and rules.
- Through the Audit Committee, it has reviewed the efficiency and adequacy of internal control systems of the Company and that it complies with internal rules and regulations.
- That there is no material matter that affects the continuation of the company and its ability to continue its production and operations during the next financial year.

Yours faithfully

Ahmad Sulaiman
Chairman

Amer Al Mashani
Chief Executive Officer

Financial Statements

For the Year Ended 31 December 2021

Deloitte.

Deloitte & Touche (M.E.) & Co. LLC
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Independent auditor's report to the Shareholders of Dhofar Generating Company SAOG

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

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

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 matter	How our audit addressed the key audit matter
Revenue recognition The Company operates its generation plants for 273 MW and 445 MW (the "plants") under a Power Purchase Agreement ("PPA") 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 in 2032. The Company is entitled to receive consideration under the PPA related to capacity allowance, operation and maintenance allowance, fuel allowance and electrical energy allowance.	Our audit procedures included, but were not limited to: • Assessed the design and implementation and testing of operating effectiveness of controls over revenue recognition; • Assessed, with the involvement of our internal accounting specialists, if the judgments adopted are in accordance with the requirements of IFRSs;

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Independent auditor's report
to the Shareholders of
Dhofar Generating Company SAOG (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition (continued) Management evaluated the distinct performance obligations under the PPA, the determination of transaction prices, allocation of transaction prices to separate performance obligations and the existence of significant financing components within the PPA. Due to different performance obligations and considerations under the PPA, management judgement is involved in assessing the above factors for revenue recognition. This was assessed to be a key audit matter as a result of the following: • The significance of this amount in relation to the financial statements as a whole; and • The significant judgements applied to identify separate performance obligations, allocate the transaction price to different performance obligations and conclude on the timing of revenue recognition. Refer to note 2 (Significant accounting policies) note 3 (Critical accounting estimates and judgements) and note 20 (Revenue) to the financial statements for further details.	• Reviewed the PPA and identified the relevant terms in making the abovementioned assessment. • Performed substantive audit procedures on management's calculation of the revenue and contract assets; • Agreed the inputs into the calculations from the PPA and supporting documentation on a sample basis; • Assessed the mathematical accuracy of the underlying calculations supporting the revenue recognition; • Agreed the results of management's calculation to the amounts presented in the financial statements; and • Assessed the disclosures in the financial statements relating to this matter against the requirements of IFRSs.

Other information

Management is responsible for the other information. The other information comprises of the Board of Directors' Report, Corporate Governance report and the Management Discussion and Analysis Report which we obtained prior to the date of this auditors' report. 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.

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Independent auditor's report to the Shareholders of Dhofar Generating Company SAOG (continued)

Other information (continued)

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends 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 management.

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Independent auditor's report to the Shareholders of Dhofar Generating Company SAOG (continued)

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that 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

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
8 February 2022

دیلویت آند توش (الشرق الأوسط) وشركاه ش.م.م
C.R. No. 1736256
Deloitte.
0901-02
Deloitte & Touche (M.E.)& Co. LLC.

Robin K Paul
Partner
CA (ICAI) Membership No. 214400

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021**	2020
		RO	RO
Revenue	20	**42,099,368**	40,561,581
Operating costs	21	**(31,128,048)**	(29,208,821)
Gross profit		**10,971,320**	11,352,760
Other income		**21,584**	103,105
General and administrative expenses	22	**(1,177,948)**	(1,426,586)
Finance cost	24	**(7,191,265)**	(7,116,198)
Finance income	6	**217,981**	251,829
Profit before tax		**2,841,672**	3,164,910
Income tax expense	19	**(407)**	(1,540,786)
Net profit for the year		**2,841,265**	1,624,124
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss			
Fair value gain / (loss) arising during the year on cash flow hedge - net of tax	13	**4,209,446**	(4,396,909)
Total comprehensive income / (loss) for the year		**7,050,711**	(2,772,785)
Basic and diluted earnings per share	25	**0.013**	0.007

The attached notes 1 to 33 form an intergal part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 December 2021

	Notes	2021 RO	2020 RO
ASSETS			
Non-current assets			
Property, plant and equipment	4	**146,323,283**	150,093,406
Finance lease receivable	5	**40,691,883**	43,222,248
Right-of-use assets	18	**1,787,985**	1,855,736
Major maintenance accrued revenue	6	**2,033,125**	2,307,738
Prepaid connection charges		**573,452**	453,753
Total non-current assets		**191,409,728**	197,932,881
Current assets			
Inventories	7	**5,690,349**	5,670,405
Finance lease receivable	5	**2,530,967**	2,333,129
Major maintenance accrued revenue	6	**481,724**	584,735
Trade and other receivables	8	**15,717,962**	27,754,835
Advances and prepayments	9	**447,644**	424,626
Cash and cash equivalents	10	**4,439,759**	4,648,738
Total current assets		**29,308,405**	41,416,468
TOTAL ASSETS		**220,718,133**	239,349,349
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	**22,224,000**	22,224,000
Legal reserve	12	**723,584**	439,457
Retained earnings		**25,220,568**	24,663,590
Cash flow hedge reserve	13	**(5,561,527)**	(9,770,973)
Net equity		**42,606,625**	37,556,074
Non-current liabilities			
Long term loan	16	**127,221,502**	138,578,204
Fair value of the cash flow hedge	14	**4,841,799**	9,541,067
Provision for decommissioning costs	15	**4,958,813**	4,722,679
End of service benefits		**116,797**	92,490
Lease liabilities	18	**1,881,501**	1,919,068
Deferred tax	19	**9,323,996**	8,580,746
Total non-current liabilities		**148,344,408**	163,434,254
Current liabilities			
Long term loan	16	**10,130,225**	6,957,669
Fair value of the cash flow hedge	14	**1,701,173**	1,954,195
Lease liabilities	18	**152,716**	152,716
Trade and other payables	17	**17,779,993**	29,259,119
Income tax payable	19	**2,993**	35,322
Total current liabilities		**29,767,100**	38,359,021
Total liabilities		**178,111,508**	201,793,275
TOTAL EQUITY AND LIABILITIES		**220,718,133**	239,349,349
Net assets per share	31	**0.192**	0.169

The financial statements were approved by a resolution of the Board of Directors on 8 February 2022.

Chairman **Chief Executive Officer**

The attached notes 1 to 33 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	**2021** **RO**	2020 RO
OPERATING ACTIVITIES			
Profit before tax		**2,841,672**	3,164,910
Adjustments for:			
Depreciation of property, plant and equipment	4	**3,980,842**	3,962,467
Depreciation of right-of-use asset	18	**67,751**	67,751
Finance costs	24	**7,191,265**	7,116,198
Finance income	6	**(217,981)**	(251,829)
Interest income on finance lease	20	**(3,647,613)**	(3,830,652)
Major maintenance revenue	20	**(234,258)**	(361,271)
Reversal of decommissioning cost provision	15	**-**	(103,105)
(Reversal) / provision for expected credit losses		**(9,109)**	188,030
Provision for end of service benefit		**24,307**	52,126
		9,996,876	10,004,625
Working capital changes:			
Inventories		**(19,944)**	72,296
Trade and other receivables		**12,036,873**	(16,580,490)
Trade and other payables		**(11,398,026)**	16,683,450
Prepaid connection charges		**(119,699)**	(195,631)
Advances and prepayments		**(23,018)**	(155,022)
Cash generated from operations		**10,473,062**	9,829,228
Income tax paid	19	**(32,329)**	(89,327)
Finance lease and major maintenance installments received		**6,819,111**	6,819,112
Net cash flows generated from operating activities		**17,259,844**	16,559,013
INVESTING ACTIVITIES			
Additions to property, plant and equipment	4	**(210,719)**	(136,777)
Net cash flows used in investing activities		**(210,719)**	(136,777)
FINANCING ACTIVITIES			
Finance cost paid		**(6,730,540)**	(6,546,892)
Payment of lease liabilities	18	**(156,762)**	(140,292)
Repayment of long term loan	16	**(8,370,642)**	(7,348,457)
Dividend payment	33	**(2,000,160)**	(4,000,320)
Net cash flows used in financing activities		**(17,258,104)**	(18,035,961)
DECREASE IN CASH AND CASH EQUIVALENTS		**(208,979)**	(1,613,725)
Cash and cash equivalents at beginning of the year		**4,665,687**	6,279,412
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10	**4,456,708**	4,665,687

The attached notes 1 to 33 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital	Legal reserve	Retained earnings	Cash flow hedge reserve	Total
	RO	RO	RO	RO	RO
Balance at 1 January 2020	22,224,000	277,045	27,202,198	(5,374,064)	44,329,179
Profit for the year	-	-	1,624,124	-	1,624,124
Other comprehensive loss for the year	-	-	-	(4,396,909)	(4,396,909)
Total comprehensive income / (loss) for the year	-	-	1,624,124	(4,396,909)	(2,772,785)
Transfer to legal reserve	-	162,412	(162,412)	-	-
Dividend paid (note 33)	-	-	(4,000,320)	-	(4,000,320)
Balance at 1 January 2021	22,224,000	439,457	24,663,590	(9,770,973)	37,556,074
Profit for the year	**-**	**-**	**2,841,265**	**-**	**2,841,265**
Other comprehensive income for the year	**-**	**-**	**-**	**4,209,446**	**4,209,446**
Total comprehensive income for the year	**-**	**-**	**2,841,265**	**4,209,446**	**7,050,711**
Transfer to legal reserve	**-**	**284,127**	**(284,127)**	**-**	**-**
Dividend paid (note 33)	**-**	**-**	**(2,000,160)**	**-**	**(2,000,160)**
Balance at 31 December 2021	**22,224,000**	**723,584**	**25,220,568**	**(5,561,527)**	**42,606,625**

The attached notes 1 to 33 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1 ACTIVITIES

Dhofar Generating Company (the "Company" or "DGC") was registered as a closely held joint stock company ('SAOC') in the Sultanate of Oman on 28 February 2001 under the Commercial Companies Law in Oman. Subsequently, the Company was converted to a Public Joint Stock Company ("SAOG") and was listed on the Muscat Securities Market on 5 September 2018.

The ultimate investors include International Company for Water and Power Projects ("ACWA Power"), Mitsui & Co., Ltd. and Dhofar International Development & Investment Holding Company S.A.O.G ("DIDIC"). The registered address of ACWA Power is 22616, King Abdul Aziz Road, Riyadh, Kingdom of Saudi Arabia. The registered address of Mitsui & Co., Ltd. Marunouchi l-chime, Chiyoda—ku, Tokyo 100- 8631, Japan Nippon Life Marunouchi Garden Tower. The registered address of DIDIC is P.O.Box: 2163 Salalah, Postal Code: 211, Sultanate of Oman.

The operations of the Company are governed by the provisions of the Law for the Regulation and Privatization of the Electricity and Related Water Sector (the "Sector Law") promulgated by Royal Decree 78/2004. The principal activity of the Company is electricity generation under a license issued by the Authority for Electricity Regulation, Oman (AER).

Significant agreements

The Concession Agreement, to which DGC was a party, was terminated effective 1 January 2014. Accordingly, from 1 January 2014, the Company has been granted a generation license by the AER for the electricity generation business. The Company has entered into a Power Purchase Agreement ('PPA') on 31 December 2013 with Oman Power and Water Procurement Company SAOC ('OPWP') to sell the available capacity of Electricity. The PPA was subsequently amended on 1 January 2014.

A second amendment agreement to the PPA was signed on 19 April 2015 which became effective on 22 June 2015 after completion of all requirements under the terms of the agreement. This amendment agreement envisions the construction of a new 445MW power plant and sets the PPA term of the existing 273MW power plant and new plant for 15 years from the scheduled commercial operation date ('SCOD') of the new plant. The SCOD was achieved on 1 January 2018 as per the plan.

The Company entered into an Engineering, Procurement and Construction ('EPC') contract with SEPCO III Electric Power Construction Corporation for the construction of a new 445MW facility. The Company also entered into a long term loan agreement on 8 July 2015 with a consortium of local and international banks including Bank Muscat SAOG, Bank Dhofar SAOG, Mizuho Bank LTD, Standard Chartered Bank, KfW IPEX-Bank GmbH, Sumitomo Mitsui Trust Bank Limited and Sumitomo Mitsui Bank Corporation.

The Company entered into an Operations and Maintenance Agreement with Dhofar O&M Company LLC effective 4 June 2015 for all operations and maintenance of the plants.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as issued by the International Accounting Standard Board ("IASB") and the applicable requirements of the Commercial Companies Law of the Sultanate of Oman and the disclosure requirements of Capital Market Authority.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments carried at fair value. The financial statements have been presented in Rial Omani which is the functional and reporting currency of the Company.

2.2 Changes in accounting policies

The accounting policies are consistent with those in the previous years except as following:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.1 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 2021, have been adopted in these financial statements.

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2021
IFRS 9 Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform	1 January 2021
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of accounting estimates	1 January 2021

The application of above revised standards has not had impact on the amount reported for the current and prior periods but may affect the accounting for\ future transactions or arrangements.

2.2.2 New and amended IFRSs in issue but not yet effective and not early adopted

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
IFRS 16 Leases - Amendment to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification	1 April 2021
Amendment to IFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle Amendments to:	No effective date is stated
- IFRS 9 Financial Instruments, - IAS 41 Agriculture - IFRS 3 Business combination, and - IFRS 16 Leases	 1 January 2022 1 January 2022 1 January 2022
IFRS 3 Business Combinations - Amendments updating a reference to the Conceptual Framework	1 January 2022
Amendments to IAS 1 regarding: - Classification of Liabilities as Current or Non-current, and - Amendments regarding the disclosure of accounting policies	 1 January 2023 1 January 2023
Amendments regarding deferred tax on leases and decommissioning obligations	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023
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.

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 as highlighted in previous paragraphs, may have no material impact on the financial statements of the Company in the period of initial application.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.3 Interest Rate Benchmark Reform

In July 2017, the United Kingdom Financial Conduct Authority (FCA), which regulates the London Interbank Offered Rate ('LIBOR') announced that the interest benchmark would cease after June 2023 for overnight, 1, 3, 6 and 12 months tenors. LIBOR is one of the most common series of benchmark interest rates. LIBOR reforms and expectations of cessation of LIBOR will impact the Company's current risk management strategy and possibly accounting for financial instruments. As at 31 December 2021, the Company has derivate liability of RO 6.54 million (2020: RO 11.5 million).

As part of the Company's risk management strategy, the Company uses financial instruments to manage exposure arising from variation of interest rates that could affect profit or loss or other comprehensive income and applies hedge accounting to these instruments.

These financial statements are reference to LIBOR. Refer note 14 to the financial statements for nominal value and details of derivatives contracts under hedging arrangements.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationship directly affected by IBOR reform. The reliefs have the effect that LIBOR reform should not generally cause hedge accounting to terminate.

The Company is assessing the impact of IBOR amendments which are effective for annual periods beginning on or after 1 January 2022.

2.3 Summary of significant accounting policies

Following are the significant accounting policies adopted by the Company and consistently applied for all the periods presented.

2.3.1 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Expected to be realised within twelve months after the reporting year;
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year; or
- Held primarily for the purpose of trading
- All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting year; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year

The Company classifies all other liabilities as non-current.

2.3.2 Fair value measurement

The Company measures financial instruments such as derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantages market must be accessible by the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.2 Fair value measurement (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

2.3.3 Revenue recognition

The Company's business is to generate and supply electricity to its sole customer OPWP under long term PPA. Revenue from OPWP comprises of the following:

- Capacity charge covering the investment charge and fixed operation and maintenance charge; and
- Output charge covering the fuel charge and variable operation and maintenance charge.

The PPA of the Company is finance lease arrangement for the existing 273 MW power plant and operating lease arrangement for the new 445 MW power plant.

i) Revenue from lease contracts
The treatment for 273 MW plant is a finance lease arrangement and lease interest income is recognised in the statement of profit or loss and other comprehensive income. A portion of capacity charge covering the investment charge receiving under the PPA is finance lease payments and accounted based on IFRS 16.

The investment charge of 445 MW plant has been treated as containing an operating lease which conveys the right to use the underlying assets in exchange of consideration. This component of revenue is recognised on straight-line basis over the lease term to the extent that capacity has been made available based on contractual terms of PPA and accounted based on IFRS 16.

ii) Revenue from contracts with customers
Fixed operation and maintenance charges are recognised as revenue when the capacity is made available by performing required planned and unplanned maintenance on timely basis so that the plant is in a position to run and generate required output and accrue to the business over time. Output charges are recognised as revenue upon delivery of electricity to the national grid which accrue over time when the customer accepts deliveries and there is no unfulfilled performance obligation that could affect the customer's acceptance of the output. Amounts received in relation to electricity energy charges are contingent rental receipts. Revenue from contracts with customers is accounted under IFRS 15.

The Company has long term agreements with OPWP which determine 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.3 Revenue recognition (continued)

There is no significant financing component attached to the receivable from customer other than major maintenance revenue. Goods and services are provided on agreed credit terms of the contract and payment occurs within 25 days from the submission of invoice. The Company submits invoices on monthly basis in arrears and generally are submitted on or before the 5th day of the subsequent month.

The major maintenance revenue related to 273 MW power plant is estimated based on expected major maintenance cost over the term of PPA, as and when major maintenance is carried out by the Company. Interest income related to significant financing component is recognized using effective interest method.

2.3.4 Taxes

Current income tax

Taxation is provided in accordance with Omani fiscal regulations.

Income tax is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised in the statement of profit or loss and other comprehensive income or directly in equity, in which case it is recognised in the statement of profit or loss and other comprehensive income or directly in equity, respectively. Current tax is the expected tax payable on the taxable income for the year or relating to previous years as a result of tax assessment, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred income tax is provided using the liability method on 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 in the year when the asset is realised or the liability is settled, based on tax laws that have been enacted at the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits 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 credits and unused tax losses can be utilised except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset as there is a legally enforcement to offset these in Oman.

2.3.5 Foreign currencies

The Company's financial statements are presented in Omani Rials, which is also the company's functional currency. Transactions in foreign currencies are initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.6 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated impairment losses, if any.

Depreciation of property, plant and equipment commences when the assets are ready for the intended use.

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

	Years
Plant and machinery	40
Buildings, civil and structural works	40
Decommissioning assets	40
Plant capital spares and other equipment	18
Computer and equipment	5
Motor vehicle	5
Furniture and fixtures	5
Computer software	5

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised 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 profit or loss and other comprehensive income as the expense is incurred.

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 or profit or loss in the year the asset is derecognised.

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts.

2.3.7 Leases

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

Companyas a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.7 Leases (continued)

a. Right-of-use assets

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

b. Lease liabilities

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., a changes in future payments resulting from a change in index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

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

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

Companyas a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.3.8 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.8 Financial assets (continued)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial asset with cash flow that are not SPPI are classified and measured at fair value through profit and loss irrespective of business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Company does not have any financial instrument that are measured either of FVOCI or FVPL except for the derivative instrument that are used as hedge instrument.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss account:

Business model test: The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes).

Cash flow characteristics test: 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

The Company's financial assets at amortized cost includes major maintenance revenue receivable, trade receivables, cash and cash equivalents and finance lease receivable.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.8 Financial assets (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables covering user IFRS 15, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For finance lease receivable and major maintenance revenue receivable, the Company applies general approach in calculating the ECL and is determined by using the probability of default (PD), exposure at default (EAD) and loss given default (LGD).

Cashand cashequivalents

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.

Trade receivable

A receivable is recognised if an amount of consideration that is unconditional as due from the customer (i.e. only the passage of time is recognised balance payment of the consideration is due) less expected credit losses.

2.3.9 Financial liabilities

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss account. A financial liability is classified as at fair value through profit or loss account if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities, at initial recognition, may be designated at fair value through profit or loss if the following criteria are met:

– The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
– The liabilities are part of a Company of financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.9 Financial liabilities (continued)

– The financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities at fair value through profit or loss account are measured at fair value and net gains and losses, including any interest expense, are recognised in the profit or loss account.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value throughprofit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings)
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss and other comprehensive income.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Trade and other payable
Liabilities are recognised for the amount to be paid for goods and services rendered, whether or not billed to the Company.

2.3.10 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement
The Company uses derivative financial instruments, such as interest rate swaps to hedge interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.10 Derivative financial instruments and hedge accounting (continued)

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cashflow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss and other comprehensive income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the year. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to statement of profit or loss as a reclassification adjustment.

After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

2.3.11 Inventories

Inventories are stated at the lower of cost and net realizable 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 realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.11 Inventories (continued)

Provisions (continued)

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The Company records a provision for decommissioning costs as there is a present obligation as a result of activities undertaken pursuant to the Usufruct and PPA. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. 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. 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 added to or deducted from the cost of the asset except for the asset given on finance lease.

2.3.12 Employee benefits

End of service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labor Law 2003 and its amendment and IAS-19 'Employee benefits' as amended. Employee entitlements to annual leave and Air passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability. Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991 are recognised as an expense in the statement of profit or loss and other comprehensive income as incurred.

2.3.13 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 asset.

All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3.14 Share capital

Share capital is recorded at the proceeds received.

2.3.15 Dividend on ordinary shares

The Board of Directors recommend to the shareholders the dividend to be paid out of the Company's profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law 2019, while recommending the dividend. The Company recognises a liability to pay a dividend when it is approved by Board of Directors upto the cap which is approved by the shareholders at the annual general meeting. A corresponding amount is recognised directly in equity.

2.3.16 Directors' remuneration

The Directors' remuneration is governed by the Memorandum of Association of the Company and the Commercial Companies Law.

The Annual General Meeting shall determine and approve the remuneration and the sitting fees for the Board of Directors and its sub-committees and the distribution of dividends to the shareholders.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value for the year. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

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

3.1 Judgements

a) Classification of Generation plant as a lease

Judgement is required to ascertain whether the PPA agreement with OPWP is a concession arrangement as per IFRIC 12 Service Concession Arrangements or contains a lease as per IFRS 16 Leases and if the agreement contains a lease, judgement is required to classify the lease as an operating lease or a finance lease as per IFRS 16 Leases. Management has evaluated the applicability of IFRIC 12 Service Concession Arrangements and concluded 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 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 445 MW power plant will have substantial value at the conclusion of the PPA and the Company will be able to continue to generate revenue through electricity generation taking into account the government's future plans related to power sector in Oman.

b) Leases - Identification of lease and lease classification

The Company has entered into the PPA with OPWP to generate electricity and make available the power capacity from its Plants. The PPA covers both the plants i.e 273 MW power plant and 445 MW power plant. Management considers the requirements of IFRS 16 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. 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.

(I) Finance lease

Based on management's evaluation, the PPA with OPWP with respect to 273 MW power plant has been classified as a finance lease under IFRS 16, since significant risks and rewards associated with the ownership of the plant are transferred to OPWP. As per the terms of PPA, the power generation is dependent on the Company's plant and OPWP, being the sole procurer of power generation in Oman, obtains significant amount of the power generated by the Company's plant. Accordingly, management has concluded that the PPA satisfies the requirements of IFRS 16.

Further, management has assessed the lease classification as per the requirements of IFRS 16 and has concluded that the arrangement is a finance lease, as the term of PPA is for the major part of the remaining economic life of the Company's plant. Accordingly, a finance lease receivable has been recognised in the financial statements.

The primary basis for this conclusion being that the PPA is for substantial portion of the life of the plant and the present value of minimum lease payments substantially equates the fair value of the plant at the inception of the lease.

(II) Operating lease

Based on management's evaluation, the PPA with OPWP with respect to 445 MW power plant has been classified as an operating lease under IFRS 16 since significant risks and rewards associated with the ownership of the plant lies with the Company. The primary basis for this conclusion is that the PPA is for a term of fifteen years while the economic life of the power plant is estimated to be forty 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. Further, the residual risk is borne by the Company.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Judgements (continued)

c) Revenue recognition

The Company is entitled to receive various considerations under PPA related capacity allowance, operation & maintenance allowance, fuel allowance, electrical energy allowance etc. As per requirements of IFRS 15 'Revenue from contracts with customer', management had assessed the distinct performance obligations promised under PPA, determined the transaction price, allocated the transaction price to separate performance obligations and existence of significant financing component in the PPA. Accordingly, the revenue is recognized when control of goods or services is transferred to the customer.

Due to different performance obligations and considerations under PPA, management judgement is involved in assessment of the above factors for revenue recognition. Further, the major maintenance revenue related to 273 MW power plant is estimated based on expected major maintenance cost over the term of PPA. Accordingly, if actual major maintenance cost differ from the estimates, the major maintenance revenue for the period would be impacted to such extent.

3.2 Estimates and assumptions

a) Provision for decommissioning obligation

Upon expiry of their respective Usufruct, 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.

b) Impairment of finance lease receivables and major maintenance receivable

The Company assesses on a forward looking basis the expected credit losses associated with its finance lease receivable and major maintenance receivable carried at amortized cost. The impairment provisions for financial lease receivable assessed based on the ECL model, using assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

c) Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on the Company's historical observed default rates.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance). The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

d) Electrical connection agreement – determining control and useful life of connection assets

The Company had entered into electrical connection agreements with transmission company for connection to the transmission system. The Company applies judgement in evaluating the terms of the contract to determine the control of connection assets. As per management's assessment, considering the load dispatch center function of transmission company along with right to operate and maintain the connection assets, it is concluded that the control for connection assets remains with the transmission company. Further, management has assessed that the Company will receive the benefits from connection assets till plant is in operation, accordingly, connection charges will be amortized over the estimated useful life of the plant.

4 PROPERTY, PLANT AND EQUIPMENT

	Plant	Buildings	Plant capital spares and other equipment	Decommissioning asset	Computers and equipment	Computer software	Motor Vehicles	Furniture and fixture	Sub total	Capital work-in-progress	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
Cost:											
At 1 January 2021	**149,918,418**	**9,007,974**	**1,480,899**	**1,393,077**	**317,793**	**102,254**	**19,750**	**57,880**	**162,298,045**	**92,907**	**162,390,952**
Additions	**292,993**	**-**	**-**	**-**	**10,633**	**-**	**-**	**-**	**303,626**	**(92,907)**	**210,719**
At 31 December 2021	**150,211,411**	**9,007,974**	**1,480,899**	**1,393,077**	**328,426**	**102,254**	**19,750**	**57,880**	**162,601,671**	**-**	**162,601,671**
Depreciation:											
At 1 January 2021	**10,701,627**	**675,598**	**540,919**	**69,639**	**149,524**	**94,195**	**17,221**	**48,823**	**12,297,546**	**-**	**12,297,546**
Depreciation for the year	**3,573,073**	**225,199**	**82,272**	**35,769**	**46,231**	**6,932**	**2,309**	**9,057**	**3,980,842**	**-**	**3,980,842**
At 31 December 2021	**14,274,700**	**900,797**	**623,191**	**105,408**	**195,755**	**101,127**	**19,530**	**57,880**	**16,278,388**	**-**	**16,278,388**
Net book value:											
At 31 December 2021	**135,936,711**	**8,107,177**	**857,708**	**1,287,669**	**132,671**	**1,127**	**220**	**-**	**146,323,283**	**-**	**146,323,283**
Cost:											
At 1 January 2020	149,918,418	9,007,974	1,480,899	928,519	265,758	102,254	19,750	57,880	161,781,452	8,165	161,789,617
Additions	-	-	-	-	52,035	-	-	-	52,035	84,742	136,777
Adjustments (note 15)	-	-	-	464,558	-	-	-	-	464,558	-	464,558
At 31 December 2020	149,918,418	9,007,974	1,480,899	1,393,077	317,793	102,254	19,750	57,880	162,298,045	92,907	162,390,952
Depreciation:											
At 1 January 2020	7,134,663	450,399	458,647	46,426	109,614	84,520	13,271	37,539	8,335,079	-	8,335,079
Depreciation for the year	3,566,964	225,199	82,272	23,213	39,910	9,675	3,950	11,284	3,962,467	-	3,962,467
At 31 December 2020	10,701,627	675,598	540,919	69,639	149,524	94,195	17,221	48,823	12,297,546	-	12,297,546
Net book value:											
At 31 December 2020	139,216,791	8,332,376	939,980	1,323,438	168,269	8,059	2,529	9,057	150,000,499	92,907	150,093,406

(i) All property, plant and equipment are mortgaged with banks against the term loan (note 16).

4 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2021	2020
	RO	RO
Operating costs (note 21)	**3,958,402**	3,933,069
General and administrative expenses (note 22)	**22,440**	29,398
	3,980,842	3,962,467

(iii) Plant is constructed on a land which is taken on a long-term lease contract from the Ministry of Housing.

5 FINANCE LEASE RECEIVABLE

As mentioned in note 3, the arrangement for 273 MW power plant is a finance lease. Accordingly, a finance lease receivable has been recognised in these financial statements.

	2021	2020
	RO	RO
Finance lease receivable	**43,379,830**	45,721,465
Less: provision for expected credit losses	**(156,980)**	(166,088)
	43,222,850	45,555,377
Non-current portion:		
Finance lease receivable - non current	**40,839,635**	43,379,830
Less: provision for expected credit losses	**(147,752)**	(157,582)
	40,691,883	43,222,248
Current portion:		
Finance lease receivable - current	**2,540,195**	2,341,635
Less: provision for expected credit losses	**(9,228)**	(8,506)
	2,530,967	2,333,129

The following table shows the maturity analysis of finance lease receivables:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total RO
31 December 2021					
Gross finance lease receivables	**5,989,248**	**5,989,249**	**17,967,746**	**35,935,490**	**65,881,733**
Less: unearned finance income	**(3,449,053)**	**(3,233,658)**	**(8,218,073)**	**(7,601,119)**	**(22,501,903)**
	2,540,195	**2,755,591**	**9,749,673**	**28,334,371**	**43,379,830**
31 December 2020					
Gross finance lease receivables	5,989,248	5,989,248	17,967,745	41,924,741	71,870,982
Less: unearned finance income	(3,647,613)	(3,449,054)	(8,980,176)	(10,072,674)	(26,149,517)
	2,341,635	2,540,194	8,987,569	31,852,067	45,721,465

The movement in provision for expected credit losses is as follows:

	2021	2020
	RO	RO
At 1 January	**166,088**	-
(Reversal) / provision charged during the year	**(9,108)**	166,088
At 31 December	**156,980**	166,088

6 MAJOR MAINTENANCE ACCRUED REVENUE

	2021 RO	2020 RO
At 1 January	**2,903,019**	3,119,782
Add: major maintenance revenue recognised during the year (note 20)	**234,258**	361,271
Add: finance income recognised during the year	**217,981**	251,829
Less: payments received during the year	**(829,863)**	(829,863)
Closing balance	**2,525,395**	2,903,019
Less: provision for expected credit losses	**(10,546)**	(10,546)
At 31 December	**2,514,849**	2,892,473
Current and non-current classifications as at the reporting date as follows:		
Non-current	**2,041,539**	2,316,152
Less: provision for expected credit losses	**(8,414)**	(8,414)
	2,033,125	2,307,738
Current	**483,856**	586,867
Less: provision for expected credit losses	**(2,132)**	(2,132)
	481,724	584,735
The movement in provision for expected credit losses is as follows:		
At 1 January	**10,546**	-
Provision charged during the year (note 22)	**-**	10,546
At 31 December	**10,546**	10,546

7 INVENTORIES

	2021	2020
Spares and consumables	**2,761,176**	2,794,368
Fuel	**2,929,173**	2,876,037
	5,690,349	5,670,405

8 TRADE AND OTHER RECEIVABLES

	2021	2020
Trade receivables from OPWP	**15,587,157**	27,754,183
Less: provision for expected credit losses	**(471)**	(84,348)
	15,586,686	27,669,835
Other receivables	**131,276**	85,000
	15,717,962	27,754,835

(i) Trade receivables are non-interest bearing and are on terms of 25 days.

(ii) The movement in provision for expected credit losses is as follows:

	2021	2020
At 1 January	**84,348**	89,901
Write off / reversal during the year	**(83,877)**	(5,553)
At 31 December	**471**	84,348

8 TRADE AND OTHER RECEIVABLES (continued)

(iii) The aging of unimpaired trade receivables at the reporting date was:

	2021	2020
	RO	RO
Less than 25 days	**3,223,120**	2,689,603
25 to 90 days	**4,154,523**	2,410,663
90 to 360 days	**8,209,514**	14,376,842
More than 360 days	**-**	8,277,075
	15,587,157	27,754,183

(iv) Trade receivable consists of RO 12,364,037 (2020 - RO 24,968,287) outstanding from OPWP against the fuel cost allowance which is overdue as on reporting date.

(v) From May 2021 onwards, OPWP has deferred fuel charge revenue payments and correspondingly, the Company has also deferred payments against fuel invoices to Ministry of Energy and Minerals (MEM). OPWP and MEM had agreed to offset the fuel charge receiveable and payable amounts till 31 December 2020 by way of an accounting adjustment. During current year, OPWP has paid fuel charges till April 2021 to the Company and corredpondingly the Company has also paid the fuel invoices to MEM. Settlement mechanism is under discussion with OPWP and MEM with respect to outstanding amount.

9 ADVANCES AND PREPAYMENTS

Advances and others	**1,863**	1,863
Prepaid expenses	**445,781**	422,763
	447,644	424,626

10 CASH AND CASH EQUIVALENTS

Cash at bank	**4,454,658**	4,665,002
Less: allowance for expected credit losses	**(16,949)**	(16,949)
	4,437,709	4,648,053
Cash in hand	**2,050**	685
	4,439,759	4,648,738
Cash and cash equivalents - gross	**4,456,708**	4,665,687

Bank balances are placed with reputed financial institutions in Sultanate of Oman and United Kingdom.

The movement in provision for expected credit losses is as follows:

At 1 January	**16,949**	-
Provision charged during the year (note 22)	**-**	16,949
At 31 December	**16,949**	16,949

11 SHARE CAPITAL

The authorised share capital of the Company as at 31 December 2021 is RO 120,000,000 (2020 : RO 120,000,000). Issued and paid up capital as at 31 December 2021 is RO 22,224,000 (2020 : RO 22,224,000) of 100 baiza. The Company has one class of ordinary shares which carry no right to fixed income.

Shareholders who own 10% or more of the Company's share capital at the reporting date are:

	2021		2020	
	Percentage shareholding	**No. of shares**	Percentage shareholding	No. of shares
MAP Power Holding Company Limited	**27%**	**60,004,800**	27%	60,004,800
Mitsui & Co. Middle East and Africa Projects Investment & Development Limited	**27%**	**60,004,800**	27%	60,004,800

12 LEGAL RESERVE

In accordance with the article 132 of the Commercial Companies Law 18/2019 applicable to companies registered in the Sultanate of Oman, 10% of a company's net profit after the deduction of taxes will be transferred to a non-distributable statutory reserve each year until the amount of such legal reserve has reached a minimum of one third of that Company's issued share capital. This reserve is not available for distribution to shareholders as dividends.

13 CASH FLOW HEDGE RESERVE

The USD long term facilities of the Company bear interest at US LIBOR plus applicable margins. The Company has fixed the rate of interest through Interest Rate Swap agreements ("IRS") entered into with various international banks for the facilities.

	2021	2020
	RO	RO
At 1 January (A)	**(9,770,973)**	(5,374,064)
Change in fair value during the year	**4,952,289**	(5,172,834)
Less: related deferred tax asset (note 19)	**(742,843)**	775,925
Change in fair value of hedge during the year (B)	**4,209,446**	(4,396,909)
At 31 December (C) = (A) + (B)	**(5,561,527)**	(9,770,973)

All the interest rate swaps are designated and effective as cash flow hedges and the fair value thereof has been recognised directly in other comprehensive income and presented in statement of changes in equity, net of related deferred tax.

14 DERIVATIVE FINANCIAL INSTRUMENTS

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. The Company has entered into five interest rate swap agreements with five international banks at fixed interest rates ranging from 2.6% - 3.2% per annum. The Company's borrowings at variable rate are denominated in US Dollars.

The Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the Company agrees with other parties to exchange, at specified intervals (quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

			Notional amount by term to maturity		
	Negative fair value	**Notional amount total**	**1-12 amount**	**More than 1 up to 5 years**	**Over 5 years**
	RO	**RO**	**RO**	**RO**	**RO**
31 December 2021					
Interest rate swaps	**6,542,972**	**76,564,042**	**4,156,385**	**17,634,499**	**54,773,158**
31 December 2020					
Interest rate swaps	11,495,262	80,571,392	4,007,350	17,127,708	59,436,334

14 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Current and non-current classifications as at the reporting date as follows;

	2021	2020
	RO	RO
Non-current	4,841,799	9,541,067
Current	1,701,173	1,954,195
	6,542,972	11,495,262

15 PROVISION FOR DECOMMISSIONING COSTS

At the beginning of the year	4,722,679	4,211,503
Additional provision made during year (note 4)	-	464,558
Reversal of provision during year	-	(103,105)
Unwinding of discount on decommissioning cost provision (note 24)	236,134	149,723
	4,958,813	4,722,679

The Company is committed under the lease agreement to decommission the site as a result of construction of the power plant. Decommissioning costs represent the present value of management's best estimate of the future outflow of the economic benefits that will be required to remove the facilities and restore the affected area at the Company's rented sites. The cost estimate has been discounted to present value using the pre-tax rate that reflects the risk specific to the decommissioning liability. The provision has been calculated using a discount rate of 5% per annum at the reporting date.

During the year 2020, the Company had reviewed the provision estimates for the 445MW plant and had revised the discount rate which resulted an increase in the provision. The effect of this change had resulted in increase of provision for decommissioning cost and decommissioning asset by RO 464,558. The asset is depreciated in accordance with IAS 16 - Property, plant and equipment. The expected costs of restoration are based on management's best estimates in line with the industry practice.

16 LONG TERM LOAN

At the beginning	146,894,306	154,242,763
Paid during the year	(8,370,642)	(7,348,457)
Gross loan amount	138,523,664	146,894,306
Less: unamortised arrangement fee	(1,171,937)	(1,358,433)
	137,351,727	145,535,873

Current and non-current classification of the team loan is as follows;

Non-current portion	127,221,502	138,578,204
Current portion	10,130,225	6,957,669
	137,351,727	145,535,873

The loan facility of RO 168,609,121 (USD 437,832,047) was provided by a consortium of local and international banks in pursuance with the PPA to finance the project cost. This loan is repayable in 31 semi-annual instalments starting from 31 July 2018.

According to Common Term Agreement the term loan facility comprises of:

	Currency	Total facility	Interest rates	Final repayment date
1.	RO	72,999,959	5.0% per annum	31 December 2032
2.	USD	248,271,000	LIBOR + 1.4% per annum	31 December 2032

16 LONG TERM LOAN (continued)

The repayment schedule of term loan is as follows:

	2021	2020
	RO	RO
Payable within one year	**10,323,955**	7,057,928
Payable between 1 and 2 years	**10,700,496**	7,575,124
Payable between 2 and 5 years	**32,980,829**	23,645,976
Payable after 5 years	**84,518,384**	108,615,278
	138,523,664	146,894,306

The Company hedges USD portion of the loan for interest rate risk via an interest rate swap arrangement as explained in note 13 and 14 to the financial statements.

The loan is secured by a charge on all project assets, assignment of insurance / reinsurances, agreement for security over promoters' shares and charge over the Company's project accounts. The weighted average effective interest rate on the bank loans is 4.16% per annum (2020: 3.97%) for USD facility and 5% per annum (2020: 4.80%) for RO Facility (overall effective rate 4.49% per annum) (2020: 4.29%). The loan is subject to certain covenants relating to maintenance of Debt Service Coverage Ratio.

Also as of 31 December 2021, the Company has undrawn working capital facility amounting to RO 7,700,000 (2020 - RO 7,700,000) with interest rate of 3.75% per annum (2020 - 3.75%).

The Company's cash sweep obligation under the loan agreement has taken effect from 31 July 2021. The cash sweep mechanism requires that after operating costs and debt service payments have been accounted for, 95% of the free cash flows to be paid to the lenders towards prepayment of the loan amount ("Cash Sweep Mechanism"). Under the Cash Sweep Mechanism, the first prepayment amounting to RO 1,312,716 (2020: nil) has been paid towards the settlement of loan outstanding amount on 28 October 2021.

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

	At 1 January	**Repayments during year**	**Non-cash changes**	**At 31 December**
	RO	**RO**	**RO**	**RO**
2021				
Senior facility loan	**145,535,873**	**(8,370,642)**	**186,496**	**137,351,727**
2020				
Senior facility loan	152,703,713	(7,348,457)	180,617	145,535,873

17 TRADE AND OTHER PAYABLES

	2021	2020
	RO	RO
Trade payables	**13,994,777**	25,912,935
Accrued expenses	**2,576,215**	2,864,269
Amount due to related parties (note 26)	**488,502**	481,915
VAT and other payables	**720,499**	-
	17,779,993	29,259,119

Trade payables include RO 12,449,857 (2020 - RO 23,632,106) payable to MEM against the Fuel Cost which is overdue as on the reporting date. Refer note 8 (v) for further details on long outstanding payable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021 (continued)

18 LEASES

The Company, as a lessee, has entered into the following contracts which are covered under IFRS 16:

- The Usufruct agreement with 40 years lease term.
- The office rent agreement with 3 years lease term.

The movement of right-of-use assets as of the reporting date as follows:

	2021	2020
	RO	RO
At 1 January	**1,855,736**	1,923,487
Depreciation charged during the year (note 21)	**(67,751)**	(67,751)
At 31 December	**1,787,985**	1,855,736

Movement of lease liability recognised as of the reporting date is as follows;

At 1 January	**2,071,784**	2,091,798
Interest accrued during the year (note 24)	**119,195**	120,278
Payments during the year	**(156,762)**	(140,292)
At 31 December	**2,034,217**	2,071,784

Current and non-current classification as of the reporting date is as follows;

Non-current lease liabilities	**1,881,501**	1,919,068
Current lease liabilities	**152,716**	152,716
	2,034,217	2,071,784

The following are the amounts recognised in the profit or loss;

Depreciation of right-of-use assets (note 21)	**67,751**	67,751
Interest on lease liabilities (note 24)	**119,195**	120,278
	186,946	188,029

For leases where the Company is lessor, please refer note 5.

The maturity of lease liability is as follows:

Not later than 1 year	**152,716**	152,716
1 - 2 years	**133,137**	152,716
2 - 5 years	**399,411**	458,148
More than 5 years	**1,348,953**	1,308,204
	2,034,217	2,071,784

19 TAXATION

Statement of profit or loss		
Deferred tax charge	**407**	1,799,575
Current tax charge		
- reversal of prior year provision	**-**	(342,030)
- in respect of prior years	**-**	83,241
	407	1,540,786

19 TAXATION (continued)

	2021 RO	2020 RO
Statement of financial position		
Non-current liability:		
Deferred tax-net	**9,323,996**	8,580,746
Current tax liability		
Current year	**2,993**	35,322
Movement for current tax liability:		
At 1 January	**35,322**	383,438
Charge for prior years	**-**	83,241
Reversal of prior year provision	**-**	(342,030)
Payments during the year	**(32,329)**	(89,327)
At 31 December	**2,993**	35,322

The total income tax for the year can be reconciled to the accounting profits as follows;

	2021 RO	2020 RO
Accounting profit before tax for the year	**2,841,672**	3,164,910
Tax at the rate of 15%	**426,251**	474,737
Add tax effect of:		
Expenses not allowed in tax	**971**	1,505
Deferred tax not recognised on tax losses	**936,888**	1,323,333
Deferred tax on carried forward tax losses	**(1,295,640)**	-
Deferred tax prior year	**(68,063)**	-
Currrent tax of previous years	**-**	(258,789)
Tax expense for the year	**407**	1,540,786

"During the year, tax assessments for years 2016 and 2017 were completed by the tax authorities.

The provision for the current and deferred tax have been recorded based on the finance lease model. Further, in respect of the unrealised gain of RO 22,989,752 (the difference between the fair value of plant and finance lease receivable) management has taken a view that this gain will be realised as a part of tariff received over the life of the PPA and only realised gain should be subjected to tax as per the Income Tax Law.

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

The government of Sultanate of Oman announced an Economic Stimulus Plan on 9 Mar 2021 to support the Sultanate's efforts to counter Covid effects on the economy. As per the plan, companies are allowed to carry forward their tax losses incurred for tax year 2020 for an unlimited period to be adjustable against future taxable income. The Company incurred tax loss of RO 8,637,600 for 2020. In view of the above, the Company has recognised a deferred tax asset of RO 1,295,640 in these financial statements.

The carried forward tax losses will expire within 5 years except for the tax year 2020. Management believes that future taxable profit will not be sufficient to offset the carried forward tax losses which will expire within 5 years, hence deferred tax asset of RO 5,099,233 (2020 - RO 5,488,108) has not been recognized on carried forward tax losses.

Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15%. The net deferred tax liability and deferred tax charge in the statement of comprehensive income are attributable to the following items;

19 TAXATION (continued)

Deferred tax (continued)

		Deferred tax recognised in		
	At 1 January RO	Profit or loss RO	OCI RO	At 31 December RO
31 December 2021				
Deferred tax asset				
Provision for decommissioning cost	**708,402**	**35,420**	**-**	**743,822**
Allowance for expected credit losses	**41,690**	**(13,948)**	**-**	**27,742**
Lease liabilities and right-of-use assets	**32,408**	**4,527**	**-**	**36,935**
Carried forward tax losses	**-**	**1,295,640**	**-**	**1,295,640**
Cash flow hedge reserve	**1,724,289**	**-**	**(742,843)**	**981,446**
	2,506,789	**1,321,639**	**(742,843)**	**3,085,585**
Deferred tax liability				
Accelerated tax depreciation	**(7,563,280)**	**(1,629,871)**	**-**	**(9,193,151)**
Unrealised gain on recognition of finance lease	**(2,815,375)**	**121,022**	**-**	**(2,694,353)**
Finance lease receivable for decommissioning asset	**(230,124)**	**26,430**	**-**	**(203,694)**
Unamortised major maintenance revenue	**(212,177)**	**86,944**	**-**	**(125,233)**
Prepaid rentals	**(68,063)**	**68,063**	**-**	**-**
Decommissioning asset	**(198,516)**	**5,366**	**-**	**(193,150)**
	(11,087,535)	**(1,322,046)**	**-**	**(12,409,581)**
Deferred tax liability - net	**(8,580,746)**	**(407)**	**(742,843)**	**(9,323,996)**

		Deferred tax recognised in		
	At 1 January RO	Profit or loss RO	OCI RO	At 31 December RO
31 Dec 2020				
Deferred tax asset				
Provision for decommissioning cost	631,725	76,677	-	708,402
Allowance for expected credit losses	13,485	28,205	-	41,690
Lease liabilities and right-of-use assets	25,248	7,160	-	32,408
Cash flow hedge reserve	948,364	-	775,925	1,724,289
	1,618,822	112,042	775,925	2,506,789
Deferred tax liability				
Accelerated tax depreciation	(5,546,648)	(2,016,632)	-	(7,563,280)
Unrealised gain on recognition of finance lease	(2,924,017)	108,642	-	(2,815,375)
Finance lease receivable for decommissioning asset	(256,524)	26,400	-	(230,124)
Unamortised major maintenance revenue	(277,695)	65,518	-	(212,177)
Prepaid rentals	(38,720)	(29,343)	-	(68,063)
Decommissioning asset	(132,314)	(66,202)	-	(198,516)
	(9,175,918)	(1,911,617)	-	(11,087,535)
Deferred tax liability - net	(7,557,096)	(1,799,575)	775,925	(8,580,746)

20 REVENUE

	2021 RO	2020 RO
Revenue recognised over time		
Revenue from a contract witha customer		
Fuel cost allowance	**18,663,027**	16,678,273
Fixed operation and maintenance allowance	**6,982,700**	7,030,280
Electrical energy allowance	**113,759**	104,032
Major maintenance (note 6)	**234,258**	361,271
	25,993,744	24,173,856
Revenue from lease contracts		
Interest income from finance lease	**3,647,613**	3,830,652
Investment charge from operating lease	**12,458,011**	12,557,073
	16,105,624	16,387,725
	42,099,368	40,561,581

21 OPERATING COSTS

Fuel cost	**18,814,513**	16,529,335
Operation and maintenance charges	**7,220,621**	7,370,502
Depreciation (note 4)	**3,958,402**	3,933,069
Insurance	**638,028**	671,849
Major maintenance expenses	**168,608**	265,310
Depreciation of right-of-use asset (note 18)	**67,751**	67,751
Electricity import cost	**101,765**	209,195
Transmission connection charges	**158,360**	161,810
	31,128,048	29,208,821

22 GENERAL AND ADMINISTRATIVE EXPENSES

Employee costs (note 23)	**476,908**	561,676
Legal and professional charges	**297,710**	253,702
Provision for expected credit losses [note 22 (i)]	**-**	188,030
Information technology and software related expenses	**97,134**	115,433
License fees to regulator	**104,986**	95,910
Director sitting, remuneration and travelling expenses (note 26)	**35,400**	38,182
Depreciation (note 4)	**22,440**	29,398
Communication expenses	**24,146**	22,502
Corporate social responsibility expense	**15,000**	15,000
Training expenses	**9,023**	4,250
Miscellaneous expenses	**95,201**	102,503
	1,177,948	1,426,586

(i) Provision for expected credit losses		
Finance lease receivables (note 5)	**-**	166,088
Major maintenance revenue receivables (note 6)	**-**	10,546
Trade and other receivable (note 8)	**-**	(5,553)
Cash and cash equivalents (note 10)	**-**	16,949
	-	188,030

23 EMPLOYEE COSTS

Salaries and the related costs included under general and administrative expenses consist of the following:

Salaries, wages and other benefits	**438,202**	495,327
Contributions to a defined contribution retirement plan	**13,600**	14,224
Charge for employee end of service benefits	**25,106**	52,125
	476,908	561,676

24 FINANCE COST

	2021 RO	2020 RO
Interest on long term loan	**6,499,628**	6,524,564
Interest on lease (note 18)	**119,195**	120,278
Amortisation of deferred financing cost on term loan	**186,496**	180,617
Unwinding of discount on decommissioning cost provision (note 15)	**236,134**	149,723
LC commission	**127,186**	120,725
Interest on working capital loan	**22,626**	20,291
	7,191,265	7,116,198

25 EARNINGS PER SHARE

Profit for the year (RO)	**2,841,265**	1,624,124
Weighted average number of ordinary shares	**222,240,000**	222,240,000
	0.013	0.007

Diluted earnings per share is same as the earnings per share as the Company has not issued any instruments during the period which would have an impact on earnings per share when exercised.

26 RELATED PARTY TRANSACTIONS

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. Pricing policies and terms of these transactions are approved by the Board of directors.

The Company maintains balances with these related parties which arise in the normal course of business from the commercial transactions, and are entered into at terms and conditions which are approved by the management.

Significant related party balances and transactions as of the reporting date as follows:

Balances at the reporting date (Note 17)

Due to related parties (related to major shareholders)		
Dhofar O&M LLC	**482,003**	453,790
First National Company for Operation and Maintenance - Oman	**6,499**	25,326
Directors sitting fee payable	**-**	1,200
Mitsui & Co. Middle East and Africa Projects investment & Development Ltd	**-**	800
International Company for Water and Power Projects - KSA	**-**	799
	488,502	481,915
Transactions during the period		
O&M fee and related charges	**7,763,618**	7,399,127
Secondment charges and expense reimbursement	**215,429**	461,430
Services received	**7,979,047**	7,860,556
Services rendered	**164,366**	192,498

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise). The compensation for key managerial personnel during the year are as follows:

Short-term employee benefits	**173,561**	172,952
Long-term employee benefits	**11,977**	40,670
Directors sitting fees, remuneration and travelling expenses (note 22)	**35,400**	38,182
	220,937	251,804

26 RELATED PARTY TRANSACTIONS (continued)

Amounts due from/to related parties are interest free, unsecured and receivable on demand. Amount due from related parties are subject to the impairment requirement of IFRS 9, and were assessed as such and management believes the identified impairment loss was immaterial.

27 FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities, other than derivatives, comprise loans, and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include finance lease receivable, trade receivables, and cash that derive directly from its operations.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates 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 optimizing the return on risk.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives at the reporting date.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of comprehensive item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at the reporting date including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges for the effects of the assumed changes of the underlying risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

To manage this, the Company enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

At reporting date, after excluding the effect of interest rate swaps, 42% of the Company's borrowings are at a fixed rate of interest (31 December 2020: 42%).

At the reporting date the interest rate risk profile of the Company's interest bearing financial instruments is as follows:

	2021	2020
	RO	RO
Fixed rate instrument		
Term loan	**58,686,402**	62,081,331
Variable rate instrument		
Term loan	**79,837,262**	84,812,975

Interest rate sensitivity

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

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant

27 FINANCIAL RISK MANAGEMENT (continued)

Interest rate sensitivity (continued)

	Profit or loss		Equity	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
31 December 2021				
Variable rate financial liabilities	**(798,373)**	**798,373**	**(678,617)**	**678,617**
Interest rate swaps	**758,454**	**(758,454)**	**644,686**	**(644,686)**
Net sensitivity	**(39,919)**	**39,919**	**(33,931)**	**33,931**

	Profit or loss		Equity	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
31 December 2020				
Variable rate financial liabilities	(848,130)	848,130	(720,911)	720,911
Interest rate swaps	805,724	(805,724)	684,865	(684,865)
Net sensitivity	(42,406)	42,406	(36,046)	36,046

Foreign currency risk

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

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables and finance lease receivable).

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables is regularly monitored. Trade receivable balance represents receivables from OPWP, a Government customer in Oman.

This customer is transacting with the Company for number of years. Accordingly the balance due from this customer is assessed to have a strong high credit quality or limited credit risk. At reporting date, the Company had one customer (31 December 2020: one customer).

An impairment analysis is performed at each reporting date as per IFRS 9 expected credit loss method. The provision rates are based on days past due for the outstanding balance. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets and the amount is immaterial to the financial statements for the year ending 31 December 2021. The Company does not hold collateral as security.

The Company evaluates the concentration of risk with respect to trade receivables as low, as its customer is located in Oman and it is a Government customer.

Finance lease receivable

Finance Lease receivable has been recorded in accordance with the terms of the PPA with OPWP, a Government company in Oman and a provision for ECL is recognised at the reporting date.

27 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Cashat bank

Credit risk on bank balances is limited as same are held with banks with sound credit ratings.

Credit Concentration

Except as disclosed, no significant concentrations of credit risk were identified by the management as at the statement of financial position date.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition the Company has access to credit facilities.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments:

	Carrying Amount value	Contractual cash flows	Less than 1 year	More than 1 year
	RO	RO	RO	RO
31 December 2021				
Non-derivative financial liabilities				
Term loan	**137,351,727**	**186,297,393**	**13,498,479**	**172,798,914**
Trade payables	**13,994,777**	**13,994,777**	**13,994,777**	**-**
Lease liabilities	**2,034,217**	**4,812,511**	**152,716**	**4,659,795**
Accrued expenses	**2,576,215**	**2,576,215**	**2,576,215**	**-**
Due to related parties	**488,502**	**488,502**	**488,502**	**-**
	156,445,438	**208,169,398**	**30,710,689**	**177,458,709**
Derivative financial liabilities				
Gross payable under IRS	**6,542,972**	**6,542,972**	**1,701,173**	**4,841,799**
	162,988,410	**214,712,370**	**32,411,862**	**182,300,508**
31 December 2020				
Non-derivative financial liabilities				
Term loan	145,535,873	199,321,640	13,303,455	186,018,185
Trade payables	25,912,935	25,912,935	18,114,031	7,798,904
Lease liabilities	2,071,784	4,965,227	152,716	4,812,511
Accrued expenses	2,864,269	2,864,269	2,864,269	-
Due to related parties	481,915	481,915	481,915	-
	176,866,776	233,545,986	34,916,386	198,629,600
Derivative financial liabilities				
Gross payable under IRS	11,495,262	11,495,262	1,954,195	9,541,067
	188,362,038	245,041,248	36,870,581	208,170,667

27 FINANCIAL RISK MANAGEMENT (continued)

Categories of financial instruments

	2021	2020
	RO	RO
Financial assets (at amortised cost)		
Cash and cash equivalents	**4,439,759**	4,648,738
Finance lease receivable	**43,222,850**	45,555,377
Major maintenance receivables	**2,514,849**	2,892,473
Trade and other receivables	**15,717,962**	27,754,835
	65,895,420	80,851,423
Financial liabilities (at amortised cost)		
Long term loan	**137,351,727**	145,535,873
Lease liabilities	**2,034,217**	2,071,784
Trade and other payables	**17,779,993**	29,259,119
	157,165,937	176,866,776

28 FAIR VALUES

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	2021		2020	
	Carrying value	**Fair value**	Carrying value	Fair value
	RO	**RO**	RO	RO
Financial assets				
Cash and cash equivalents	**4,439,759**	**4,439,759**	4,648,738	4,648,738
Finance lease receivables	**43,222,850**	**43,222,850**	45,555,377	45,555,377
Major maintenance revenue receivables	**2,514,849**	**2,514,849**	2,892,473	2,892,473
Trade receivable	**15,586,686**	**15,586,686**	27,669,835	27,669,835
Other receivables	**131,276**	**131,276**	85,000	85,000
	65,895,420	**65,895,420**	80,851,423	80,851,423

	2021		2020	
	Carrying	**Fair value**	Carrying	Fair value
	RO	**RO**	RO	RO
Financial liabilities				
Interest bearing loans and borrowings				
- Floating rate borrowings	**79,837,262**	**79,837,262**	84,812,975	84,812,975
- Fixed rate borrowings	**58,686,402**	**58,686,402**	62,081,331	60,679,867
Trade payables	**13,994,777**	**13,994,777**	25,912,935	25,912,935
Lease liabilities	**2,034,217**	**2,034,217**	2,071,784	2,071,784
Accrued expenses	**2,576,215**	**2,576,215**	2,864,269	2,864,269
Due to related parties	**488,502**	**488,502**	481,915	481,915
Derivative financial liabilities	**6,542,972**	**6,542,972**	11,495,262	11,495,262
	164,160,347	**164,160,347**	189,720,471	188,319,007

29 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and benefit other stake holders. The management'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. Management is confident of maintaining the current level of profitability by enhancing top line growth and prudent cost management. The Company is not subject to externally imposed capital requirements.

The capital structure of the Company comprises of net debt (borrowings as detailed in notes 16 and lease liabilities offset by cash and bank balances) and equity of the Company (comprising the share capital, reserves and retained earnings). The Company is not subject to externally imposed capital requirements other than the requirements of the Commercial Companies Law.

The Board regularly reviews the capital structure of the Company. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The gearing ratio at 31 December 2021 is 316.71% (2020: 380.65%).

Gearing ratio

Gearing ratio at the reporting date as follows:

	2021	2020
	RO	RO
Debt (i)	**139,385,944**	147,607,657
Cash and bank balances	**(4,439,759)**	(4,648,738)
Net debt	**134,946,185**	142,958,919
Equity (ii)	**42,606,625**	37,556,074
Net debt to equity ratio	**316.73%**	380.65%

(i) Debt is defined as long and short-term borrowings (excluding derivatives) as described in note 16 and lease liabilities (note 18).

(ii) Equity includes all capital and reserves of the Company that are managed as capital.

30 COMMITMENTS AND CONTINGENCIES

(i) Debt Service Reserve Account Letter of Credit

At 31 December 2021, the Company had contingent liabilities in respect of Debt Service Reserve Account ('DSRA') letter of credit amounting to RO 2,642,747 and USD 8,862,338 (2020 : RO 2,609,818 and USD 9,082,298) in accordance with the requirement of the Common Terms Agreement ('CTA') given in the normal course of business on which no material liabilities are expected to arise.

(ii) Sponsors' Fuel Reserve Account (FRA) Commitment

Under the Common Terms Agreement (CTA) the project's sponsors are required to provide the Fuel Reserve Account (FRA) commitment to the offshore trustee. The FRA commitment can be provided in the form of cash, letter of credit (LC) or letter of guarantee (LG). At 31 December 2021, Mitsui & Co., Ltd and ACWA Power provided their support through letter of guarantee and letter of credit respectively, whereas DIDIC deposited the cash of RO 311,930 (2020 : RO 311,930) in FRA bank account to comply with the CTA requirements. FRA bank balance and FRA support can only be utilized with lenders' and sponsors' consent, therefore DGC do not have any control on these amounts and the amount received from DIDIC is held in a fiduciary capacity and not accounted in these financial statements.

(iii) Capital commitments

The Company has no capital commitments as of 31 December 2021 (2020: RO 275,494) with contractors for construction and other activities.

30 COMMITMENTS AND CONTINGENCIES (continued)

(iv) Operating lease arrangement where the Company acts as a lessor

As disclosed in notes to these financial statements, the arrangement between the Company and OPWP under the PPA for 445 MW power plant is covered under IFRS 16 Leases and such arrangement in substance represents an operating lease under IFRS 16 Leases. The lease commenced on 1 January 2018. The following is the total of future minimum lease receipts expected to be received under the PPA:

	2021	2020
	RO	RO
Due within one year	**13,431,202**	13,445,683
Due after one year but within five years	**53,753,643**	53,772,103
Due after five years	**80,511,885**	93,924,626
	147,696,729	161,142,412

(v) Capital connection fee charges

The Company had entered into agreements for connection to the transmission system and has to pay the fixed and variable connection charges related to connection assets and operation and maintenance fee.

The minimum fixed future payments under the electrical connection agreements are as follow:

Due within one year	**271,958**	271,958
Due after one year but within five years	**1,087,832**	1,087,832
Due after five years	**1,275,462**	1,547,420
	2,635,252	2,907,210

31 NET ASSETS PER SHARE

Net assets per share is calculated by dividing the net assets attributable to the ordinary shareholders of the Company by the ordinary shares outstanding at the reporting date.

Net assets – shareholder funds	**42,606,625**	37,556,074
Total number of ordinary shares	**222,240,000**	222,240,000
Net assets per share	**0.192**	0.169

32 SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components of the same entity; whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Information regarding the Company's operating segments is set out below in accordance with IFRS 8 - Operating segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Company operates in one business segment that of generation of power. All relevant information relating to this primary segment is disclosed in the statement of financial position, statement of comprehensive income and notes to the financial statements.

No geographical analysis has been disclosed as 100% of the Company's revenue is from one customer based in Oman.

33 DIVIDEND PAYMENT

During the year, the Company paid dividends of 9 Baiza per share for 222,240,000 number of shares amounting to RO 2,000,160 (2020: 18 Baiza per share for 222,240,000 number of shares amounting to RO 4,000,320). These dividends were approved at the Annual General Meeting held on 16 March 2020.