Sembcorp Salalah
سيمبكورب صلاله

ANNUAL REPORT **2020**

Vital to Life



Registered office:
P.O. Box 1466
Postal Code 211
Salalah
Sultanate of Oman

Principal place of business:
Salalah
Sultanate of Oman

HIS MAJESTY SULTAN QABOOS BIN SAID (Late)

HIS MAJESTY SULTAN HAITHAM BIN TARIK

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Board of Directors

Tan Cheng Guan
Chairman

Kalat Al Bulooshi
Deputy Chairman

Ng Meng Poh
Non-Executive Director

Ahmed Ali Sulaiman Al Bulushi
Independent Non-Executive Director

Tariq Ali Salim Al Amri
Independent Non-Executive Director

Sheikh Khalid Mohammed Ali Al Hamoodah
Independent Non-Executive Director

Diane Chen Dan
Non-Executive Director

Ahmed Ali Ahmed Al Moosawi
Non-Executive Director

Abdullah Mohammed Ali Al Ma'mari
Independent Non-Executive Director

Executive Management

Humaid Salim Al Amri
Chief Executive Officer

Tariq Bashir
Chief Financial Officer
and Company Secretary

Pratush Sinha
Plant Manager

Salim Mohammed Al Mashikhi
Human Resource
& Admin Manager

Chairman's Report

Dear Shareholders,

On behalf of the Board of Directors (the Board) of Sembcorp Salalah Power & Water Company ("SSPWC" or "the Company"), I am pleased to present the audited financial statements for the year ended 31 December 2020.

Financial Results

Despite a challenging year faced by the global economy, I am delighted to report that the Company has delivered a second consecutive year of record net profit of RO 18.3 million for the year 2020, registering a 22% increase from RO 15.0 million in 2019. Operating profit has also increased to RO 33.8 million in 2020 compared to RO 31.3 million the year before. The increase in net profit was due mainly to Cyclone Mekunu insurance claim settlement, disciplined cost control and management, as well as lower finance costs. The Company has a strong balance sheet, ending the year with net assets of RO 109.3 million.

As the world continues to overcome the COVID-19 pandemic, the Board and the Management has undertaken all necessary precautions to protect our people, assets and operations. We are heartened to report that our efforts has enabled our business to continue without disruptions.

I invite you to refer to the Management Discussion and Analysis Report section of the Annual Report for more information regarding the Company's financial results.

Dividends

Following a record performance this year, the Board is pleased to recommend a final dividend of Baizas 1.8 per share for 2020. Together with the interim dividend of Baizas 6.4 per share distributed in November 2020, the total dividend for the year 2020 amounts to Baizas 8.2 per share.

The Company follows a reasonable dividend payout policy, subject to debt repayments, working capital and operational expenditure requirements. The amount of annual dividends and the determination whether to pay dividends in any year may be affected by a number of other factors, including the Company's business prospects, financial performance, free cash availability, covenants under the Financing Documents and the outlook for the power and water sector.

Operations

The Company is a key power and water producer in the Dhofar region. We expect to remain as one of the key power and water producers to meet the demands of the region. We continue to strive for the highest level of plant availability and reliability, which is critical to the ongoing success of the Company. In 2020, the reliability of the power and water plant was 99.87% and 99.73% respectively, comparable to 99.96% and 99.93% in 2019. The power plant load factor decreased from 46.57% in 2019 to 38.46% in 2020, mainly due to the decrease in electricity demand in the region due to COVID-19 impact. Water plant load factor remained high at 99.97% as compared to 99.40% in 2019. However, due to the take or pay commercial arrangement that we have with Oman Power & Water Procurement Company (OPWP), the plant load factor does not have a significant impact on the profitability of the Company.

In spite of the exceptional challenges in 2020, the Company was able to continue with normal operations and planned maintenance of the plant. In addition, the Company has also implemented various plant improvement initiatives.

Going forward

The commitment to safe and reliable operations will remain the Company's top priority. At the same time, the Company will remain focused on maximising shareholder returns through a continued watch on the financial and operational performance of the Company.

Health, Safety & the Environment (HSE)

The health and safety of our people as well as protecting the environment we live in remain critical to our business. We aim to achieve world-class health and safety performance in our daily operations and our management team is committed to continuous improvement on this front.

The Company has undertaken various measures to mitigate the impact of the global pandemic on our people and operations. A handful of COVID-19 cases were reported in our company but we are pleased to report that all the affected employees have since fully recovered. Due to the measures taken to effectively contain the spread of the virus, there was no significant impact on our operations.

I am also pleased to report that there were no lost time incidents (LTI) and zero incidents of environmental non-compliance in 2020.

Last year, the Company embarked on a Behaviour-Based Safety (BBS) programme to nurture a proactive culture where health and safety is everyone's responsibility. To foster greater ownership of safety practices in our company, employees are encouraged to conduct regular BBS observations for the purpose of affirming positive safety behaviour as well as to take corrective actions. This initiative is now well embedded throughout our organisation, setting us on track to achieve our desired HSE culture.

Caring for the Environment and Communities

The Company recognises the importance of being a good corporate citizen in the conduct of our business activities and is committed to caring for the environment and making a positive impact in the community that we operate in. We continuously improve our waste management system and reduce carbon emissions by managing our auxiliary power consumption. The Company follows a consistent approach for charitable contributions and community investments that bring positive benefits to the local communities. Last year, the Company contributed RO 29,931 worth of ventilator to support the Ministry of Health in combating the pandemic. In addition, the Company disbursed RO 29,823 for corporate social responsibility (CSR) activities to improve the public infrastructure and to promote education, health and environmental awareness in the Mirbat municipality and nearby communities.

Corporate Governance

The Board believes that a business built on the principles of good governance is key to our long-term success. Our Company is in compliance with the Code of Corporate Governance issued by the Oman Capital Market Authority. More details can be found in the Corporate Governance Section of this report.

On Record

As the Chairman of the Board, I would like to thank my fellow directors, our shareholders, our client (OPWP), regulators (the Authority for Public Services Regulation, previously known as Authority for Electricity Regulation, and Capital Market Authority), and our partners (the Environment Authority, previously known as Ministry of Environment and Climate Affairs), the Ministry of Energy and Minerals (previously known as Ministry of Oil and Gas), the Oman Electricity Transmission Company, Dhofar Directorate General of Water, OQ Company (previously known as Oman Gas Company) and other governmental and non-governmental bodies) for their guidance and support. I also thank all our employees and contractors for their dedication and commitment to the Company.

Finally, on behalf of the Board of Directors and our people, I would like to extend our deep appreciation and gratitude to His Majesty Sultan Haitham Bin Tariq Al Said's wise leadership and his continued support and encouragement to the private sector. We look forward to continue supporting His Majesty's government and remain committed to our mission to supply quality and reliable power and water of the highest standards to the Dhofar region.

Tan Cheng Guan
Chairman of the Board

Operational Highlights

Health, Safety & the Environment (HSE)

Health and Safety

Sembcorp Salalah Power & Water Company SAOG ("Sembcorp Salalah" or "the Company") recorded 465,739 man-hours without lost time incidents and was in full environmental compliance in 2020. Since the start of commercial operations, Sembcorp Salalah has been continuously working to cultivate a safe work culture. The strong commitment of our staff in upholding HSE best practices has enabled us to achieve commendable milestones, such as our fourth million safe man-hours in 2019. Sembcorp Salalah is accredited with the Integrated Management System Standard ISO 9001: 2015, ISO 14001:2015, and OSHAS 18001:2007.

The Company provides a sound framework to promote a safety culture for its employees and contractors, where safety is upheld as the upmost priority in the workplace at all times. To ensure that our staff is capable and adheres to the company safety standards, the Company provides its employees with relevant HSE and technical capability development training. The Company also conducts safety drills based on its HSE policies and procedures.

In order to further enhance the safety culture in the Company, the Management implemented a behaviour-based safety observation (BBS) programme in 2019. This programme elevates the Company's safety culture by equipping employees with the required safety skills and also aims to heighten safety awareness through structured recording, monitoring, analysis, tracking and communication of safety observations. The BBS programme also helps to define proactive safety indicators, encourage better communication through graphical reports and to create and follow up on corrective actions. The programme is internationally recognised, used by many companies globally and has a proven track record in reducing incident rates in organisations. The Management has observed significant improvement in the Company's HSE culture and attitudes towards HSE after the implementation of the BBS programme.

Environment

As part of our environmental protection effort, we participated in a campaign launched by the Environment Authority in 2020 to eradicate the parthenium plant, a highly invasive and poisonous species that can cause

widespread harm to native plants, human and livestock, in the Dhofar Governorate. We were recognised by the Environment Authority for our efforts to help combat the spread of the parthenium plant.

COVID-19 Pandemic

Dhofar region was not significantly impacted by the COVID-19 pandemic, registering very low number of COVID-19 cases throughout 2020. Nevertheless, the Company activated its business continuity plan and took all necessary precautionary measures to protect our people and operations. Some of the initiatives included regular disinfection of the plant, the formation of split team arrangements, the preparation of emergency response plans to tackle emergency situations, provision of all required PPEs, and the reconfiguration of the plant entrance system to enable active screening of employees and visitors. In 2020, a total of seven COVID-19 cases were reported among the employees and contract staff of the Company, and they have all recovered fully.

Capacity

With five gas turbines and two steam turbines, the contracted power capacity of the Sembcorp Salalah Independent Water and Power Plant (the Plant) is 445 megawatts (MW). The plant's water production is based on a seawater reverse osmosis process and the contracted water production capacity is 15 Million Imperial Gallons per Day (MiGD). As per our performance test result in 2020, plant net output at delivery point was significantly better than the contracted capacity.

Availability

The availability of a plant is the amount of time it is technically capable of generating power and water according to its specifications. According to its Power and Water Purchase Agreement (PWPA), Sembcorp Salalah is allowed to take 15% of power contracted capacity as planned outage in winter and none in summer, and 5% of contracted capacity for water throughout the year. The annual availability for Sembcorp Salalah in 2020 was 89.42% for power and 98.50% for water.

Reliability

The reliability of a plant is its ability to deliver its declared availability under the terms of its PWPA. In 2020, Sembcorp Salalah achieved power and water plant annual reliability of 99.87% and 99.73% respectively.

Plant Energy Efficiency (Heat Rate)

The energy efficiency of a power plant is measured in terms of the amount of energy required to produce one unit of power. Sembcorp Salalah's heat rate performance in 2020 was better than what was contracted in the PWPA, which contributed to better profitability, and showed a slight improvement compared to previous years.

Maintenance

The Company continues to diligently and proactively perform maintenance of the plant to improve plant operation, efficiency and its sustainability. During the year, in addition to routine maintenance of the plant, the Company successfully completed a major inspection of the steam turbine, a combustion inspection of two gas turbines, a Distribution Control System (DCS) upgrade, the installation of an electro hydro oil filter, the installation of a new Continuous Emission Monitoring System (CEMS), the strengthening of the industrial cyber security system, and the replacement of LED lamps.

Awards

During 2020, Sembcorp Salalah was named one of the Best Performing Omani Companies (Large Cap) at the Alam al-Iktisaad Wal A'mal (AIWA) Awards. AIWA, a leading Arabic business publication, conducts an annual survey to identify the best performing Muscat Securities Market listed companies, and to recognise organisations that excel in growth and efficiency.

Description of the Company

Overview of Sembcorp Salalah

Sembcorp Salalah developed, owns and operates an electricity generation and seawater desalination plant located between the towns of Taqah and Mirbat, approximately 50 kilometres from the regional capital of Salalah, which is home to over 200,000 residents. The Plant has been in full commercial operation since May 25, 2012 and has a contracted power capacity of 445 megawatts and a contracted water capacity of 15 MiGD. The Plant plays a major role in meeting the growing power and water demands of the region over the short, medium and long term.

The Company generates its revenues pursuant to a 15-year term PWPA with OPWP. Under the terms of the PWPA, the Plant's contracted power and water capacity is sold exclusively to OPWP on a long-term take-or-pay basis.

History and Background of Sembcorp Salalah

In November 2007, the Oman Government implemented various privatisation policies designed to encourage private sector participation in the electricity and related water sector. In accordance with this implementation, OPWP, together with its financial, legal and technical advisers, invited bids for the Salalah Independent Water & Power Plant project (the Project), comprising the development, ownership, financing, design, construction and operation of the Plant.

A consortium comprising Sembcorp Utilities and Oman Investment Corporation (OIC) submitted its bid for the project on June 16, 2008, in competition with other consortia. On December 8, 2008, OPWP selected the Sembcorp Utilities / OIC consortium as the preferred bidder for the Project.

The first phase of the project (designated as the "Phase 1 Power Milestone") was completed in the third quarter of 2011, and within 19 months of the signing of the PWPA. The Plant began dispatching approximately 61 megawatts of power to the power grid. The second phase was subsequently completed in the first quarter of 2012. The construction of the Plant was successfully completed and the final acceptance tests were achieved in May 2012. The Project's total capital cost as of the commercial operation date (COD) in May 2012 was RO 378 million, which included all construction, insurance and related costs (including financing costs).

The following table shows the chronology of the project's implementation:

Date	Event
November 2007	Request for proposal issued by OPWP
June 16, 2008	Bid submission by Sembcorp Utilities / OIC consortium
December 8, 2008	Sembcorp Utilities / OIC consortium declared as preferred bidder
November 23, 2009	Execution of PWPA and declaration of Effective Date
March 2010	Financial close
July 2011	Phase 1 Power Milestone achieved
January 2, 2012	Phase 2 Power Milestone achieved
March 12, 2012	Phase 2 Water Milestone achieved
April 5, 2012	Scheduled COD and commencement of the term of the PWPA
May 25, 2012	COD achieved
April 3, 2027	Expiry date of PWPA

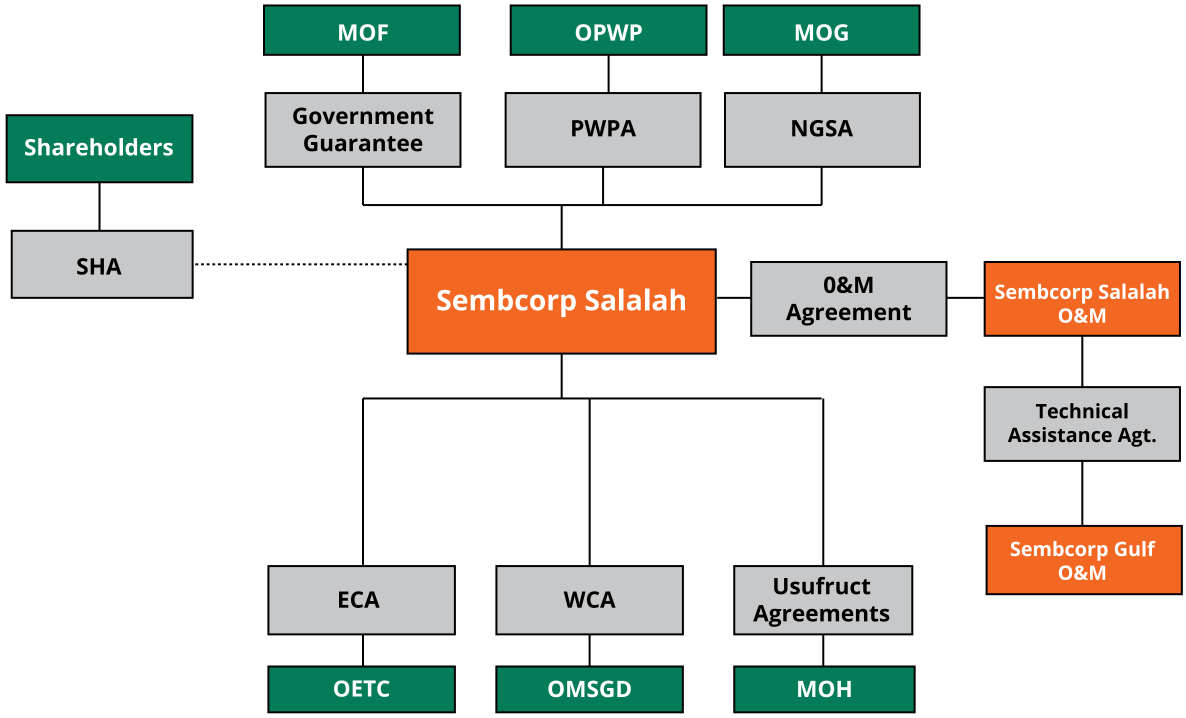
The EPC contractor for the project was SEPCOIII while the EPC supervision and commissioning of the desalination plant was subcontracted to Hyflux. The Plant uses combined-cycle gas turbine technology and has dual fuel capability with natural gas as the primary fuel and diesel as a back-up fuel. It uses reverse osmosis technology for the production of potable water from seawater desalination. Sembcorp Salalah uses General Electric's 6FA gas turbines and Hyflux's reverse osmosis technology.

The Ministry of Finance guarantees the payment obligations due from OPWP to Sembcorp Salalah. This guarantee will remain in force until the initial financing for the project has been fully paid and OPWP maintains BBB- credit rating for 730 days. OPWP pays a charge consisting of a capacity charge covering the Plant's fixed costs and a return on capital, and a variable charge to cover energy and other variable costs. Hence, as long as the power and water is available for dispatch, capacity charges will be paid, subject to agreed outages for maintenance.

Summary of Contractual Framework

The following table and diagram illustrate the key contracts and the relevant counterparties relating to the project:

Project Document	Parties	Effective Date	Term	Expiration Date
Project Founders Agreement (PFA)	Electricity Holding Company, the Project Founders and their parent companies and BDCC Investment Company	November 23, 2009	15 years from the Scheduled COD	April 3, 2027
Power and Water Purchase Agreement (PWPA)	Sembcorp Salalah and OPWP	November 23, 2009	15 years from the Scheduled COD	April 3, 2027
Natural Gas Sales Agreement (NGSA)	Sembcorp Salalah and the Ministry of Oil & Gas	November 23, 2009	15 years from the Scheduled COD	April 3, 2027
Electricity Connection Agreement (ECA)	Sembcorp Salalah and Oman Electricity Transmission Company	November 23, 2009	25 years from the Effective Date	November 22, 2034
Water Connection Agreement (WCA)	Sembcorp Salalah and the Office of the Minister for State and the Governor of Dhofar	December 15, 2014	25 years from the date of signing of the WCA	December 15, 2039
Usufruct Agreement	Sembcorp Salalah and the Ministry of Housing	November 23, 2009	25 years from the Effective Date, subject to a further extension of 25 years at the option of Sembcorp Salalah	November 22, 2034, subject to extension
Usufruct Agreement relating to the Temporary Areas	Sembcorp Salalah and the Ministry of Housing	November 23, 2009	4 years from the Effective Date	November 22, 2013
Contractual Service Agreement (CSA)	Sembcorp Salalah and General Electric	December 15, 2009	20 years from the date of the CSA	December 14, 2029
Government Guarantee	Sembcorp Salalah and the Ministry of Finance	November 23, 2009	15 years from the Scheduled COD	April 3, 2027
O&M Agreement	Sembcorp Salalah and Sembcorp Salalah O&M Services Company LLC	February 8, 2010	15 years from the Scheduled COD	April 3, 2027
Technical Assistance Agreement	Sembcorp Salalah O&M Services LLC and Sembcorp Gulf O&M Co. Ltd	February 8, 2010	15 years from the Scheduled COD	April 3, 2027



Competitive Strengths

Sembcorp Salalah's competitive strengths include:

Strong Predictability of Stable Cash Flows

Under the PWPA, Sembcorp Salalah is entitled to receive capacity charges from OPWP for the contracted power and water capacities of the Plant, which are periodically tested and comprise approximately 90% of the total revenue of Sembcorp Salalah (excluding fuel revenue, which is a pass-through). These capacity charges are payable by OPWP regardless of whether the actual output of the Plant is dispatched, and regardless of whether Sembcorp Salalah is instructed by the Local Dispatch Center (LDC) and the Office of the Minister for State and the Governor of Dhofar (OMSGD) to generate and deliver power and / or produce and deliver potable water. This means that, subject to limited exceptions, OPWP is obliged to pay capacity charges to Sembcorp Salalah for 100% of the available power and water capacity of the Plant.

Sembcorp Salalah's capacity charges are calculated such that they cover its debt service and other fixed costs, including fixed operating and maintenance costs, insurance costs and capital returns. Fuel revenues and charges are calculated based on the consumption of natural gas calculated by the Plant model for electrical energy and water output delivered and is in effect a virtual pass-through cost.

In addition, for the power and water that is made available, OPWP also pays Sembcorp Salalah a variable output charge to cover operating costs. Accordingly, Sembcorp Salalah has strong predictability of stable cash flows that are not affected by the amount of power and water actually required by OPWP as Sembcorp Salalah is paid on an availability basis.

Well-Established Contractual Framework

The Salalah project represents one of 20 independent power and / or water production projects to be implemented by OPWP on a "build, own and operate" basis and benefits from a well-established contractual framework. OPWP has used a similar procurement and ownership template and a similar contractual framework with other independent water and power plants in Oman prior to the Project.

The Government Guarantees Payment Obligations of OPWP under the PWPA due to the Strategic Importance of the Industry and Project

The power and water sectors are of high strategic importance to both the Dhofar Governorate and Oman as a whole. The Project is expected to remain critical for the continued supply of electricity and water in the Dhofar Governorate in the long term. According to OPWP, peak demand for electricity in the Salalah System is expected to grow from 549 megawatts in 2019 to 827 megawatts by 2025, at an average growth rate of 6% per annum, and peak water demand in the Salalah / Taqah / Mirbat area is expected to increase at an average rate of nearly 11% per annum.[1]

Consequently, the Oman Government, both directly and indirectly participates in and supports the Project:

i) as off-taker under the PWPA, as 100% indirect owner of OPWP;

ii) as supplier, through the Ministry of Energy and Minerals, which is responsible for procuring and delivering all natural gas to the Project;

iii) as transmission system operator, as 100% indirect owner of Oman Electricity Transmission Company (OETC) and through the OMSGD, which respectively owns and operates all power and water transmission facilities in the Dhofar Governorate; and

iv) as guarantor, pursuant to the government guarantee (Oman currently has a credit rating of Ba3 by Moody's), which guarantees the payment obligations of OPWP under the PWPA.

In addition to the government guarantee, under the Sector Law, OPWP must remain wholly owned by the Government and the Ministry of Finance is obliged to secure the availability of adequate financing for OPWP to enable it to undertake its activities.

Fully Operational Project with Minimal Operating Risk

As the Plant is completed and has been in full commercial operation for over 92 months, Sembcorp Salalah is not exposed to any construction risk. Sembcorp Salalah also benefits from minimal operating risk as its operator, Sembcorp Salalah O&M, is a joint venture indirectly owned by two of the Project Sponsors, Sembcorp Utilities and OIC, creating an alignment of interests, which ensures that the Plant is operated efficiently.

Sembcorp Salalah O&M is managed locally and benefits from the procedures and expertise of Sembcorp Utilities, a wholly-owned subsidiary under Sembcorp Industries. Sembcorp Industries holds a long track record and expertise in the industry. With facilities of around 13,000 MW of gross power capacity and around 8.3 million of cubic metres of water per day in operation or under development globally, Sembcorp Industries is well established in the region, has a demonstrated track record of running similar plants and holds a significant equity interest in the project.

In addition, Sembcorp Salalah has entered into a long-term maintenance contract with General Electric, the manufacturer of the Plant's gas turbine units, for the scheduled maintenance of these units. This means that Sembcorp Salalah benefits from the synergies of its gas turbine manufacturer being responsible for the on-going maintenance of this machinery, and therefore having aligned interests in the project.

Excess Capacity and Outage Allowance to Ensure an Extended Plant Lifespan

Power and water plants generally suffer degradation of their capacity to produce electricity and desalinated water over time. Management believes that the excess of actual capacity over the contracted capacity of the Plant, will more than compensate the estimated degradation of the Plant over the term of the PWPA.

The PWPA also contemplates outages, allowing Sembcorp Salalah to perform maintenance on the power plant 15% of the time (outside the peak months of April, May and June) and on the desalination plant 5% of the time (throughout the year). This contemplated maintenance is likely to extend the lifespan of the Plant and delay the degradation of its electricity and desalinated water capacity.

[1] OPWP's 7 Year Statement (2019-2025) (Post COVID-19 forecast has not yet been published)

Mitigation of Fuel Risks

Under the NGSA, the Ministry of Energy and Minerals (MEM) is responsible for procuring and delivering all of the Plant's natural gas requirements. All gas delivered to the Plant by the MEM must meet minimum quality standards. In the event that natural gas is unavailable, and provided that Sembcorp Salalah is not in breach of its obligations regarding the operations of the Plant and where the Plant is operational using backup diesel, Sembcorp Salalah is still entitled to receive capacity charges from OPWP, in addition to its incremental costs for the use of diesel from the MEM. Any increase in the price of gas charged by the MEMs is directly passed through the PWPA. The Plant has therefore mitigated risks associated with gas quality, gas supply and gas price.

In the event, among others, of the non-availability of natural gas or a disruption in the natural gas supply system, Sembcorp Salalah has an obligation under the PWPA to maintain a backup fuel supply for three days of full load at the site, which it complies with at all times.

Extensive Experience of the Project Founders

Sembcorp Salalah benefits from the extensive power, water and energy experience of the Project Founders, including development, ownership and operation of large-scale gas turbine based power and desalination projects. Sembcorp Utilities is an integrated energy player, poised to benefit from the global energy transition, With a strong track record in developing and developed markets, it provides solutions across the energy and utilities value chain. OIC is a private equity investment company with strong experience in investing in the region and has a diversified portfolio of investments in the oil and gas, petrochemical, construction and manufacturing sectors in Oman.

Sembcorp Salalah O&M is also party to the Technical Assistance Agreement with Sembcorp Gulf O&M, a wholly-owned subsidiary of Sembcorp Utilities. This arrangement enables Sembcorp Salalah, where required, to draw upon the technical expertise of Sembcorp Utilities in its operation and maintenance of the Plant.

Experienced and Skilled Operational Personnel

Sembcorp Salalah has the advantage of benefiting from well-trained and experienced personnel employed by Sembcorp Salalah O&M, who bring extensive management expertise and sharing of know-how accumulated through decades of experience. In particular, Sembcorp Salalah personnel are able to attend training and off-site sessions with personnel of the Project Sponsors around the world in order to share and exchange knowledge and best practices.

Management is strongly supported by:

- a highly-trained Plant staff, employed by Sembcorp Salalah O&M;
- the O&M Contract entered into with Sembcorp Salalah O&M, a company formed by the Project Founders;
- the Technical Assistance Agreement entered into with Sembcorp Gulf O&M; and
- a long-term maintenance contract with General Electric, the original equipment manufacturer of the gas turbines of the Plant.

Technology and Processes

Description of the Plant

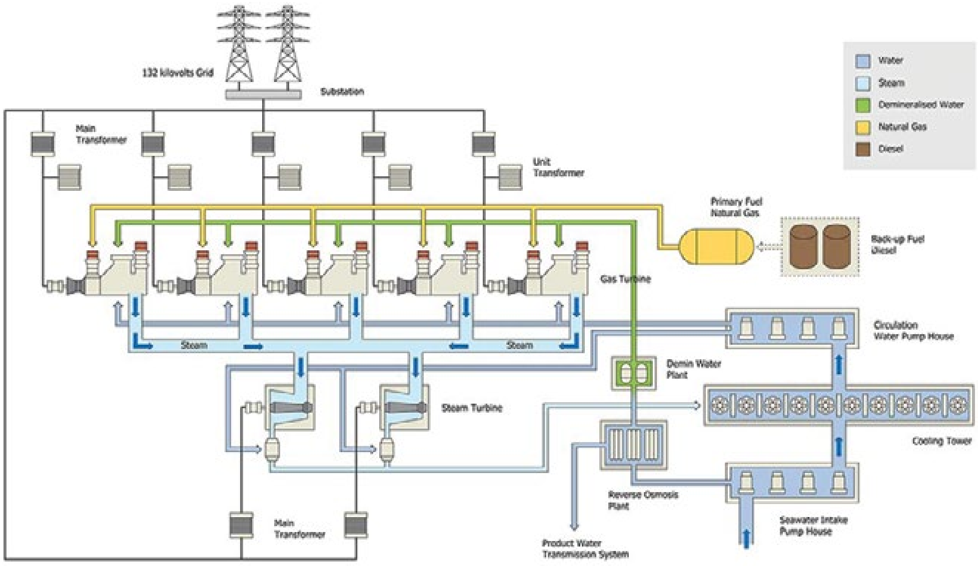
The Plant is an independent power and water plant located between the towns of Taqah and Mirbat, approximately 50 kilometres from Salalah, an administrative town in the Dhofar Governorate.

Prior to the Sembcorp Utilities / OIC consortium's bid for the project, extensive optimisation studies were performed by Sembcorp Utilities' modelling consultant, VTU Energy, to identify, shortlist and select a plant configuration which would represent the most economically attractive and technically sound configuration in accordance with the power and water output requirements and operational constraints required by OPWP. After a detailed scenario analysis, Sembcorp Utilities chose the following configuration for the Plant:

- five GE 6FA gas turbines;
- two steam turbines; and
- five heat recovery steam generators.

The power facility integrates five units of gas turbines with five units of heat recovery steam generators and two steam turbines in a combined-cycle configuration to achieve optimal energy production efficiency.

The following schematic displays the configuration of the Plant:



The following pictures display the Plant’s power facility and the seawater reverse osmosis desalination facility:

Power Facility

With five gas turbines and two steam turbines, the contracted power capacity of the Plant is 445 megawatts.

Seawater Reverse Osmosis Desalination Facility

The Plant’s water production is based on a reverse osmosis process and the contracted water production capacity is 15 MiGD. The Plant entered into full commercial operation on 25 May 2012.

Gas Turbines

The five 6FA gas turbines used in the Plant were supplied by General Electric and selected due to their good record of reliable commercial operation. The 6FA gas turbine is configured with the robust Dry Low NOx system, which is a leading pollution prevention system for 50 hertz combined cycle applications, with greater than 54% efficiency and achieves a concentration of nitrous oxides of approximately 15 parts per million (15 ppm NOx).

The 6FA gas turbine can be configured to meet power requirements for mid-size combined- cycle or cogeneration plants such as the Plant, where flexible operation and maximum performance are key considerations. The 6FA gas turbine can be arranged in a multi-shaft configuration where one or two gas turbines are combined with a single steam turbine. The 6FA gas turbine burns a variety of fossil fuels, which can be switched after start-up without sacrificing performance.

Revenue Overview

The PWPA sets out the terms of generation and supply of power and desalinated water to OPWP until 2027. The PWPA imposes an obligation on Sembcorp Salalah to operate and maintain the Plant to an agreed level of availability in respect of the guaranteed contracted power capacity and the guaranteed contracted water capacity following the COD. The PWPA also imposes an obligation on Sembcorp Salalah to operate the Plant in a safe manner and within its design parameters.

Since the COD, the Plant has demonstrated net electricity generating contracted capacity of 445 megawatts and a desalinated water production capacity of 15 MiGD, and sells the electrical energy and the water output to OPWP. In return, Sembcorp Salalah receives a tariff covering capacity charges, electrical energy charges, water output charges and fuel charges from OPWP, described as follows:

- The power capacity charge is payable for each hour during which the Plant is available and is designed to cover fixed costs, including debt service, and return on capital.
- The electrical energy charge is designed to cover variable operating costs of generation, excluding fuel costs, and is payable according to the electrical energy delivered under the PWPA.
- The water output charge is designed to cover variable operating costs of desalination, excluding fuel costs, and is calculated based on the volume of water output delivered.
- The fuel charge is calculated based on the consumption of natural gas calculated by the Plant model for electrical energy and water output delivered and is in effect a virtual pass-through cost.

Payments are denominated in Rial Omani (RO). The investment charge element of the capacity charge is linked to the RO-US$ exchange rate. The fixed and variable operation and maintenance charges for power and water are linked to the RO-US$ exchange rate, a prescribed US inflation rate relating to turbines and generators, and the Omani inflation rate for a portion of the total charge. The PWPA defines the RO-US$ exchange rate as the mid-rate of the RO-US$ spot rate as published by the Central Bank of Oman on the last Omani business day of the relevant billing period.

Profile of the Major Shareholders

Sembcorp Oman First Investment Holding (SOFIH) and Sembcorp Oman IPO Holding (SOIHL) (wholly-owned subsidiaries of Sembcorp Utilities, a wholly-owned subsidiary of Sembcorp Industries)

SOFIH and SOIHL are both British Virgin Islands-incorporated companies and wholly-owned subsidiaries of Sembcorp Utilities, a Singapore-based energy and water business serving both the industrial and municipal sectors. SOIHL sold its 20% shareholding in Sembcorp Salalah as part of the IPO in September 2013 and is no longer a shareholder of the Company.

Sembcorp Utilities provides a wide spectrum of third-party utilities and services including power, steam, natural gas, desalinated water, reclaimed water, industrial water, wastewater treatment, chemical waste incineration, chemical feedstock, on-site logistics and solid waste management. Sembcorp Utilities has a number of strategic relationships and long-term partnerships with multinational customers.

Sembcorp Utilities is, in turn, a wholly owned subsidiary of Sembcorp Industries, a Singaporean-based energy, water and urban development group with operations across 11 countries globally.

Sembcorp Industries was incorporated in 1998 following the merger of Singapore Technologies Industrial Corporation and Sembawang Corporation. Sembcorp Industries is listed on the main board of the Singapore Exchange and is a component stock of the Straits Times Index and sustainability indices including the FTSE4Good Index, the Dow Jones Sustainability Asia Pacific Index and the iEdge SG ESG indices. Its largest single shareholder is Temasek Holdings (which is in turn wholly owned by the Minister for Finance, a body constituted under the Singapore Minister for Finance (Incorporation) Act (Chapter 183). The market capitalisation of Sembcorp Industries was approximately S$3.0 billion as at 31 December 2020. For more information relating to Sembcorp Industries and Sembcorp Utilities, please visit www.sembcorp.com.

Inma Power & Water Company (IPWC) (a wholly-owned subsidiary of OIC)

IPWC is an Oman-incorporated company and a wholly-owned subsidiary of Oman Investment Corporation SAOC ('OIC'). OIC is a leading private equity investment company in Oman that combines an ambitious, entrepreneurial spirit with years of experience and a thorough knowledge of investing in the region. Since its establishment in 2005, OIC has been active in developing new projects, making private equity investments and building successful businesses in partnership with local entrepreneurs and leading corporations from around the world. OIC invests in privately held companies with strong growth potential which can deliver superior risk-adjusted returns.

OIC has a diversified portfolio of investments in the real estate and infrastructure, utilities, petrochemical, insurance, healthcare, construction and manufacturing sectors in Oman. Other than IPWC, OIC's investment portfolio includes Khazaen Economic City Project, Takaful Insurance, Octal Holding, Meras Services and Development, TMK Gulf International Pipe Industries, Aman Healthcare and Nafath Renewable Energy. For more information relating to OIC, please visit its website at www.oic.om.


CO_2
CO_2
Sembcorp Salalah
CO_2 Storage Tank

Industry Structure and Developments

The Oman power system is divided into three regional systems, partially connected via interconnectors:

- the Main Integrated System (MIS), which is the largest part of the system and covers the northern area of Oman
- the Salalah System, located in the Dhofar Governorate, of which the plant contributed approximately 50% of the power dispatch and 100% of its net installed water capacity during the year 2019.
- the Rural Areas Electricity System, operated by RAECO, which serves the rest of Oman

Oman Power and Water Procurement Company

OPWP is the single buyer of power and water for all IPP / IWPP projects within Oman and is the sole customer of Sembcorp Salalah.

The Salalah System

The Salalah System covers the city of Salalah and surrounding areas in the Governorate of Dhofar. The Salalah System serves approximately 110,000 electricity customers.[2] The Salalah System comprises the generation, transmission and distribution capabilities of:

- Sembcorp Salalah, contracted for 445 megawatts electricity generation capacity and 15 MiGD desalinated water capacity;
- Power Station located in Raysut, operated by Dhofar Generation Company (previously owned by Dhofar Power Company (DPC)) comprising eight open cycle gas turbine units with a total net capacity of 273 megawatts;
- Combined cycle power plant, owned by ACWA Power and Mitsui, located in Raysut, composing four gas turbines and two steam turbines, with a contracted capacity of 445 megawatts, which was commissioned in January 2018.
- Dhofar I Wind IPP has an installed capacity of 50 megawatts.
- Transmission activities owned by Oman Electricity Transmission Company (OETC), previously owned by DPC; and
- Distribution and supply activities owned by DPC.

The Salalah System also has contingency reserves via the interconnection with the 132 kV link between Thumrait and Harweel, owned by Petroleum Development of Oman (PDO) and completed in 2012.

The Director General of Water (DGW) is the principal entity responsible for potable water supply and distribution in the Governorate of Dhofar, apart from small, private networks.

In addition to this desalination capacity, DGW uses a network for ground water sources to meet the balance of water demand. DGW estimates that groundwater supplies have a total capacity of 100,000 to 110,000 m3 per day

In 2017, OPWP awarded Salalah III IWP with a contracted capacity of 25 MIGD, which is under commissioning phase as of 31 December 2020.

Salalah System Electricity Demand

According to OPWP, peak demand for electricity in the Salalah System is expected to grow from 549 megawatts in 2019 to 827 megawatts by 2025, at an average growth rate of 6% per annum[3].

Salalah System Water Demand

According to OPWP, the water demand in the Salalah / Taqah / Mirbat area is expected to increase at an average rate of nearly 11% per annum[2] over seven years. The main growth drivers are the increasing population and economic development.

[2] OPWP's 7 Year Statement (2019-2025) (Post COVID-19 forecast has not yet been published)


ABB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Sembcorp Salalah
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Management Discussion and Analysis

In 2020, the Company recorded a profit after tax (PAT) of RO 18.32 million, an increase from RO 15.05 million earned in 2019. The key contributions to the increased profit are mentioned below:

- Cyclone Mekunu Insurance claim settlement;
- Lower operating expenses; and
- Lower finance cost

Business Overview

The Company's core business activity is to provide electricity and water in the region of Dhofar. The contracted capacity for the power plant is 445 megawatts and 15 MiGD for the water plant. The Company receives revenue based on the availability of its plant, which ensures that its business model is stable. The Company contributed 45% to 50% of the power demand and 100% of the desalinated water demand in the region for 2020.

Since the commissioning of a new power plant in the Dhofar region in 2018, the grid's Load Dispatch Center has implemented an operational policy of sharing the grid demand between both plants, which has led to a significantly reduced plant load factor for our power plant. However, this does not present a significant impact on the profitability of the Company because the Company's revenue is based on the availability of the plant, whilst the reduction of variable revenue is offset by a lower operational cost.

Performance Overview

The Company's operating and maintenance and financial performance for 2020 is detailed below.

Operating Performance

The Company has shown strong operating performance in 2020. Key operating performance is characterised by high reliability of its power and water plants. The Company's power plant load factor has reduced by approximately 17% mainly because of lower demand due to COVID-19. Key operating parameters for 2020 are noted below:

	Unit	2020	2019	Variance
Water Reliability	(%)	**99.73**	99.96	-0.2%
Power Reliability	(%)	**99.87**	99.93	-0.1%
Quantity of Water Sold	(Thousand m^3)	**24,951**	24,739	0.9%
Quantity of Power Sold	(MWh)	**1,503,517**	1,815,541	-17.2%
Plant Load Factor (Power)	(%)	**38.46**	46.57	-17.4%
Plant Load Factor (Water)	(%)	**99.97**	99.40	0.6%

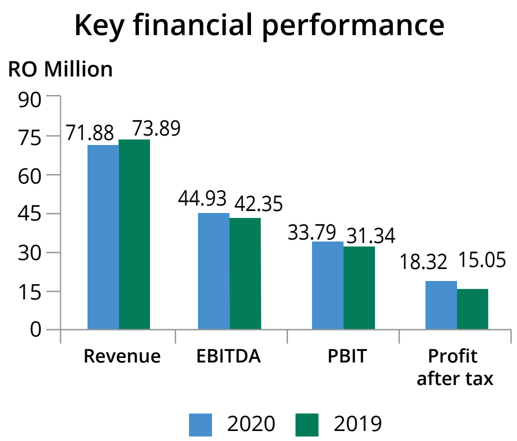
Maintenance

The Company continues to perform maintenance of the plant diligently and proactively to improve plant operation, efficiency and its sustainability. During 2020, in addition to routine maintenance, the Company completed a major inspection of one steam turbine, a combustion inspection of two gas turbines as well as power and water plant DCS upgrades.

Financial Performance

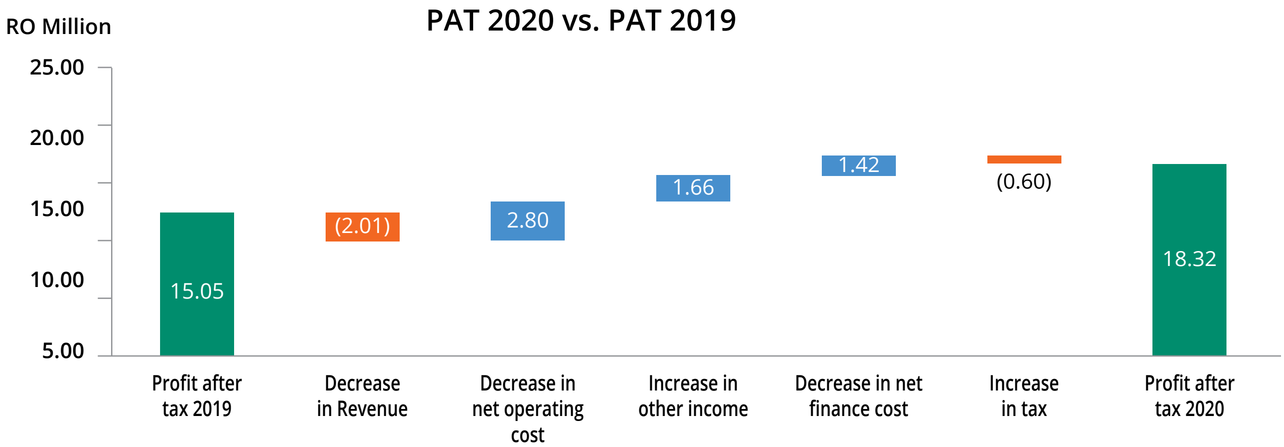
Key financial performance indicators are shown below:

	2020 RO million	2019a RO million
Revenue	**71.88**	73.89
EBITDA	**44.93**	42.35
Profit before interest and tax (PBIT)	**33.79**	31.34
Profit after tax	**18.32**	15.05



Profit after Tax

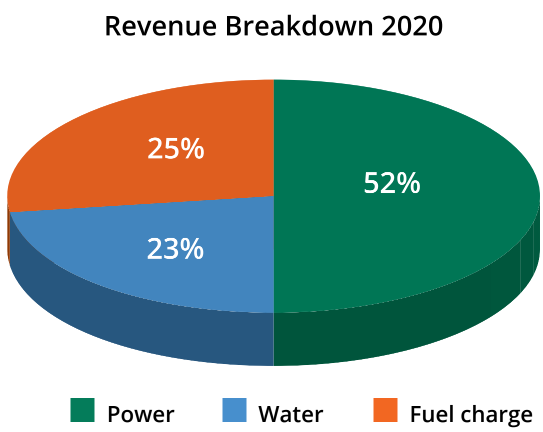
Profit after tax (PAT) increased from RO 15.05 million in 2019 to RO 18.32 million in 2020. The significant variances are elaborated in the following waterfall chart.



A brief analysis and characteristics of the major components of the profit or loss is presented below:

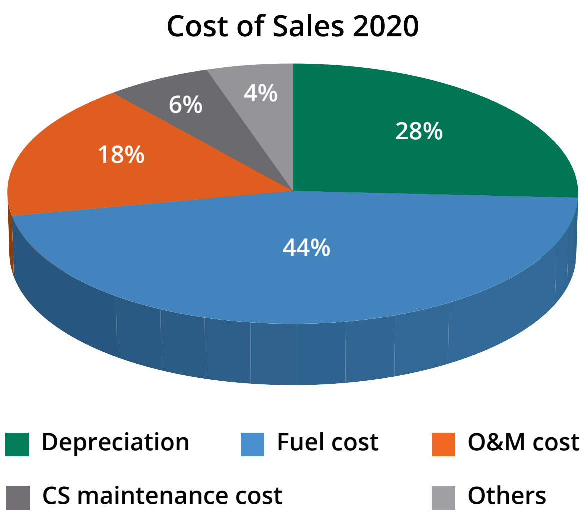
Revenue

Power contributed 52% (excluding fuel charge), water 23% and fuel charge 25% to the total revenue. Fuel charge revenue is a pass through and is calculated based on consumption of natural gas as computed by the plant's contractual Fuel Demand Model. Fuel charge and variable energy charge revenue decreased by 11% and 15% respectively compared to the corresponding period last year, mainly because of lower power plant load factor. Reduction in fuel charge and variable energy charge revenue does not affect the profitability significantly because cost of revenue decreases in tandem with the decrease in revenue. 2020 Capacity charge revenue increased by 1% mainly due to 2020 being a leap year.



Cost of Sales

Cost of sales mainly comprises depreciation of property, plant and equipment, fuel cost, Long-Term Service Agreement cost and operations & maintenance (O&M) cost. Cost of sales decreased by 8% compared to the same period in 2019 as a result of lower fuel cost, lower Long-Term Service Agreement (LTSA) cost and lower O&M cost. Reduction in fuel cost and lower LTSA cost was due to lower plant load factor which was in line with the decrease in revenue (as mentioned above). Lower operation and maintenance cost was mainly due to lower consumables and maintenance cost.



Other Income

Other income in 2020 was mainly from the settlement of the insurance claim for compensation of business interruption and property damage loss arising from Cyclone Mekunu in 2018.

Net Finance Cost

Net finance cost decreased in 2020 compared to 2019 due to the scheduled repayment of part of the term loan in line with the financing documents and increase in finance income.

Income tax expenses

Income tax expenses increased mainly due to the increase in profit for 2020 as compared to the previous year.

Financial Position

		2020	2019
Total assets	RO million	**322.23**	330.56
Total liabilities	RO million	**212.98**	229.14
Shareholders' funds	RO million	**121.06**	111.43
Shareholders' equity	RO million	**109.25**	101.42
Current ratio		**0.97:1**	1.05:1
Gearing ratio		**58:42**	63:37
Net assets per share	RO/share	**0.13**	0.12

Dividend

On 10 February 2021, the Board of Directors proposed a final dividend of Baizas 1.8 per share, giving a total dividend of Baizas 8.2 per share for the year 2020.

COVID-19 Pandemic risk and mitigation

In 2020, the Company did not experience any significant pandemic-related impact on our operating and financial performance. The Company's maintenance plan for major equipment remains unchanged.

The Company is closely monitoring the developing situation of the pandemic at the country, regional and global levels. The Company will continue to evaluate and assess the effects of the pandemic and will continue to implement all possible measures to mitigate the risks arising from the COVID-19 situation. In the event the Company foresees any impact, the Company will be able to seek contractual relief as mentioned in the Power and Water Purchase Agreement.

Business Outlook

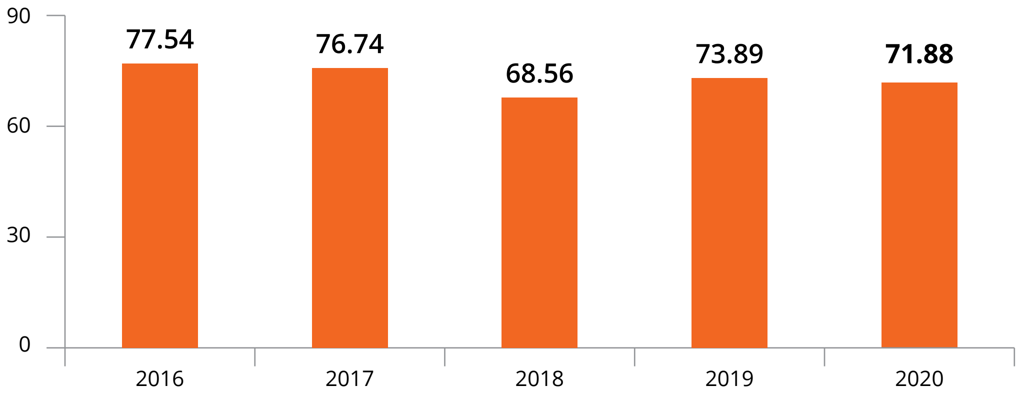
2021 is expected to be a challenging year due to the evolving COVID-19 pandemic situation, continuing pressures arising from the local regulatory and economic environment, greater requirements for plant maintenance and an increased repayment profile. The Company will continue to focus on better cost management, financial and cash management, and improving productivity and efficiency in order to maximise Shareholder return.

Historical 5 years performance

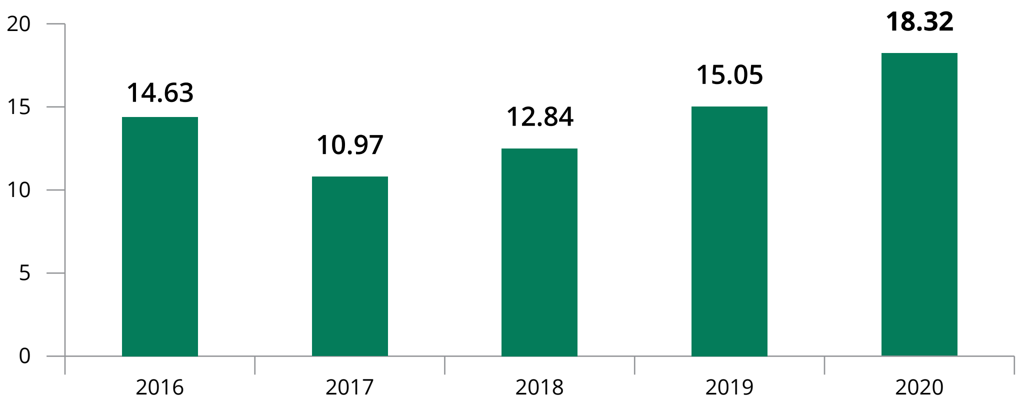
Five Years Financials	2020	2019	2018	2017	2016
Key performance indicators for the years (RO million)					
Revenue	**71.88**	73.89	68.56	76.74	77.54
EBITDA	**44.93**	42.35	41.47	41.83	44.10
Profit before interest and tax	**33.79**	31.34	30.60	30.99	33.28
Profit before tax	**21.48**	17.61	15.81	15.63	16.66
Net profit	**18.32**	15.05	12.84	10.97	14.63
Financial position at year end (RO million)					
Non-current assets	**270.8**	281.07	288.95	297.74	308.29
Net current assets	**(1.46)**	2.35	11.03	15.85	13.57
Non-current liabilities	**(160.09)**	(181.99)	(201.59)	(220.92)	(233.82)
Net assets	**109.25**	101.43	98.39	92.67	88.04
Shareholder's funds	**121.06**	111.43	106.4	104.92	104.26
Hedging reserve	**(11.81)**	(10.01)	(8.01)	(12.25)	(16.22)
Shareholder's equity	**109.25**	101.42	98.39	92.67	88.04
Per share					
Earnings (baizas)*	**19.2**	15.8	13.5	11.5	15.3
Dividend (baizas)*	**8.2**	9.8	12.2	10.3	13.9

*In 2016, the Company reduced shares' nominal value from RO 1 per share to Baizas 100 per share (Split). Therefore earnings per share and dividend per share pre-Split for year 2015 has been restated for comparison purposes.

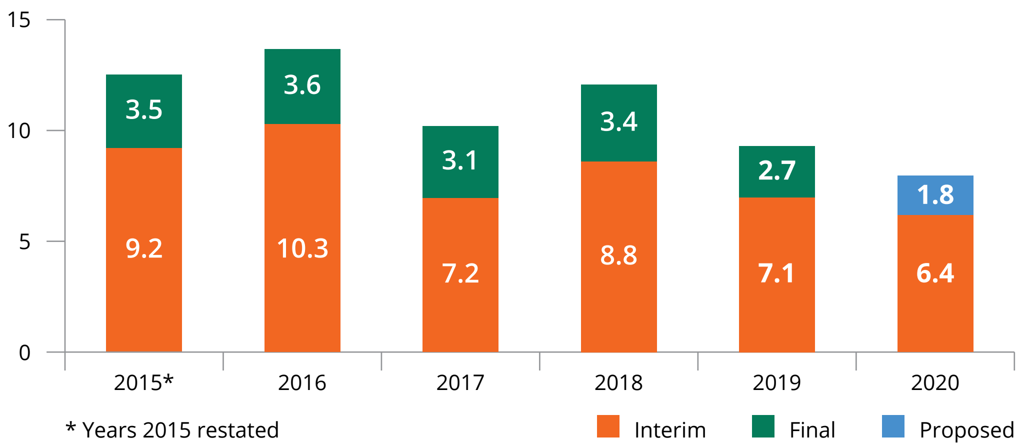
Turnover (RO million)



Net Profit (RO million)



Dividend per share (in baizas)



* Years 2015 restated

Sustainability - Caring for the Environment & Communities

The company undertakes its activities with great respect for the environment. It is fully committed to promoting and maintaining the highest standards of health and safety, and minimising its impact on the environment.

The company's power and desalination plant utilises combined-cycle gas turbine technology for power generation and reverse osmosis technology for the production of desalinated water. Natural gas is the Plant's primary fuel. The Plant was designed and built in accordance to the recommendations and findings from the Environmental Impact Assessment Study to minimise its carbon footprint.

For its commitment to the environment, the company was accredited to be in compliance with ISO 14001:2015 (environmental management system). The certification ensures that the company has a framework in place for effective environment management.

Maximum Power Generation from Natural Gas

The company recognises that natural gas is a scarce resource and that it is crucial that power generation per unit of natural gas used is maximised.

The technology employed at the Plant utilises high grade heat from the gas turbine exhausts to generate high pressure steam which powers a steam turbine. As a result of this process, a further 46% of power can be generated without any additional usage of gas.

Low Emissions and Effluent Discharge

The company's gas turbines are equipped with a Dry Low NOx system which is a leading pollution prevention system. It ensures that international environmental standards are adhered to by achieving a concentration of nitrous oxides of approximately 15 parts per million (15 ppm NOx).

Chemicals are used in various parts of the generation and production processes. Effluents resulting from chemical usage are collected and treated so that all discharges from the Plant are in compliance with the regulatory limits.

Bulk Chemical and Hazardous Waste Facility

The Company constructed this facility to effectively and safely manage chemicals and waste in the plant, minimising leaks and spillages.

Company's Philosophy

As well as providing a catalyst for growth in the Dhofar Governorate, Sembcorp Salalah aims to contribute positively to, and build a mutually-beneficial relationship with the local community.

The key areas in which it makes these contributions are local recruitment, environmental management and mitigation, as well as social and community welfare. Sembcorp Salalah is committed to internationally-recognised corporate governance practices and ethical business conduct. The Board of Directors and Management understand that the implementation of good governance practices and ethical business conduct result in sound business decisions. In addition to having a positive impact on public perceptions of Sembcorp Salalah, it also benefits the wider economic and social development of Oman.

Sembcorp Salalah's human resource strategy improves Omanisation by recruiting graduate engineers from local colleges and providing them with a structured training programme, including on-the-job exposure and apprenticeships. Sembcorp Salalah collaborates with technical institutions to promote programmes that build skillsets of local youths. The company also supports regional social development activities that encourage and create awareness in relation to social issues. During the year, the company recruited seven more Omani staff through its internship programme.

The company also implements responsible environmental practices and procedures. In 2010, prior to the construction of its Plant, Sembcorp Salalah commissioned an environmental impact assessment which included a review of the environmental impact of the Plant on the local community, as well as a social impact management plan, which has been implemented. Sembcorp Salalah is committed to protecting the environment through its stipulated environment management programme and operates within the limits of all applicable environmental legislation. The company has established green belts within the Plant for environmental rejuvenation and improved aesthetics.

Environmental protection initiatives

The Company has invested in projects to achieve better energy efficiency, including the reduction in heat rate and auxiliary power in our plant. These initiatives not only helped in improving the heat rate efficiency margin, they also contributed to the profit margin of the Company.

Corporate Social Responsibility (CSR) Initiatives

Since inception, Sembcorp Salalah, has also been involved with various social and community welfare initiatives in collaboration with both government departments and non-governmental organisations.

In 2020, the Company invested RO 59,823 to support CSR projects which are as follows:

- Provision of ventilators to support the Ministry of Health in combating the COVID-19 pandemic;
- Donation toward maintenance of the local Mirbat School;
- Donation to Omani Women Association;
- Donation toward improvement in infrastructure in Mirbat; and
- Sponsorship of the Environment Authority's campaign to eradicate the parthenium plant in the Dhofar Governorate.

REPORT OF FACTUAL FINDINGS TO THE SHAREHOLDERS OF SEMBCORP SALALAH POWER & WATER COMPANY SAOG

1. 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 Board of Directors' corporate governance report of Sembcorp Salalah Power & Water Company SAOG (the Company) as at and for the year ended 31 December 2020 and application of the corporate governance practices in accordance with amendments to CMA Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the 'Code').

2. Our engagement was undertaken in accordance with the International Standard on Related Services 4400 applicable to agreed-upon procedures engagements. The procedures were performed solely to assist the Board of Directors of the Company in complying with the requirement of the Code issued by the CMA.

3. We have performed the following procedures:

   a) We have checked that the corporate governance report issued by the Board of Directors includes as a minimum, all items suggested by 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 the Annexure 3; and

   b) We have obtained the details of the Company's compliance with the Code, including any non-compliances, identified by the Company's Board of Directors, included in the report together with the reasons for such non-compliance and agreed these to the discussions in the Board minutes or/and a checklist prepared by the Board of Directors to identify any non-compliance.

4. As a result of performing the above procedures, we have no exceptions to report.

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

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

7. Our report is solely for the purpose set forth in paragraph 2 above and for your information and is not to be used for any other purpose. This report relates only to the Board of Directors' corporate governance report included in its annual report for the year ended 31 December 2020 and does not extend to any financial statements of Sembcorp Salalah Power & Water Company SAOG taken as a whole.

PricewaterhouseCoopers LLC

John Molloy

John Molloy
11 February 2021
Muscat, Sultanate of Oman

Corporate Governance Report

This Corporate Governance Report for the year ended December 31, 2020 sets out the company's corporate governance processes and activities with reference to the principles set out in the 14th principle of the Code of Corporate Governance (the Code) issued vide Circular No. E/4/2015 dated July 22, 2015 which came into force on July 21, 2016.

Company's Philosophy

The Company adheres to the Code issued by the Capital Market Authority and takes all steps necessary to fulfil the objective of good corporate governance. The following is the Company policy with reference to the corporate governance principles:

Corporate Governance and Code of Business Conduct

Sembcorp Salalah firmly believes that good corporate governance is key to delivering long-term shareholder value. The Company is committed to adhering to high standards of management, its Code of Business Conduct, and having robust systems of internal controls and accountability.

The Company has established detailed functional policies and procedures (through its operation and maintenance company), Financial Authority Limits, clear roles and responsibilities for the Board and Management, Enterprise Risk Management Framework and a Code of Business Conduct, which establishes internal controls throughout the organisation and helps management to take decisions with regards to the Company's affairs. The Board also sets financial and non-financial targets every year and evaluates the Company's performance progressively.

The Company is committed to ensuring that all shareholders have easy access to clear, reliable and meaningful information in order to make informed investment decisions and also encourages shareholders to attend the general meetings. For this purpose, the Company has established an Investor Relations Policy to uphold high standards of corporate transparency and communication with shareholders and to provide a disciplined and a professional approach to the flow of information from the Company at all times.

The Company's Code of Business Conduct expresses high standard of behaviour and integrity that the Company requires from its directors and employees.

Board of Directors

Formation, Roles and Responsibilities and Authority and Competencies

The membership of the Company's Board of Directors (the Board) ensures that at least one third of the Board is independent and all the directors are non-executives whilst it also brings the level of practical and professional expertise required by the Company.

The Board comprises nine directors, all of which are non-executives and four of them are independent. The board members include professionals with strong experience relevant to the Company's business. Given that all of the directors are non-executive and the majority of them are independent, the objectivity of board decision making and issues deliberated is assured. The Board has also reviewed and approved clear job descriptions of the Board and the Chairman, which is in line with the new Code encompassing the roles and responsibilities that are expected of them.

Sub-Committees

The Board established following sub-committees in line with the New Code, detailed terms of reference of which has been established:

1. Nomination and Remuneration Committee
2. Audit Committee

Brief roles and responsibilities of the above are included in this report.

Chairman

The Chairman is non-executive and brings with him vast experience in strategy, business and project development for the utility business industry. He has sufficient experience and knowledge and leadership skills to lead the Board and the Company to ensure that the Board performs its role, responsibilities, functions and powers in directing the Company towards achieving its objectives.

Independent directors

Directors are considered independent if they meet the criteria as mentioned in the Code. Independent directors give their statement annually indicating whether or not a change in circumstances has occurred which might impair their independence. Currently, the Company has four independent directors.

Company Secretary

The Board ensures that the Company Secretary has sufficient experience and knowledge to assist the board to discharge their roles and responsibilities effectively and efficiently.

Executive Management

Executive Management manages the operations of the Company in accordance with the established policies and procedures of the Company to achieve the established objective of the Company. Executive Management performs their duties in accordance with financial authority limits as approved by the Board. It is the responsibility of the Management to provide all the necessary information including key risks and challenges to the Board to perform their duties effectively and efficiently.

Related party transactions

The Company enters into related party transactions only if these are in its best interests. The Company believes in high level of transparency and clarity in identification and reporting of related party transactions. Related party transactions are highlighted to the Audit Committee and the Board for their review before final approval by the shareholders in the Annual General Meeting.

External auditors

The shareholders appoint an internationally renowned audit firm in accordance with company's Financing Agreements and local regulations as recommended by the Board. The Board makes sure that external auditors are independent so that the auditors give their professional opinion on the financial statements presented to the shareholders.

Corporate Social Responsibility

Sembcorp Salalah recognises the importance of being a good corporate citizen in the conduct of its business activities as well as in fulfilling its corporate and social responsibilities. The Company follows a consistent approach for its charitable contributions and community investments.

The Board of Directors and Its Committees

All elected board members are non-executive as required by the Code. The Board members and their attendance at the general meetings, and the Board meetings for the year 2020 are shown below.

Board of Directors		Category	Board meetings					AGM (Note 1)	EGM	OGM
			12 Feb	20 Apr	23 Jul	26 Oct	29 Oct	10 Jun	29 Jun	17 Nov
Tan Cheng Guan	Chairman	Non-Executive	✓	✓	✓	✓	✓	✓	✓	✓
Kalat Al Bulooshi	Deputy Chairman	Non-Executive	✓	✓	–	✓	✓	✓	–	✓
Tariq Al Amri	Director	Non-Executive and Independent	✓	✓	✓	✓	✓	✓	✓	✓
Ng Meng Poh	Director	Non-Executive	✓	✓	✓	✓	✓	✓	✓	✓
Ahmed Al Bulushi	Director	Non-Executive and Independent	✓	✓	✓	✓	✓	✓	✓	✓
Khalid Ali Al Hamoodah	Director	Non-Executive and Independent	✓	✓	✓	✓	✓	✓	✓	✓
Ahmed Al Moosawi	Director	Non-Executive (Note-2)	✓	✓	✓	✓	✓	✓	✓	✓
Abdullah Mohammed Al Ma'amari	Director	Non-Executive and Independent	✓	✓	✓	✓	✓	✓	✓	✓
Diane Chen Dan	Director	Non-Executive	✓	✓	✓	✓	✓	✓	✓	✓

Legends: ✓= Present, - = Apologies, NA = Not applicable

Note 1: Annual General Meeting:

Capital Market Authority, following the decision of Supreme Committee dealing with COVI-19, advised the Company to suspend Annual General Meeting originally planned on 25 March 2020. The Meeting was later held on 10 June 2020 through electronic platform for convening general based on the directive issued by Capital Market Authority.

Note 2: Ahmed Al Moosawi, a member of the Board of Directors and representative of juristic person Civil Service Employees Pension Fund became non-independent on 10 December 2020 due to increase in shareholding of Civil Service Employees Pension Fund to more than 10% of Share Capital of the Company.

The following are the names of directors who hold directorships in Public Joint Stock Companies in Oman other than Sembcorp Salalah.

Name of directors	Number of directorships
Kalat Al Bulooshi	1
Ahmed Al Bulushi	1
Khalid Ali Al Hamoodah	2

The Board formed the Nomination and Remuneration Committee in accordance with the requirement of the Code. On 12 March 2019, the elected board appointed the members of the Committee.

Committee	Chairman	Members
Audit Committee	Tariq Al Amri	Ahmed Al Bulushi, Diane Chen Dan and Ahmed Al Moosawi
Nomination and Remuneration Committee	Kalat Al Bulooshi	Ng Meng Poh and Khalid Ali Al Hamoodah

Audit Committee Meetings

The following is a list of audit committee members and their attendance in audit committee meetings for the year 2020:

Audit Committee Members		Category	Audit Committee meetings				
			12 Feb.	20 Apr.	23 Jul.	26 Oct.	7 Dec.
Tariq Al Amri	Chairman	Non-Executive and Independent	✓	✓	✓	✓	✓
Ahmed Al Bulushi	Director	Non-Executive and Independent	✓	✓	✓	✓	✓
Ahmed Al Moosawi	Director	Non-Executive (note 1)	✓	✓	✓	✓	✓
Diane Chen Dan	Director	Non-Executive	✓	✓	✓	✓	✓

Legends: ✓= Present, - = Apologies, NA = Not applicable

Note 1: Ahmed Al Moosawi, a member of the Board of Directors and representative of juristic person Civil Service Employees Pension Fund became non-independent on 10 December 2020 due to increase in shareholding of Civil Service Employees Pension Fund to more than 10% of Share Capital of the Company.

Nomination and Remuneration Committee Meetings

Nomination and Remuneration Committee Members		Category	Nomination and Remuneration Committee Meetings	
			11 Feb.	22 Jul.
Kalat Al Bulooshi	Chairman	Non-Executive	✓	✓
Ng Meng Poh	Director	Non-Executive	✓	✓
Khalid Ali Al Hamoodah	Director	Non-Executive and Independent	✓	✓

Legends: ✓= Present, - = Apologies, NA = Not applicable

Terms of Reference of the Board Committees

Audit Committee

The Audit Committee (AC) comprises of non-executive directors of which the majority are independent as highlighted above.

Authority and Duties of the AC

The AC assists the Board in fulfilling its fiduciary responsibilities relating to the internal controls, audit, accounting and reporting practices of the Company. Its main responsibilities are to review the Company's policies and control procedures with the external auditors, internal auditors and management and act in the interest of the shareholders in respect of interested person transactions as well as any matters or issues that affect the financial performance of the Company. The AC reviews the quarterly, half-yearly and full-year results announcements and accompanying press releases as well as the financial statements of the Company for adequacy and accuracy of information disclosed prior to submission to the Board for approval.

The AC has explicit authority to investigate any matter within its terms of reference and enjoys full access to and co-operation from management to enable it to discharge its function properly.

Where relevant, the AC is guided by Tenth Principal – Audit Committee and Internal Controls - detailed in the CMA's Code of Corporate Governance.

Internal auditors

The Company has established an in house internal audit function. An internal auditor objectively reviews an organisation's business processes and internal controls, evaluates the efficacy of risk management procedures that are currently in place and ensures that the organization is complying with laws and regulations. The AC meets the internal auditors at least once every quarter without the presence of management. The internal auditor submits its report to the audit committee on a quarterly basis.

External Auditors

Each year, the AC reviews the independence of the Company's external auditors and makes recommendations to the Board on the re-appointment of the Company's external auditors.

The AC reviews and approves the external audit plan to ensure the adequacy of audit scope. It also reviews the external auditors' management letter (if any) and monitors the timely implementation of the required corrective or improvement measures. The AC meets the external auditors at least once every quarter without the presence of management. The AC has reviewed the nature and extent of non-audit services provided by the external auditors to the Company and is satisfied that the independence of the external auditors has not been impaired by their provision of non-audit services. Details of non-audit fees payable to the external auditors are found later in this report.

Whistle-Blowing Policy

The AC also oversees the Company's whistle-blowing policy implemented by the Company to strengthen corporate governance and ethical business practices. Employees are provided with accessible channels to the Company's Internal Auditor and the Sembcorp Group's

Internal Audit department to report suspected fraud, corruption, dishonest practices or other misdemeanors. The aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will, to the extent possible, be protected from reprisal.

Nomination and Remuneration Committee (NRC)

The NRC is charged with the following responsibilities:

- of ensuring that Sembcorp Salalah's Board is reviewed to ensure strong and sound leadership for the continued success of the Company. It ensures that the Board has a balance of skills, attributes, background, knowledge and experience in business, finance and related industries, as well as management skills critical to the Company; and
- for developing, reviewing and recommending to the Board the framework of remuneration for the Board and key management personnel. It assists the Board to ensure that competitive remuneration policies and practices are in place. The NRC also reviews and recommends to the Board the specific remuneration packages for each director as well as for key management personnel. The NRC's recommendations are submitted to the Board for endorsement.

The NRC reviews and makes recommendations to the Board on the independence of the directors, new appointments, re-appointments and re-elections to the Board and Board Committees to ensure the Board maintains an appropriate size. The NRC is also responsible for reviewing the succession plans for the Board Chairman, developing a process for performance evaluation of the Board and Board Committees, and reviewing training and professional development programmes for the Board.

Appointment & Re-Appointment of Directors

When the need for a new director is identified, the NRC will prepare a shortlist of candidates with the appropriate profile and qualities for nomination. The Board reviews the recommendation of the NRC and appoints the new director. In accordance with the Company's Articles of Association, the new director will hold office until the next AGM, and if eligible, the director can stand for re-appointment.

The Company's Articles of Association require all directors to apply for re-election at the AGM after three years.

The NRC reviews succession planning for key management personnel in the Company. Potential internal and external candidates for succession are reviewed for different time horizons according to immediate, medium-term and long-term needs.

Human Resource Matters

The NRC has access to expert professional advice on human resource matters whenever there is a need for such external consultations. In engaging external consultants, the Company ensures that the relationship, if any, between the Company and its external consultants will not affect the independence and objectivity of the external consultants.

Remuneration Matters

The remuneration structure of the Board is approved by the Shareholders in the Annual General Meeting:

Directors' Remuneration Structure

In light of the CMA rules and in line with the approval of sitting fee and remuneration in Annual General Meeting 2020, the Company paid following sitting fees and remuneration to directors during the year.

	Amount RO
Remuneration for the year 2019 (approved in AGM 2020)	104,455
Sitting fees for the year 2020	24,000
	128,455

In addition, the Nomination and Remuneration Committee and Board of Directors recommended to Shareholders to pay RO 104,395 as bonus for the board members for the year 2020. Directors Remuneration is linked to the performance of the Company.

Executive Management Remuneration

The Company employs the CEO. All other executive posts are provided by Sembcorp Salalah O&M Services Co.

The aggregate remuneration paid to the Company's top five executives (including those paid through Sembcorp

Salalah O&M Services) amounted to RO 474,255. The remuneration paid is commensurate with the qualification, role, responsibility and performance of the executive team in 2020. The breakdown of the remuneration is as follows:

	2020
	Amount RO
Short-term employee benefits	448,707
Social security and gratuity	25,548
	474,255

Short term employee benefits include salaries, benefits, allowances and bonuses. Bonuses are linked to the performance of the Company and achievement of goals established by the Nomination and Remuneration Committee. Compensation of some of the key management personnel are paid through Sembcorp Salalah O&M Services Co. LLC.

Employment contracts of executive management meet the requirements of Omani labor law and there is a standard notice period as per Company's policy in case of resignation by the employee.

Details of Non-Compliance related to Code of Corporate Governance by the Company

There have been no instances of non-compliance on any matter relating to the CMA's code of corporate governance for MSM listed companies, CMA regulations or the MSM listing agreements. There were no penalties or strictures imposed on the Company by the CMA, MSM or any other statutory authority on any matter related to capital markets during the past three years.

Means of Communication with Shareholders and Investors

The Company recognises:

a) the importance of providing shareholders, investors and analysts with easy access to clear, reliable and meaningful information on its business and operations in order to make informed investment decisions;

b) that accurate, coherent and balanced communications help to establish its reputation; and

c) the disclosure rules required by the CMA according to Part VII of the CMA Executive Regulations issued in 2009.

As noted above, the Company has an Investor Relations Policy in which the objectives are to uphold high standards of corporate transparency and disclosure and promote clear and open communication with shareholders, investors and analysts by providing a disciplined and a professional approach to the flow of information from the Company at all times.

The Company communicates with its shareholders and investors through the MSM website and its own website, www.sembcorpsalalah.com.om. Quarterly financial, annual report and operating data and all material information are posted on both websites in a timely fashion as required by the CMA.

The company's executive management is also available to meet shareholders and analysts as and when requested.

Market Price Data

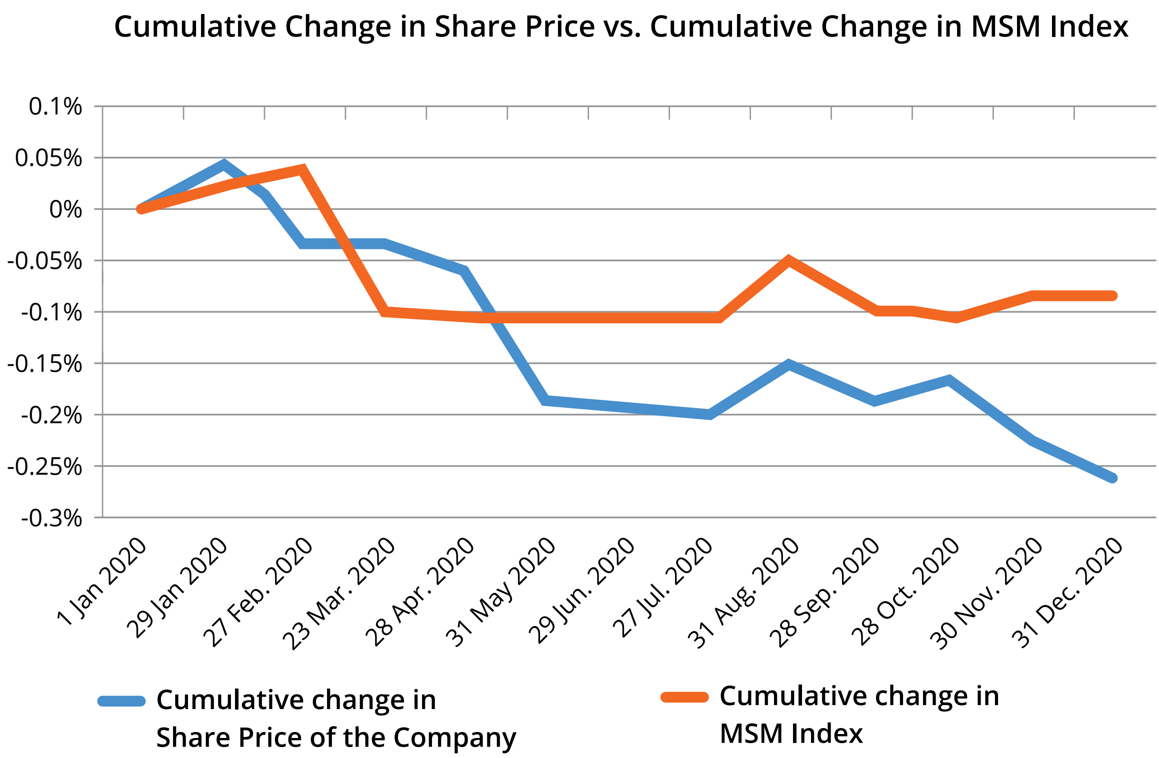
The Company was listed on the Muscat Securities Market (MSM) on October 8, 2013. Below table shows monthly trade turnover and volume with high and low price for the year 2020.

Period	Trade [1]		Share price	Share price
	Shares	Value RO	High RO/share	Low RO/share
January	1,782,720	240,318	0.150	0.125
February	894,590	119,433	0.140	0.130
March	5,162	661	0.130	0.128
April	113,461	14,434	0.128	0.125
May	4,258,596	432,059	0.122	0.090
June	743,552	78,915	0.107	0.100
July	2,169,442	235,276	0.114	0.099
August	233,250	26,242	0.114	0.108
September	2,559,041	278,592	0.113	0.106
October	1,442,751	156,101	0.115	0.104
November	1,591,213	177,339	0.112	0.104
December	785,956	82,312	0.108	0.095

The table below shows a comparison of the Company's performance against the MSM in 2020.[1]

Date	Sembcorp Salalah share price RO/ share	Cumulative change from 1 January 2020	MSM Index	Cumulative change from 1 January 2020
01-Jan-20	0.134	-	3,981.31	-
29-Jan-20	0.140	4.48%	4,079.39	2.46%
27-Feb-20	0.130	-2.99%	4,130.91	3.76%
23-Mar-20	0.130	-2.99%	3,567.34	-10.40%
28-Apr-20	0.125	-6.72%	3,538.74	-11.12%
31-May-20	0.109	-18.66%	3,544.58	-10.97%
29-Jun-20	0.107	-20.15%	3,520.57	-11.57%
27-Jul-20	0.108	-19.40%	3,556.96	-10.66%
31-Aug-20	0.114	-14.93%	3,771.89	-5.26%
28-Sep-20	0.109	-18.66%	3,621.41	-9.04%
28-Oct-20	0.112	-16.42%	3,557.77	-10.64%
30-Nov-20	0.104	-22.39%	3,643.52	-8.48%
31-Dec-20	0.099	-26.12%	3,658.77	-8.10%

[1] Muscat Stock Market website



Distribution of Shareholding as at 31 December 2020

The table below shows the shareholder distribution at the end of December 2020.

Percentage holding	Number of shareholders	Value of shares	Percentage of total shares
Less than 5%	1,499	207,030,458	21.69%
5% to 10%	2	142,890,427	14.97%
Above 10%	3	604,651,065	63.34%
Total	1,504	954,571,950	100.00%

Professional Profile of Statutory Auditors

PwC is a global network of firms operating in 155 countries with more than 284,000 people who are committed to delivering quality in assurance, tax and advisory services. PwC also provides corporate training and professional financial qualifications through PwC's Academy.

Established in the Middle East for over 40 years, PwC Middle East has firms in Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates, with around 5,600 people. (www.pwc.com/me).

PwC is strongly committed to Oman where it is recognised as one of the leading providers of quality business advisory services. We have had a local practice in Oman since 1971 and now have 8 partners, 1 of whom is Omani and 7 directors, 1 of whom is Omani and approximately 176 other members of staff operating from our office in the Sultanate.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. Break down of fee for the year 2020 is as follows:

	2020
	Amount RO
Audit for the year 2020	21,500
Interim quarterly reviews	500
	22,000

Out of pocket expenses and fee for translation services are paid on actual basis.

Acknowledgement of the Board of Directors

The Directors confirm their responsibility for the preparation of the financial statements in line with International Financial Reporting Standards to fairly reflect the financial position of the Company and its performance during the relevant financial period. The Board confirms that it has reviewed the efficiency and adequacy of the internal control systems of the Company and is pleased to inform the shareholders that adequate and appropriate internal controls are in place, which are in compliance with the relevant rules and regulations.

The Board of Directors confirms that there are no material matters that would affect the continuity of the Company, and its ability to continue its operations during the next financial year.

Director **Chief Financial Officer**

Brief Profiles of the Board of Directors and Executive Management

Board of Directors

Tan Cheng Guan,
Chairman

Mr Tan is Executive Vice President at the Group President & CEO's Office at Sembcorp Industries Limited, leading a team with diverse talents to further develop and build technical capabilities to support the company's existing and new businesses. He is also the chairman of Sembcorp's Climate Change Working Committee, driving the company's performance towards climate-related metrics and targets and overseeing key initiatives such as risk mitigation, opportunities, and greenhouse gas (GHG) mitigation.

Prior to this appointment, Mr Tan was Sembcorp's Head of Renewables & Environment, driving the company's growth in renewable energy, water and waste-to-resource businesses.

Mr Tan has broad experience in engineering, strategy, business and project development for the utilities industry. He led engineering and project management for the oil and gas sector at Brown & Root Far East for 12 years, where he was based in the UK and various locations in Malaysia. As Managing Director of Vopak China, he was based in Shanghai and oversaw the growth and operations of Vopak's businesses in the country.

In his earlier stint at Sembcorp, Mr Tan pioneered the early development of the Group's Utilities business on Jurong Island in Singapore and subsequently led the business expansion into China, India, the UK, the Middle East, Myanmar and Bangladesh.

Mr Tan holds a Bachelor of Civil Engineering (Honours) from the University of Liverpool, UK and completed the Advanced Management Program at Harvard Business School, USA.

Kalat Al-Bulooshi,
Deputy Chairman

Eng. Kalat Al Bulooshi is the Chief Executive Officer of Oman Investment Corporation SAOC and Chairman of Khazaen Economic City.

Eng. Kalat is an Omani leader in the private equity investment field. He has created opportunities, raised funds, successfully founded more than 16 investments in Oman. Thereby bringing foreign investments to Oman, creating sustainable development, employment opportunities and creating wealth to the investors. He is the founder and led the development of a number of projects in Oman, such as Sembcorp Salalah Power & Water Plant, Khazaen Economic City, GIPI pipe mill, Takaful Oman, Aman Health Care. Invested in and was a key player in realizing other investments such as Nafath Renewable, Gulf Energy, OPCP, Omania Educational Services and V2 trenching.

Prior to this he worked in project management roles in PDO, Sohar Industrial Port and Sohar Aluminum. His work experience includes working for 3 years in Italy and Canada.

Kalat also services as an independent board member in Galfar and has previously served a Deputy Chairman of Mwasalat, where he led the restructuring and turn around of the public transport in Muscat and Oman. He was also an independent member in board of Oman Gas Company.

Kalat serviced in a number of national committees such as the PPP, participated on the Oman 2040 vision development and led the private sector development work stream as part of the 10th 5-year plan by the Government.

Eng. Kalat holds an Engineering Honors Degree from UK and has completed the Wharton Advanced Management Program a Wharton Alumni.

Tariq Al Amri,
Independent Non-Executive Director

Mr. Tariq Al Amri is one of four independent directors of Sembcorp Salalah and is the Chairman of the Audit Committee.

He is also the Chief Executive Officer of Oman Environmental Services Holding Company (be'ah), a company with the objective of transforming the solid waste management sector in Oman. Prior to joining Oman Environmental Services, Mr. Al Amri held a number of key positions in Oman Telecommunications Company, Oman LNG and the Royal Office Pension Fund.

Mr. Al Amri has experience in the telecoms and oil and gas sectors and successfully negotiated a number of major commercial agreements while at Oman Telecommunications, in addition to taking a role in Omantel's IPO in 2005. At Oman LNG he was involved in the economic and financial feasibility studies of a project which has evolved into Qalhat LNG.

Mr. Al Amri holds an Electrical Engineering degree from Temple University, USA and an MBA from the University of Dayton, USA.

Ng Meng Poh,
Non-Executive Director

Mr. Ng Meng Poh is a director of Sembcorp Salalah and is also the Chairman of Sembcorp Salalah O&M Services Company. He is also the former Head of Global Operations at Sembcorp Industries, and headed Sembcorp's businesses in the Middle East, South Africa, the Americas and Bangladesh.

He has over 30 years of experience in the energy industry and has held both government and private sector appointments. Prior to joining Sembcorp, Mr. Ng was a member of the executive management team of Senoko Power and also spent over a decade at Singapore's Public Utilities Board. In the course of his career, he was actively involved in the restructuring and liberalisation of Singapore's power and gas markets, as well as the negotiations for the importation of piped natural gas from Malaysia and Indonesia into Singapore.

Mr. Ng holds a Bachelor of Mechanical Engineering from the National University of Singapore and a Masters of Science in Energy Resources from the University of Pittsburgh, USA. He also completed the Advanced Management Programme at the Wharton School of Business.

Diane Chen Dan,
Non-Executive Director

Ms Diane Chen Dan is a director of Sembcorp Salalah.

Ms Diane Chen Dan is Senior Vice President (Financial Planning & Analysis) at Sembcorp Industries, responsible for the Group and Corporate Management's reporting and analysis, financial budgeting and forecasting, transfer pricing as well as finance business partnering.

She has over 20 years of experience in corporate finance. She started her career with PricewaterhouseCoopers Singapore as an assurance & capital market manager and was responsible for managing a number of audit assignments as well as cross border IPO and M&A transactions.

Prior to joining Sembcorp, she was the Deputy CFO and Board Secretary at CIMC Raffles Offshore Ltd where she oversaw the full spectrum of shareholders, board and finance related matters.

Ms Chen is a Fellow member of The Association of Chartered Certified Accountants (ACCA).

Ahmed Al Bulushi,
Independent Non-Executive Director

Mr. Ahmed Al Bulushi is one of four independent directors of Sembcorp Salalah and is a member of the Audit Committee.

He is also the Chief Executive Officer of Oman National Transport Company "Mwasalat". Prior to joining "Mwasalat", Mr. Al Bulushi held a number of key positions in the Royal Court Affairs with his last appointment as the Director of Internal Audit where he was responsible for the operation of the risk management, control and governance systems.

In addition to Sembcorp Salalah, Mr. Al Bulushi is also a director and member of the Audit Committee of Oman National Engineering and Investment Company SAOG.

Mr. Al Bulushi holds an Information Technology degree and a Master of IT Management from Bond University, Australia.

Sheikh Khalid Mohammed Ali Al Hamoodah,
Independent Non-Executive Director

Sheikh Khalid Ali Al Hamoodah is one of four independent directors of the Sembcorp Salalah.

Sheikh Khalid is currently the Assistant Executive President at Diwan of Royal Court - Pension Fund, spearheading the investment department which manages multi-asset class investments in the global financial markets. He has been serving Diwan of Royal court in different capacities and has accumulated experience in operational management, administration, project execution along with managing investments. He also plays an integral part in the Investment Committee of Pension Fund. Prior to his role at Diwan of Royal Court he had a short stint with the Ministry of Oil and Gas.

He has been a member on the Board of a number of reputed companies and financial institutions in public and private sectors in Oman and in the GCC region. He is the Chairman of National Mass Housing SAOC and Vice Chairman of Taageer Finance Company SAOG. He also sits on the Board of Muscat Gases Company SAOG. Currently, he is also serving as Board member in Oryx Fund, managed by Bank Muscat and National Bank of Oman GCC Fund, managed by National Bank of Oman.

He holds a Masters in Business Administration from University of Strathclyde, UK and Bachelors in Business Administration from Coventry University, UK.

Ahmed Ali Ahmed Al Moosawi,
Independent Non-Executive Director

Mr. Ahmed Ali Ahmed Al Moosawi is a non-executive director of Sembcorp Salalah.

Mr. Ahmed is a finance professional. He started his career in 2013 as derivative officer in Bank Muscat. He is currently working in the Civil Service Employees Pension Fund as Acting Head of Treasury Section in Finance Department.

Mr. Ahmed Al Moosawi holds a Bachelor of Arts in Finance from Majan College, University of Bedfordshire, UK.

Abdullah Mohammed Ali Al Ma'mari,
Independent Non-Executive Director

Mr. Abdullah Mohammed Ali Al Ma'mari is one of four independent directors of the Sembcorp Salalah.

Mr. Abdullah Al Ma'mari is an Assistant Director of Investment in Ministry of Defence Pension Fund. He has valuable experience in evaluating and analyzing investment in local and foreign markets. He is mainly responsible for managing the foreign investment portfolio for the Ministry of Defence Pension Fund.

Mr. Al Ma'mari holds a bachelor's degree in finance from Sultan Qaboos University, Muscat.

Executive Management

Humaid Salim Al Amri,
Chief Executive Officer

Mr. Humaid is the CEO of the Company.

Mr. Humaid brings 23 years of technical and management experience in the power and infrastructure industry. He has worked as General Manager with KAYAN AlOmania Construction Company SAOG. During his professional career, he also worked with Petroleum Development of Oman (PDO) in different roles and headed the Power System Operation and Maintenance section for seven years. His diverse experience provides him with wide exposure to internal and external businesses and allowed him to obtain different recognitions and certifications.

Mr. Humaid holds a Master of Science Degree in Power Distribution Engineering from University of Manchester, UK.

Tariq Bashir,
Chief Financial Officer and Company Secretary

Mr. Tariq is Chief Financial Officer and Company Secretary of Sembcorp Salalah.

Mr. Tariq joined Sembcorp Salalah in September 2011. He has more than 10 years of experience in the financial and commercial aspects of the business. Before joining Sembcorp Salalah, he was with KPMG and was involved in many power company audits.

Mr. Tariq holds a Bachelor of Commerce from the University of the Punjab, Pakistan, and is a member of the Association of Chartered Certified Accountants.

Pratush Sinha,
Plant Manager

Mr. Pratush Sinha is the Acting Plant Manager of Sembcorp Salalah.

He has over 20 years of experience having worked at various multinational power and water companies, specifically in the field of commissioning, operations and maintenance as well as health, safety and environment management. Sinha has deep experience in the operations and maintenance of gas turbines and steam turbines, desalination MSF and RO plants, balance of plant equipment and various control systems such as Mark-V, VIe, DCS and PLC. Throughout his career, he has worked for a 420 MW coal-based thermal power plant in India, a 2450 MW Dabhol power plant in India and a 285 MW Al Kamil Power plant in Oman.

Pratush joined Sembcorp in 2006 as Control & Instrument Manager in 893 MW combined-cycle power and 130 MiGD desalinated water plant at Emirates Sembcorp Water and Power Co in UAE.

Pratush holds a Bachelor of Engineering in Electrical & Electronics from Karnatak University, India.

Salim Mohammed Al Mashikhi,
Human Resource & Information Technology Manager

Mr. Salim is the Manager for the Human Resources, Administration and Information Technology departments at Sembcorp Salalah O&M Services Company.

He is responsible for designing and developing the information technology network system for the company and overseeing its system requirements. Prior to joining Sembcorp Salalah O&M Services Company, Mr. Al Mashiki worked in Raysut Cement Company in Oman as a Network and Hardware Administrator.

Mr. Salim holds a diploma in Information Technology from the Salalah College of Technology, Oman.

Financial statements
31 December 2020

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Independent auditor's report to the shareholders of Sembcorp Salalah Power & Water Company SAOG

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sembcorp Salalah Power & Water Company SAOG (the "Company") as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2020;
- the statement of financial position as at 31 December 2020;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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Independent auditor's report to the shareholders of Sembcorp Salalah Power & Water Company SAOG (continued)

Our audit approach

Overview

Key audit matter	• Useful lives of assets • Impairment of non-financial assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

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 period. 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
Useful lives of assets The Company operates its main generation and desalination plant under a single Power and Water Purchase Agreement ("PWPA") entered into with Oman Power and Water Procurement Company SAOC ("OPWP"), which is the single buyer of power and water for all projects within the Sultanate of Oman. The PWPA has been determined to be an operating lease. The total cost of the plant and other associated assets was first recognised in 2012 as buildings, roads and pipelines and plant and machinery in the financial statements of the Company with the various components having useful lives attributed to them of between 20 and 35 years. The aggregate carrying values of the buildings, roads and pipelines and plant and machinery as at 31 December 2020 were RO 35.76 million, RO 19.44 million and RO 214.12 million respectively. However, the PWPA relating to the plant is for only 15 years, valid up to 31 March 2027. Further, there is no renewal option in the PWPA.	Our audit procedures in relation to management's estimate on useful lives were as follows: • At the time the original evaluation was performed, we evaluated the appropriateness and reasonableness of the assumptions considered by the independent valuer for the cash-flow forecasts pertaining to the post-PWPA period; • During the audit of the financial statements for the current year, we have re-assessed the relevance and appropriateness of those underlying assumptions by: ➢ making enquiries of management as to; - the current status of operations of the plant, including the future plans and utilisation of the plant after the end of the PWPA period; and

Independent auditor's report to the shareholders of Sembcorp Salalah Power & Water Company SAOG (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Useful lives of assets (continued) The useful lives of the different components of the plant are based on management's technical assessment of factors which are subject to judgement and accordingly contain significant estimation uncertainty. In addition, the estimated useful lives that have been assumed by management are all more than the term of the PWPA. However, management estimates that the plant and other associated assets will continue in operational existence beyond the initial term of 15 years covered by the current PWPA. In making its assessment of asset useful lives, management appointed an independent valuation expert in 2013 to prepare a cash flow model for the plant's entire expected operating life-cycle and the cash flow implications of the various options that may apply after the initial 15 year contract expires (i.e. contract extension or the implementation of a merchant market arrangement) and has estimated the useful lives of the plant components considering various factors such as the operating cycles, the maintenance programs, normal wear and tear and future cash flow forecasts. Management believes that the aforementioned assumptions remain valid and continue to apply in the current financial year. Accordingly, the plant and other associated assets are still expected to be economically viable and will continue in operational existence after the PWPA period expires in 2027.	- the Company's right to extend the land lease under a Usufruct Agreement for an additional term; ➢ reviewing the OPWP's latest published plan and statements titled 'OPWP 7 Year Statement 2019 – 2025, Issue 13' published in 2019 for the power sector in the region of Dhofar, where the Company operates, to identify any potential change to the Company's strategic position in the region and hence any possible need for modification to the assumptions underpinning future usage of the plant and the related asset lives; ➢ reviewing publicly available information in respect of: - updates on OPWP's plans communicated in the 'OPWP 7 Year Statement 2019 – 2025, Issue 13'; and - impact of COVID – 19 on the demand growth rates in the region of Dhofar. • We re-assessed the reasonableness of the useful life of the plant, and the depreciation method used, by comparing it with other companies in the country operating plants with similar technology; and • We tested the continuing adequacy of the disclosures in the financial statements relating to asset lives and the judgments surrounding them.

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Independent auditor's report to the shareholders of Sembcorp Salalah Power & Water Company SAOG (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Useful lives of assets (continued) We focused on this area as a key audit matter because the estimation of asset useful lives by management involves the application of judgment as to how the plant will be utilised in the post-PWPA period and is a matter that is reconsidered annually by management for any changes that may affect the original assessment made. Refer to notes 2.2(a) (Judgements), 2.3(b) (Estimates and assumptions), 2.4 (g) (iii) (Depreciation) and 8 (Property, plant and equipment) to the financial statements.	
Impairment of non-financial assets Management also assessed whether its non-financial assets exhibit indicators of impairment as defined in IAS 36 Impairment of assets. This requires an estimation of the value in use of the cash-generating unit ('the CGU'), which constitutes the carrying value of property, plant and equipment, right of use assets and intangible assets as at 31 December 2020. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the CGU with indicators of impairment as at 31 December 2020 was RO 270.80 million.	Our audit procedures in relation to management's impairment assessment were as follows: • We obtained management's value in use calculation and reviewed the logic of the model so as to ensure that it is consistent with our understanding of the business; • We developed an independent point estimate of the value in use based on management's impairment model which consisted of the following inputs: - historical growth rates; - historical scheduled and unscheduled outages with conservative built in contingencies; - independent estimates of relevant macro-economic factors; and - future growth rates and discount rate; wherein we used the assistance of a valuation expert since these inputs are key to the outcome of the impairment test.

Independent auditor's report to the shareholders of Sembcorp Salalah Power & Water Company SAOG (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of non-financial assets (continued) The recoverable amount of the CGU has been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on the financial budgets approved by management and based on the historical inflation rates, contractual clauses of PWPA and the estimates for relevant macroeconomic factors. The growth rate considered does not exceed the long-term average growth rate for the utilities industry sectors in which the CGU operates. The Company used a weighted average cost of capital of 9.21% to calculate the present value of cash flows for determining the value in use. Management believes that the assumptions considered by them in performing the impairment assessment are reasonable and have accordingly concluded that the CGU is not impaired as at 31 December 2020, since the value in use is in excess of the carrying value. We focused on this area because of the materiality of the non-financial assets, and an impairment, if it exists, could have a material impact on the financial statements. We also focused on this area due to the significant judgments and estimates involved in performing the assessment. Refer to note 2.3 (d) (Estimates and assumptions) to the financial statements.	• We compared the value in use as per our independent point estimate with the value in use as per management's working to ensure reasonableness of management's estimate; • We performed sensitivity analysis over key assumptions in the calculation of the value in use in order to assess the potential impact of a range of possible outcomes; • We tested the adequacy of the Company's disclosures on key assumptions and estimation uncertainty.

Independent auditor's report to the shareholders of Sembcorp Salalah Power & Water Company SAOG (continued)

Other information

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

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

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

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

When we read the Company's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the relevant requirements of the Capital Market Authority of the Sultanate of Oman and the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 the financial statements.

Independent auditor's report to the shareholders of Sembcorp Salalah Power & Water Company SAOG (continued)

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

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 directors.

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

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

We communicate with the directors 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 the directors 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, actions taken to eliminate threats or safeguards applied.

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

Independent auditor's report to the shareholders of Sembcorp Salalah Power & Water Company SAOG (continued)

Report on other legal and regulatory requirements

Further, as required by the relevant requirements of the Capital Market Authority of the Sultanate of Oman and the applicable provisions of the Commercial Companies Law of 2019, we report that the financial statements have been prepared and comply, in all material respects, with those requirements and provisions.

PricewaterhouseCoopers LLC

John Molloy

John Molloy

11 February 2021

Muscat, Sultanate of Oman

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020	2019
		RO	RO
Revenue from contracts with customers	3	71,881,527	73,892,472
Cost of sales	4	(39,111,913)	(41,975,933)
Gross profit		32,769,614	31,916,539
Administrative and general expenses	5	(715,216)	(709,717)
Other income	6	1,735,529	132,407
Profit before interest and tax		33,789,927	31,339,229
Finance income		254,292	464,850
Finance costs	7	(12,569,185)	(14,198,505)
Profit before income tax		21,475,034	17,605,574
Income tax expense	18	(3,152,759)	(2,556,760)
Profit after tax for the year		18,322,275	15,048,814
Other comprehensive income			
Fair value of cash flow hedge adjustments – gross	11	(6,247,674)	(4,956,568)
Reclassification to profit or loss - gross	7	4,124,176	2,610,481
Deferred tax asset on change in fair value of cash flow hedge	18	318,524	351,913
Total comprehensive income for the year		16,517,301	13,054,640
Earnings per share:			
Basic earnings per share	25	0.019	0.016

The notes on pages 59 to 98 are an integral part of these financial statements.
Independent auditors' report – page 47 – 54.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	31 December 2020 RO	31 December 2019 RO
Assets			
Non-current assets			
Property, plant and equipment	8	**270,072,326**	280,336,106
Right of use assets	9	**701,515**	728,496
Intangible assets	10	**26,584**	3,535
Total non-current assets		**270,800,425**	281,068,137
Current assets			
Inventory	12	**5,667,627**	5,369,059
Trade and other receivables	13	**24,565,231**	20,781,057
Bank deposits	14	**20,676,336**	18,925,080
Cash and cash equivalents	14	**521,251**	4,420,424
Total current assets		**51,430,445**	49,495,620
Total assets		**322,230,870**	330,563,757
Equity and Liabilities			
Equity			
Share capital	15 (a)	**95,457,195**	95,457,195
Legal reserve	15 (b)	**11,030,441**	9,198,213
Retained earnings		**14,574,602**	6,771,159
Shareholders' funds		**121,062,238**	111,426,567
Hedging reserve	11 &15(c)	**(11,810,831)**	(10,005,857)
Net equity		**109,251,407**	101,420,710
Liabilities			
Non-current liabilities			
Long term loans	20	**126,719,435**	151,161,095
Long term lease liability	22	**491,616**	461,616
Asset retirement obligation	21	**688,084**	646,228
Deferred tax liability	18	**21,801,198**	20,363,759
Derivative financial instruments	11	**10,392,475**	9,360,421
Total non-current liabilities		**160,092,808**	181,993,119
Current liabilities			
Current portion of long term loans	20	**25,154,721**	24,759,473
Current portion of derivative financial instruments	11	**3,502,619**	2,411,175
Trade and other payables	16	**22,832,519**	19,979,280
Current tax payable	18	**1,396,796**	-
Total current liabilities		**52,886,655**	47,149,928
Total liabilities		**212,979,463**	229,143,047
Total equity and liabilities		**322,230,870**	330,563,757
Net assets per share	26	**0.127**	0.117

The financial statements on pages 55 to 98 were approved and authorised for issue in accordance with a resolution of the Board of Directors on 10 February 2021.

Director **Chief Executive Officer**

The notes on pages 59 to 98 are an integral part of these financial statements.
Independent auditors' report – page 47 – 54.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital RO	Legal reserve RO	Retained earnings RO	Hedging reserve RO	Total RO
At 1 January 2019	95,457,195	7,693,332	3,250,232	(8,011,683)	98,389,076
Profit for the year	-	-	15,048,814	-	15,048,814
Other comprehensive income					
Fair value of cash flow hedge adjustments – gross	-	-	-	(4,956,568)	(4,956,568)
Reclassification to profit or loss - gross (note 7)	-	-	-	2,610,481	2,610,481
Deferred tax liability on change in fair value of cash flow hedge	-	-	-	351,913	351,913
Total comprehensive income for the year	-	-	15,048,814	(1,994,174)	13,054,640
Transactions with owners of the Company, recognised directly in equity					
Final dividend 2018	-	-	(3,245,545)	-	(3,245,545)
Interim dividend 2019	-	-	(6,777,461)	-	(6,777,461)
Transfer to legal reserve	-	1,504,881	(1,504,881)	-	-
Total transactions with owners of the Company, recognised directly in equity	-	1,504,881	(11,527,887)	-	(10,023,006)
At 31 December 2019	95,457,195	9,198,213	6,771,159	(10,005,857)	101,420,710
At 1 January 2020	**95,457,195**	**9,198,213**	**6,771,159**	**(10,005,857)**	**101,420,710**
Profit for the year	**-**	**-**	**18,322,275**	**-**	**18,322,275**
Other comprehensive income					
Fair value of cash flow hedge adjustments – gross	**-**	**-**	**-**	**(6,247,674)**	**(6,247,674)**
Reclassification to profit or loss - gross (note 7)	**-**	**-**	**-**	**4,124,176**	**4,124,176**
Deferred tax liability on change in fair value of cash flow hedge	**-**	**-**	**-**	**318,524**	**318,524**
Total comprehensive income for the year	**-**	**-**	**18,322,275**	**(1,804,974)**	**16,517,301**
Transactions with owners of the Company, recognised directly in equity					
Final dividend 2019	**-**	**-**	**(2,577,344)**	**-**	**(2,577,344)**
Interim dividend 2020	**-**	**-**	**(6,109,260)**	**-**	**(6,109,260)**
Transfer to legal reserve	**-**	**1,832,228**	**(1,832,228)**	**-**	**-**
Total transactions with owners of the Company, recognised directly in equity	**-**	**1,832,228**	**(10,518,832)**	**-**	**(8,686,604)**
At 31 December 2020	**95,457,195**	**11,030,441**	**14,574,602**	**(11,810,831)**	**109,251,407**

The notes on pages 59 to 98 are an integral part of these financial statements.
Independent auditors' report – page 47 – 54.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	RO	RO
Operating activities		
Profit before tax	**21,475,034**	17,605,574
Adjustments for:		
Depreciation and amortization	**11,135,180**	11,010,066
Amortisation of deferred financing cost	**713,059**	812,579
Finance costs	**11,856,126**	13,385,926
Finance income	**(254,292)**	(464,850)
Allowance for impairment of trade receivable	**-**	4,360
Provision for asset retirement obligation	**41,856**	41,700
Changes in working capital:		
Inventory	**(298,568)**	(219,856)
Trade and other receivables	**(3,853,847)**	(11,293,628)
Trade and other payables	**2,895,838**	11,730,157
Bank deposits	**(1,751,256)**	400,760
	41,959,130	43,012,788
Finance cost paid	**(11,868,725)**	(14,233,075)
Net cash flow generated from operating activities	**30,090,405**	28,779,713
Investing activities		
Acquisition of property, plant and equipment	**(867,468)**	(2,690,097)
Acquisition of intangible assets	**-**	(3,569)
Finance income received	**323,965**	529,701
Net cash flow used in investing activities	**(543,503)**	(2,163,965)
Financing activities		
Repayment of term loan	**(24,759,471)**	(20,270,583)
Dividend paid	**(8,686,604)**	(10,023,006)
Net cash flow used in financing activities	**(33,446,075)**	(30,293,589)
Net change in cash and cash equivalents	**(3,899,173)**	(3,677,841)
Cash and cash equivalents as at 1 January	**4,420,424**	8,098,265
Cash and cash equivalents as at 31 December (note 14)	**521,251**	4,420,424

Reconciliation of liabilities arising from financing activities (note 14.1)

The notes on pages 59 to 98 are an integral part of these financial statements.
Independent auditors' report – page 47 – 54.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1 Legal status and principal activities

Sembcorp Salalah Power & Water Company SAOG ("the Company") was registered as a closed Omani Joint Stock Company in the Sultanate of Oman on 29 September 2009.

The Company entered into a Shareholders Agreement ("the Shareholders Agreement") dated 17 November 2009 between Sembcorp Oman First Investment Holding Co Ltd ("SOFIH") 40% shareholder, Sembcorp Oman IPO Holding Co Ltd ("SOIHL") 20% shareholder and Inma Power & Water Company LLC ("IPWC") 40% shareholder. For current shareholding refer note 15.

The Company was awarded a tender by the Government of the Sultanate of Oman ("the Government") to build, own and operate an electricity generation and seawater desalination plant together with the associated facilities in the Salalah region ("the Plant").

On 8 October 2013, the Company was listed on the Muscat Securities Market and became a listed public joint stock company ("SAOG").

Significant agreements

The Company has entered into the following major agreements:

(i) Power and Water Purchase Agreement ("the PWPA") dated 23 November 2009 with Oman Power & Water Procurement Company SAOC ("OPWP") for a period of fifteen years commencing from the date of commercial operations ("Operation period") to procure the power and water produced by the Company;

(ii) Natural Gas Sales Agreement ("NGSA") dated 23 November 2009 with the Ministry of Energy and Minerals ("MEM") erstwhile known as Ministry of Oil and Gas i.e. MOG) of the Government for the supply of natural gas;

(iii) Usufruct Agreement ("Usufruct Agreement") dated 23 November 2009 with the Ministry of Housing for grant of Usufruct rights over the project site;

(iv) Long Term Service Agreement ("LTSA") with General Electric International LLC ("GEIL") for maintenance services on gas turbines and generators;

(v) Government Guarantee Agreement ("Government Guarantee") dated 23 November 2009 with the Government represented by the Ministry of Finance ("MOF"), whereby the MOF is prepared to guarantee the payment by OPWP of its financial obligations to the Company's Senior Lenders under the PWPA; and

(vi) Operation and Maintenance ("O&M") agreement with Sembcorp Salalah O&M Services Company LLC ("SSOM") dated 8 February 2010 for a period of 15 years from the scheduled commercial operation date.

2 Basis of preparation and significant accounting policies

2.1 Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the rules and guidelines on disclosures issued by the Capital Market Authority of the Sultanate of Oman (CMA) and the applicable requirements of the Commercial Companies Law of 2019.

2 Basis of preparation and significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Basis of measurement

These financial statements are prepared on a historical cost basis except where otherwise described in the accounting policies below.

(c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas where accounting assumptions and estimates are significant to the financial statements are disclosed in notes 2.2 and 2.3 below and also in the relevant notes to the financial statements.

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

In particular, estimates that involve uncertainties and judgments which have a significant effect on the financial statements include useful lives and residual value of property, plant and equipment, effectiveness of hedge relationship, and asset retirement obligation.

2.2 Judgements

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

(a) Operating lease and useful life of assets

The Company and OPWP have entered into a PWPA containing a take-or-pay clause favouring the Company. The management had applied the guidance in IFRIC 4, 'Determining whether an arrangement contains a lease'. Based on management's evaluation, the PWPA with OPWP was considered as a lease within the context of IFRIC 4 and 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 and not with OPWP. The primary basis for this conclusion being that the PWPA is for a term of 15 years while the economic life of the power plant is estimated to be 35 years. The present value of minimum lease payments under the PWPA 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 and not OPWP. The estimated useful life of the power plant of 35 years takes into account the Company's right to extend the land lease under the Usufruct Agreement for an additional term. As the Company will extend the land lease until the end of useful life of the plant, lease term of the land has also been considered to expire at the end of the useful life of the plant.

Furthermore, the residual value of the assets will have substantial value at the conclusion of the PWPA and the Company will be able to continue to generate revenue through supply of power and water which takes into account the government's future plans to deregulate the power and water sector in Oman.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

2 Basis of preparation and significant accounting policies (continued)

2.2 Judgements (continued)

(b) Impairment of financial assets

The impairment provisions for financial assets are assessed based on the "Expected Credit Loss" 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 Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. In determining the required impairment provision, the management has used 0.29% as probability of default (31 December 2019 0.39%) and 62.10% loss given default (31 December 2019: 61.85%).

2.3 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below:

(a) Effectiveness of hedge relationship

At the inception of the hedge, the management documents the hedging strategy and performs hedge effectiveness testing to assess whether the hedge is effective. This exercise is performed at each reporting date to assess whether the hedge will remain effective throughout the term of the hedging instrument. As at the reporting date, the cumulative fair value of the interest rate swaps was RO 13.9 million (31 December 2019 – RO 11.8 million).

(b) Useful lives of property, plant and equipment

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

(c) Asset retirement obligation

Asset retirement obligation is based on management's technical assessment of the probable future costs to be incurred in respect of the decommissioning of the plant and restoration of land. The significant uncertainty in estimating the provision is the cost that will be incurred and the applicable discount rate. It has been assumed that the site will be restored using technology and material that are currently available.

(d) Impairment of non-financial assets

The Company determines whether its non-financial assets are impaired when there are indicators of impairment as defined in IAS 36. This requires an estimation of the value-in-use of the cash-generating unit ('the CGU'), which constitutes the carrying value of property, plant and equipment, right of use assets and intangible assets as at 31 December 2020. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The Company used a weighted average cost of capital of 9.21% to calculate the present value of cash flows for determining the value-in-use. The carrying value of the CGU with indicators of impairment as at 31 December 2020 was RO 270.800 million (2019 - RO 281.068 million).

2 Basis of preparation and significant accounting policies (continued)

2.3 Estimates and assumptions (continued)

(d) Impairment of non-financial assets (continued)

The recoverable amount of the CGU has been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on the financial budgets approved by management and based on the historical inflation rates, contractual clauses of PWPA and the estimates for relevant macroeconomic factors. The growth rate considered does not exceed the long-term average growth rate for the utilities industry sectors in which the CGU operates. The value in use does not exhibit significant sensitivity to changes in assumptions for any of the underlying inputs, which could result in an impairment of the CGU as at 31 December 2020. Management believes that the residual value of the CGU will have substantial value at the conclusion of the current PWPA and the Company will be able to continue to generate revenue through supply of power and water which takes into account the possibility of extension of PWPA as well as the government's future plans to deregulate the power and water sector in Oman. Management believes that the assumptions considered by them in performing the impairment assessment are reasonable and have accordingly concluded that the CGU is not impaired as at 31 December 2020, since the value in use is in excess of its carrying value.

2.4 Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

(a) *Foreign currency*

(i) Functional and presentation currency

The financial statements have been presented in Rial Omani ("RO") which is the functional currency of the Company.

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Company at foreign exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency at the exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign currency differences arising on translation of monetary items are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, qualifying cash flow hedges or other non-monetary items, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(b) Financial instruments

(i) Financial assets

Classification

The Company on initial recognition classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (FVOCI), or through profit or loss (FVTPL)), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Company reclassifies these financial assets, when and only when its business model for managing those financial assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost for financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its financial assets:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(b) Financial instruments (continued)

(i) Financial assets (continued)

Measurement (continued)

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its financial instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) Derivatives and hedging activities

Derivative financial instruments

All derivatives in scope of IFRS 9, including those linked to unquoted equity investments, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Fair value changes are recognised in profit or loss unless the entity has elected to apply hedge accounting by designating the derivative as a hedging instrument in an eligible hedging relationship.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, then hedge accounting is discontinued prospectively. The cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in profit or loss.

Embedded derivatives

An embedded derivative is a component of a contract that also includes a non-derivative host with the effect that some of the cash flows of the combined contract vary in a way similar to a stand-alone derivative.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Derivatives and hedging activities (continued)

Embedded derivatives (continued)

An embedded derivative is separated if, and only if:

a. The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;

b. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and;

c. The contract is not measured at fair value with changes in fair value recognised in profit or loss.

Embedded derivatives which are required to be separated are recognised at fair value with all subsequent changes in fair value recognised in profit or loss. Embedded derivatives that are not required to be separated are considered as part of the host contract and not accounted for separately.

(c) Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable costs such as loan arrangement fee. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit and loss over the expected period of borrowings on an effective interest rate basis.

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

(d) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(e) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 25 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and other short-term, highly liquid investments with original maturities of nine months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Depreciation

Depreciation is calculated using the straight-line method to allocate the cost less its residual value so as to write off items of property, plant and equipment over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of an item is depreciated separately. The estimated useful lives are as follows:

	Years
Buildings	30 to 35
Roads and pipelines	10 to 35
Plant and machinery	20 to 35
Plant and machinery (Tools and equipment)	2 to 12
Office equipment	3 to 10
Motor vehicles	5 to 10
Computer equipment	3 to 5

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(g) Property, plant and equipment (continued)

(iii) Depreciation (continued)

Certain items of property, plant and equipment are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the estimated costs of the next overhaul and are separately depreciated in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to the profit or loss.

(iv) Capital work in progress

Capital work in progress is measured at cost and is not depreciated until it is transferred into one of the above categories, which occurs when the asset is ready for its intended use.

(v) Site restoration

A liability for future site restoration is recognized as the activities giving rise to the obligation of future site restoration. The liability is measured at the present value of the estimated future cash outflows to be incurred on the basis of current technology. The liability includes all costs associated with site restoration, including plant closure and monitoring costs.

(h) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets. Impairment losses are recognised in the profit and loss statement unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then, to reduce the carrying amounts of the other assets in cash-generating units on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Management determines whether there are any indications of impairment to the carrying values of property, plant and equipment on an annual basis because of the difference between the duration of contracted cash flows and accounting depreciation of assets. This requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Company to make an estimate of the expected future cash flows for the period lying beyond the term of the initial PWPA and also choose a suitable discount rate in order to calculate the present value of those cash flows.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(i) Leases

(i) Company as a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

The lease term is considered to be the non-cancellable period for which the Company has the right to use an underlying asset. The lease term is adjusted for periods covered by an option to extend; if it is reasonably certain that the option will be exercised as well as periods covered by an option to terminate the lease; if it is reasonably certain that the option will not be exercised.

(ii) The Company as lessor

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to the ownership of an underlying asset. Lease payments from operating lease are recognised as income on a straight-line basis unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. Costs incurred in earning the lease income, including depreciation are recognised as an expense. Initial direct cost incurred in obtaining lease, are added to the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as the lease income. Modification to an operating

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(i) Leases (continued)

(ii) The Company as lessor (continued)

lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued leased payments relating to the original lease as part of the lease payments for the new lease. The respective leased assets are included in the balance sheet based on their nature.

Finance lease receivables and finance income

Finance leases, which transfer from the Company substantially all of the risks and rewards incidental to ownership of the leased item, are recognised as a disposal of asset at the inception of the lease and are presented as receivables under a finance lease at an amount equal to the net investment in the finance lease. Lease receivables are apportioned between finance income and reductions of the receivables under a finance lease so as to achieve a constant periodic rate of return on the lessor's net investment in the finance lease. Finance income earned is recognised within profit and loss in the statement of comprehensive income. Lease receivables due within one year are disclosed as current assets.

The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

(j) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Capacity charge

Capacity charge include investment charge and fixed O&M charge. Investment charge is treated as revenue under operating lease and recognized on straight line basis over the lease term. Fixed O&M charge is recognized based on the capacity made available in accordance with contractual terms stipulated in PWPA.

Variable charge

Energy charge, water output charge and fuel charge are recognised when electricity and water are delivered; which is taken to be over time when the customer has accepted the deliveries, the control of utilities have been transferred to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the utilities.

The Company has a long term agreement with OPWP which determines performance obligation, transaction price and allocates the transaction price to each of the separate performance obligations.

Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(k) Revenue recognition (continued)

Variable charge (continued)

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

(l) Finance income

Finance income comprises interest received on bank deposits and foreign exchange gains and losses that are recognised in the profit and loss statement. Interest income is recognised in the profit and loss statement, as it accrues, taking into account the effective yield on the asset.

(m) Borrowing costs

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

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition. The cost of raw materials and consumables and goods for resale is based on weighted average method and consists of direct costs of materials and related overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made where necessary for obsolete, slow moving and defective items, based on management's assessment.

(o) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of profit and loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(o) Income tax expense (continued)

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

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The assessment regarding adequacy of tax liability for open tax year relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(p) Employee benefits

Obligations for contributions to a defined contribution retirement plan, for Omani employees, in accordance with the Omani Social Insurance Scheme, are recognised as an expense in profit and loss as incurred.

The Company's obligation in respect of non-Omani employees' terminal benefits is the amount of future benefit that such employees have earned in return for their service in the current and prior periods having regard to the employee contract and Oman Labour Law 2003, as amended.

In accordance with the provisions of IAS 19, Employee benefits, management carries an exercise to assess the present value of the Company's obligations as of reporting date, using the actuarial techniques, in respect of employees' end of service benefits payable under the Oman aforesaid Labour Law. Under this method, an assessment is made of an employee's expected service life with the Company and the expected basic salary at the date of leaving the service.

(q) Directors' remuneration

Directors' remunerations are computed in accordance with the Commercial Companies Law, as per the requirements of Capital Market Authority and are recognised as an expense in the statement of profit or loss.

(r) Dividend

The Board of Directors takes into account appropriate parameters including the requirements of the Commercial Companies Law 2019 while recommending the dividend.

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved.

(s) Earnings and net assets per share

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

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

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(t) Segmental reporting

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

(u) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and share options are deducted against the share capital account, net of any tax effects. Where the Company's ordinary shares are repurchased (treasury shares), the consideration paid, excluding any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders and presented as reserve for own shares within equity, until they are cancelled, sold or reissued

(v) Determination of fair values

(i) Trade and other receivables

The fair value of trade and other receivables including cash and bank balances approximates to their carrying amount due to their short-term maturity.

(ii) Derivatives

The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. This calculation is tested for reasonableness through comparison with the valuations received from the parties issuing the instruments.

(iii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(w) Standards and amendments effective in 2020 and relevant for the Company's operations:

The Company had early adopted the amendments to IFRS 9 and IFRS 7 for IBOR reforms during the financial year ended 31 December 2019.

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

The Company has applied the following standards and amendments as of 1 January 2020:

(a) Definition of Material – amendments to IAS 1 and IAS 8

(b) Definition of a Business – amendments to IFRS 3; and

(c) Revised Conceptual Framework for Financial Reporting.

The amendments listed above did not have any impact on the Company's accounting policies and did not require retrospective adjustments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(x) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

A number of new standards, amendments and interpretations to existing standards have been published and are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company.

The following new or amended standards are not expected to have a significant impact on the Company's financial statements.

- Covid-19-related Rent Concessions - Amendments to IFRS 16 - Effective date of this amendment is for annual periods beginning on or after 1 June 2020;
- Property, Plant and Equipment: Proceeds before intended use - Amendments to IAS 16. Effective date of this amendment is for annual periods beginning on or after 1 June 2022;
- Reference to the Conceptual Framework - Amendments to IFRS 3. Effective date of this amendment is for annual periods beginning on or after 1 June 2022;
- Onerous Contracts - Cost of Fulfilling a Contract Amendments to IAS 37. Effective date of this amendment is for annual periods beginning on or after 1 June 2022;
- Annual Improvements to IFRS Standards 2018-2020. Effective date of this amendment is for annual periods beginning on or after 1 June 2022;
- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities. Effective date of this amendment is for annual periods beginning on or after 1 January 2023;
- IFRS 17 Insurance contracts. Effective date of this standard is annual periods beginning on or after 1 January 2023; and
- Sale or contribution of assets between an investor and its associate or joint venture - Amendments to IFRS 10 and IAS 28. the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

There are no other IFRS standards, amendments or interpretations that are expected to have a material impact on the Company.

3 Revenue

	2020	2019
	RO	RO
Operating lease income - Investment charge	**43,166,517**	43,052,476
Fixed operation and maintenance charge	**8,843,377**	8,627,490
Fuel charge	**18,056,235**	20,258,254
Energy charge	**883,511**	1,035,786
Water output charge	**931,887**	918,466
	71,881,527	73,892,472

3 Revenue (continued)

Contracts with customers

The Company recognized revenue in accordance with PWPA as defined in note 1 of the financial statements. The contract consists of two revenue streams, which are:

1) Capacity charge
   a. Investment charge
   b. Fixed operation and maintenance charge
2) Variable charge (i.e. energy, water and fuel charge)

Capacity charge related to investment charge under the PWPA is considered to be a lease component in the agreement and constitutes operating lease income.

Capacity charge related to fixed operation and maintenance charge is for making the capacity available to OPWP and variable charge (covering energy charge, water charge and fuel charge) is for electricity and water output delivered.

Accounting policies

Variable charge

Energy charge, water output charge and fuel charge are recognised when electricity and water are delivered; which is taken to be over time when the customer has accepted the deliveries, the control of utilities have been transferred to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the utilities.

There are no significant judgements that are involved while recognising revenue from contracts with customers.

Performance obligation

The Company sells electricity and water to OPWP in Oman which is the only customer of the Company. The contracts with the customer give rise to performance obligations namely production/ supply of electricity and water and making available the capacity for production. Transaction prices for each performance obligation are identifiable in the named contracts with OPWP separately and are equal to stand-alone selling prices of each performance obligation under PWPA.

The Company satisfies performance obligations upon actual delivery of water and electricity output and by making capacity available.

Determination of transaction price

Invoicing is as per transaction price (tariff) based on contracts. The payment terms are for less than a month and accordingly, transaction price does not contain any significant financing component.

Timing of revenue recognition

The Company recognises revenue over time since OPWP (the customer) simultaneously receives and consumes the output of electricity and water and consumes the benefit of plant's availability. In doing so, the Company uses output method to measure the Company's progress towards complete satisfaction of performance obligations satisfied over time. The output method requires the Company to measure actual output delivered with respect to electricity and water and calculate the actual capacity available. Revenue is recognised based on the measurement of output, calculation of availability and the fixed tariff as per the terms of PWPA. The selected output method depicts the Company's performance towards complete satisfaction of the performance obligations since:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

3 Revenue (continued)

Timing of revenue recognition (continued)

(i) the output and capacity availability can be measured to the exact quantities for which control has transferred to OPWP; and

(ii) The Company's performance does not produce any work in progress or finished goods controlled by the customer that are not included in the measurement of the output.

The revenue is recognised for the amount to which the Company has right to invoice, wherein a receivable from the customer is booked as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The invoice is raised on a monthly basis and is payable after 25 days from the date of receipt of invoice by the customer.

No significant judgement is involved in the application of output method for measuring the Company's performance towards satisfaction of obligations.

Disaggregation of revenue

The revenue has been disaggregated based on the key drivers by which the Company receives and recognises its revenue. Accordingly, the disaggregated revenue line items do not represent or correspond to the operating segments as defined by IFRS 8 and explained in note 28.

Allocation of transaction price to remaining performance obligation

The Company has no unsatisfied performance obligations with respect to billed revenue. The Company has right to invoice for every unit of output and making available the designated capacity. Actual invoicing for the delivered output is done at the end of every month.

The Company has not recognized any impairment losses on receivables arising from Company's contract with customer.

All the revenue of the Company accrues from contracts with customers.

4 Cost of sales

	2020	2019
	RO	RO
Fuel cost	**17,212,177**	19,408,960
Depreciation (note 8 and 9)	**11,072,985**	10,962,372
Operation and maintenance cost	**6,855,657**	7,209,616
Contractual services maintenance cost	**2,330,579**	2,549,181
Insurance cost	**825,869**	783,014
Incentive payment	**550,438**	524,689
Security charges	**93,873**	109,667
License and permits	**52,371**	52,371
Other service cost	**43,074**	307,216
Provision for asset retirement obligation (note 21)	**41,856**	41,700
Electricity import cost	**33,034**	27,147
	39,111,913	41,975,933

5 Administrative and general expenses

	2020	2019
	RO	RO
Staff costs	221,437	217,469
Directors' remuneration and sitting fees (note 19)	138,250	120,350
Legal and professional charges	101,970	73,449
Fee and subscription	96,508	97,373
Depreciation and amortisation (notes 8 and 10)	62,195	47,693
Charity and donations	59,823	58,009
Travelling expenses	2,805	54,041
Provision for impairment	-	4,360
Others	32,228	36,973
	715,216	709,717

6 Other income

Other income for the year ended 31 December 2020 mainly constitutes the insurance settlement claim in respect of compensation for business interruption and property damage loss arising from Cyclone Mekunu which took place in May 2018.

7 Finance costs

	2020	2019
	RO	RO
Interest expense on project financing	7,611,726	10,693,815
Interest expense on interest rate swap	4,124,176	2,610,481
Deferred financing cost	713,059	812,579
Commission and bank charges	54,682	53,454
Interest expense on short term borrowings	35,542	-
Interest expense on lease liability	30,000	28,176
	12,569,185	14,198,505

Interest expense on project financing and deferred finance cost relates to the term loan (note 20). Interest expense on swaps relates to the derivative financial instruments (note 11).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

8 Property, plant and equipment

Cost	Buildings RO	Roads and pipelines RO	Plant and machinery RO	Office equipment RO	Motor vehicles RO	Computer equipment RO	Capital Work in Progress RO	Total RO
At 1 January 2020	**48,596,630**	**26,551,709**	**289,263,329**	**190,049**	**330,371**	**320,918**	**970,502**	**366,223,508**
Additions	**51,791**	**-**	**630,102**	**14,294**	**2,950**	**41,216**	**127,115**	**867,468**
Transfer during the year (note 8)	**3,700**	**-**	**402,979**	**-**	**-**	**-**	**(452,583)**	**(45,904)**
At 31 December 2020	**48,652,121**	**26,551,709**	**290,296,410**	**204,343**	**333,321**	**362,134**	**645,034**	**367,045,072**
Accumulated depreciation								
At 1 January 2020	**11,430,650**	**6,291,806**	**67,470,003**	**186,532**	**223,527**	**284,884**	**-**	**85,887,402**
Charge for the year (note 4 and 5)	**1,467,434**	**823,704**	**8,718,473**	**1,560**	**42,832**	**31,341**	**-**	**11,085,344**
At 31 December 2020	**12,898,084**	**7,115,510**	**76,188,476**	**188,092**	**266,359**	**316,225**	**-**	**96,972,746**
Carrying amount								
At 31 December 2020	**35,754,037**	**19,436,199**	**214,107,934**	**16,251**	**66,962**	**45,909**	**645,034**	**270,072,326**
Cost								
At 1 January 2019	48,484,266	26,491,012	287,901,907	189,874	288,922	307,106	268,912	363,931,999
Additions	65,174	40,615	1,760,010	175	41,449	13,812	768,862	2,690,097
Transfer during the year (*note 'c' below*)	47,190	20,082	(398,588)	-	-	-	(67,272)	(398,588)
At 31 December 2019	48,596,630	26,551,709	289,263,329	190,049	330,371	320,918	970,502	366,223,508
Accumulated depreciation								
At 1 January 2019	9,965,873	5,470,355	58,934,752	182,377	183,129	249,868	-	74,986,354
Charge for the year (note 4 and 5)	1,464,777	821,451	8,611,802	4,155	40,398	35,016	-	10,977,599
Transfer during the year (*note 'c' below*)	-	-	(76,551)	-	-	-	-	(76,551)
At 31 December 2019	11,430,650	6,291,806	67,470,003	186,532	223,527	284,884	-	85,887,402
Carrying amount								
At 31 December 2019	37,165,980	20,259,903	221,793,326	3,517	106,844	36,034	970,502	280,336,106

8 Property, plant and equipment (continued)

(a) Leased land

Land on which the plant is constructed has been leased by the Government of Sultanate of Oman to the Company for a period of 25 years expiring on 23 November 2034 under the term of the Usufruct Agreement, which can be extended for an additional 25 years. Lease rental for the initial term of 25 years has already been paid. (note 9).

(b) Security

The Company's property, plant and equipment are pledged as security against the term loans (note 20).

(c) During 2019, the cost of RO 398,588/- and accumulated depreciation of RO 76,551/- has been transferred from Plant and Machinery to Right of use asset since IFRS 16 requires asset retirement obligation to be classified as part of the Right of use asset.

(d) Capital work in progress

Capital work in progress mainly consists assets related to Cyber Security project.

The depreciation charge has been allocated as set out below:

	2020	2019
	RO	RO
Cost of sales (note 4)	**11,046,004**	10,935,391
Administrative expenses (note 5)	**39,340**	42,208
	11,085,344	10,977,599

9 Right of use assets

	Land	**Asset retirement obligation**	**Total**
	RO	**RO**	**RO**
Cost			
At 1 January 2020	**433,440**	**398,588**	**832,028**
Additions during the year	**-**	**-**	**-**
At 31 December 2020	**433,440**	**398,588**	**832,028**
Accumulated depreciation			
At 1 January 2020	**15,480**	**88,052**	**103,532**
Charge for the year (note 4)	**15,480**	**11,501**	**26,981**
At 31 December 2020	**30,960**	**99,553**	**130,513**
Net carrying amount at 31 December 2020	**402,480**	**299,035**	**701,515**
Cost			
At 1 January 2019	433,440	398,588	832,028
At 31 December 2019	433,440	398,588	832,028
Accumulated depreciation			
At 1 January 2019	-	76,551	76,551
Charge for the year (note 4)	15,480	11,501	26,981
At 31 December 2019	15,480	88,052	103,532
Net carrying amount at 31 December 2019	417,960	310,536	728,496

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

10 Intangible assets

	2020	2019
	RO	RO
Cost		
At 1 January	126,108	122,539
Additions during the year	45,904	3,569
At 31 December	172,012	126,108
Accumulated amortisation		
At 1 January	(122,573)	(117,087)
Charge for the year (note 5)	(22,855)	(5,486)
At 31 December	(145,428)	(122,573)
Net carrying amount at 31 December	26,584	3,535

Intangible assets mainly consist of the ERP software and DuPont STOP program.

11 Hedging reserve

	2020	2019
	RO	RO
Interest rate swaps:		
SMBC Capital Market Limited	(2,814,874)	(2,426,587)
Standard Chartered Bank	(8,674,671)	(7,266,179)
KfW-IPEX	(2,405,549)	(2,078,830)
Hedging instrument at the end of the year	(13,895,094)	(11,771,596)
Deferred tax asset (note 18)	2,084,263	1,765,739
Hedging reserve at the end of the year (net of tax)	(11,810,831)	(10,005,857)
Less: Hedging reserve at the beginning of the year	(10,005,857)	(8,011,683)
Effective portion of change in fair value of cash flow hedge for the year	(1,804,974)	(1,994,174)
Hedging instrument classification		
Non-current portion of hedging instrument	10,392,475	9,360,421
Current portion of hedging instrument	3,502,619	2,411,175
	13,895,094	11,771,596
Change in fair value of outstanding hedging instruments since 1 January	6,247,674	4,956,568
Change in value of hedged item used to determine hedge effectiveness	(6,247,674)	(4,956,568)

On 19 November 2009, the Company entered into a Common Terms Agreement ("CTA"), for credit facilities with a consortium of international and local banks with Standard Chartered Bank as the Dollar Commercial Facility Agent, Bank Muscat SAOG as the Rial Commercial Facility Agent and Bank of China, Shan dong Branch as the Sinosure Facility Agent.

The Dollar Commercial Facility and the Sinosure Facility bear interest at USD LIBOR plus applicable margins.

In accordance with the CTA, the Company has fixed the rate of interest through Interest Rate Swap Agreements ("IRS") entered into with SMBC Capital Market Limited, KfW IPEX Bank GmbH and Standard Chartered Bank dated 20 November 2009, 23 March 2010 and 8 April 2010 respectively, for 95.32% of its USD loan facility.

11 Hedging reserve (continued)

The Company does not hedge the entire amount of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. The corresponding hedged notional amount outstanding as of 31 December 2020 is approximately RO 96 million (USD 250 million) and approximately RO 25 million (USD 65 million), at a fixed interest rate of 4.345% (31 December 2019 - 4.345%) and 3.8% (31 December 2019 - 3.8%) per annum respectively.

The interest rate swaps have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Company applies hedge accounting to remove the accounting mismatch between the hedging instrument and the hedged item since all critical terms matched during the period

and the economic relationship was 100% effective. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans.

Hedge ineffectiveness for interest rate swaps may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

Derivatives are only used for economic hedging purposes and not as speculative investments.

12 Inventory

	2020	2019
	RO	RO
Fuel inventory	1,134,575	1,108,424
Spare parts and consumables	4,533,052	4,260,635
	5,667,627	5,369,059

13 Trade and other receivables

	2020	2019
	RO	RO
Trade receivable (note 13.1)	23,111,902	19,182,040
Advances to vendors	1,386,506	1,467,633
Prepayments	56,573	25,946
Other receivable	10,250	105,438
	24,565,231	20,781,057

The Company has one customer (OPWP) which accounts for the trade receivables balance as at 31 December 2020 (2019 - one customer).

13.1 Trade receivable

	2020	2019
	RO	RO
Gross trade receivable	23,124,052	19,194,190
Allowance for impairment	(12,150)	(12,150)
	23,111,902	19,182,040

The ageing of trade receivables at the reporting date disclosed in note 23(b).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

14 Cash and bank balances

	2020	2019
	RO	RO
Cash in hand	**362**	923
Cash at bank	**520,889**	4,419,501
Cash and cash equivalents	**521,251**	4,420,424
Fixed term deposits (3 to 6 months) and DSRA	**20,676,336**	18,925,080

Debt Service Reserve Account (Restricted cash)

As at 31 December 2020, the Company has placed funds in the fixed term deposits (3 to 6 months) to meet the Debt Service Reserve Account (DSRA) minimum balance requirement of RO 14,320,472 (31 December 2019: RO 15,078,163) [note 20]. The fixed term deposits of RO 20,676,336 (31 December 2019: RO 18,925,080) have a weighted average interest rate of 0.48% (31 December 2019: 2.06% per annum).

14.1 Reconciliation of liabilities arising from financing activities

			Non-cash items		
	1 January 2020	**Cash flows**	**Interest cost**	**Unamortised transaction cost**	**31 December 2020**
	RO	**RO**	**RO**	**RO**	**RO**
Long term loans (notes 7 and 20)	**175,920,568**	**(24,759,471)**	**-**	**713,059**	**151,874,156**
Long term lease liability(notes 7 and 22)	**461,616**	**-**	**30,000**	**-**	**491,616**

	1 January 2019	Cash flows	Non-cash items (unamortised transaction cost)	31 December 2019
	RO	RO	RO	RO
Long term loans (notes 7 and 20)	195,378,572	(20,270,583)	812,579	175,920,568
Long term lease liability (notes 7 and 22)	433,440	-	28,176	461,616

	2020	2019
Net debt	**RO**	RO
Cash and bank balances	**521,251**	4,420,424
Fixed term deposits	**20,676,336**	18,925,080
Lease liabilities - repayable after one year	**(491,616)**	(461,616)
Long term loan - repayable within one year	**(25,154,721)**	(24,759,473)
Long term loan - repayable after one year	**(126,719,435)**	(151,161,095)
Net debt	**(131,168,185)**	(153,036,680)
Cash and bank balances	**521,251**	4,420,424
Fixed term deposits	**20,676,336**	18,925,080
Gross debt	**(152,365,772)**	(176,382,184)
Net debt	**(131,168,185)**	(153,036,680)

15 Equity

(a) Share capital

The Company's registered capital (issued and fully paid) comprises 954,571,950 shares.

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

The details of Shareholders are as follows:

31 December 2020

	Nationality	Number of shares held	% of total
SOFIH	**British Virgin Islands**	**381,828,780**	**40.00%**
IPWC	**Oman**	**125,431,511**	**13.14%**
Public		**447,311,659**	**46.86%**
		954,571,950	**100.00%**

31 December 2019

	Nationality	Number of shares held	% of total
SOFIH	British Virgin Islands	381,828,780	40.00%
IPWC	Oman	125,431,511	13.14%
Public		447,311,659	46.86%
		954,571,950	100.00%

(b) Legal reserve

Article 106 of the Commercial Companies Law of 2019 requires that 10% of a company's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to at least one-third of the company's issued share capital. This reserve is not available for distribution to shareholders.

(c) Hedging reserve

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (note 11).

16 Trade and other payables

	2020	2019
	RO	RO
Trade payable [note 23 (c)]	**16,328,102**	13,548,686
Interest payable	**2,719,634**	2,762,233
Due to related parties (note 19)	**1,940,863**	1,427,161
Accrued expenses and other payable	**1,843,920**	1,800,935
Provisions	**-**	440,265
	22,832,519	19,979,280

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

17 Short term borrowings

The Company has entered into working capital facility agreement with Bank Muscat on 26 February 2013, last amended on 22 December 2020. The working capital facility ("the Facility") limit is RO 3.85 million and carry interest rate of maximum 3.75% per annum. The balance outstanding as of 31 December 2020 is Nil (31 December 2019: Nil). The security against the facility is as per Common Terms Agreement and mentioned in note 20 of the financial statements.

18 Income tax

The Company is liable for income tax, in accordance with the income tax laws of Sultanate of Oman, at the rate of 15% of taxable income.

A deferred tax asset of RO 318,524 (31 December 2019: RO 351,913) has been recognised directly in equity in respect of the changes in fair values of interest rate swaps (note 11).

	2020	2019
	RO	RO
a) Recognised in profit or loss		
Current tax for the year	**1,396,796**	-
Deferred tax expense for the year	**1,755,963**	2,556,760
	3,152,759	2,556,760

(b) Reconciliation

The following is the tax reconciliation of income taxes calculated at the applicable tax rate with the income tax expenses.

	2020	2019
	RO	RO
Profit before tax	**21,475,034**	17,605,574
Income tax as per rates mentioned above	**(3,221,255)**	(2,640,836)
Expenses not deductible for tax	**(7,156)**	(4,844)
Change in recognised temporary differences	**-**	88,920
Prior year adjustment	**75,652**	-
Tax expense for the year	**(3,152,759)**	(2,556,760)

(c) Deferred tax asset (liability)

	At 1 January	**Recognised during the year**	**At 31 December**
As at December 2020	**RO**	**RO**	**RO**
Charged to profit or loss			
Property, plant and equipment	**(22,985,562)**	**(971,625)**	**(23,957,187)**
Provision for asset retirement obligation	**37,946**	**20,410**	**58,356**
Right of use asset/lease liability	**6,548**	**6,822**	**13,370**
Tax losses	**811,570**	**(811,570)**	**-**
	(22,129,498)	**(1,755,963)**	**(23,885,461)**
Deferred tax recognised in equity			
Derivative financial instruments	**1,765,739**	**318,524**	**2,084,263**
Deferred tax liability (net)	**(20,363,759)**	**(1,437,439)**	**(21,801,198)**

18 Income tax (continued)

As at December 2019	At 1 January RO	Recognised during the year RO	At 31 December RO
Charged to profit or loss			
Property, plant and equipment	(21,691,180)	(1,294,382)	(22,985,562)
Provision for asset retirement obligation	31,691	6,255	37,946
Right of use asset/lease liability	-	6,548	6,548
Tax losses	2,086,751	(1,275,181)	811,570
	(19,572,738)	(2,556,760)	(22,129,498)
Deferred tax recognised in equity			
Derivative financial instruments	1,413,826	351,913	1,765,739
Deferred tax liability (net)	(18,158,912)	(2,204,847)	(20,363,759)

(d) The movement in the current tax liability for the year comprise of:

	2020 **RO**	2019 RO
At 1 January	**-**	-
Charge for the year	**1,396,796**	-
Paid during the year	**-**	-
At 31 December	**1,396,796**	-

The current tax liability for the year ended 31 December 2019 was settled by adjusting it against accumulated losses.

(e) Status of prior year returns

The Company's assessment for the tax years 2017 to 2019 have not yet been finalised with the Secretariat General for Taxation at the Ministry of Finance. Management of the Company believe that additional taxes, if any in respect of open tax years, would not be significant to the Company's financial position as at 31 December 2020.

19 Related party transactions

Related parties comprise the shareholders, directors, key management personnel and business entities which have the ability to control or exercise significant influence in financial and operating decisions.

The Company maintains balances with these related parties which arise in the normal course of business from the commercial transactions. Outstanding balances at the reporting period end are unsecured and settlement occurs in cash.

No expenses have been recognised in the year for bad or doubtful debts in respect of amounts owed by related parties (31 December 2019: Nil).

Sembcorp Industries Limited (SIL), Oman Investment Corporation (OIC) and Sembcorp Oman First Investment Holding Co Ltd are related parties with significant shareholder influence; whereas Sembcorp Salalah O&M Services Company LLC (SSOM) is an affiliate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

19 Related party transactions (continued)

The Company had the following significant transactions with related parties during the year:

	2020	2019
	RO	RO
Sembcorp Industries Limited (SIL)		
- Purchase of intangible assets	**36,800**	3,569
- Reimbursement of expenses	**18,910**	32,398
Sembcorp Salalah O&M Services Company LLC (SSOM)		
- Operation and maintenance cost	**6,855,657**	7,209,616
- Incentive payment	**550,438**	524,689

Balances due to related parties at the year end comprised:

	2020	2019
	RO	RO
Sembcorp Salalah O&M Services Company LLC (SSOM)	**1,940,863**	1,427,161

Key management benefits

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). Total compensation accrued to key management personnel for the year ended is as follows:

	2020	2019
	RO	RO
Directors' remuneration (note 5)	**114,250**	94,600
Directors' sitting fees (note 5)	**24,000**	25,750
Short term employee benefits	**448,707**	394,411
Social security and gratuity	**23,420**	21,180
Post employment benefits	**2,128**	5,347
	612,505	541,288

Compensation of some of the Key management personnel has been paid through Sembcorp Salalah O&M Services Co. LLC of RO 287,151 (31 December 2019: RO 281,438).

20 Term loans

	Maturity	2020	2019
		RO	RO
Non-current			
Project financing loan (USD)	2012-2026	**127,354,083**	147,851,334
Project financing loan (Rials)	2012-2026	**26,482,140**	30,744,360
		153,836,223	178,595,694
Less: Unamortised transaction cost		**(1,962,067)**	(2,675,126)
		151,874,156	175,920,568
Less: Current portion of term loan		**(25,154,721)**	(24,759,473)
		126,719,435	151,161,095

20 Term loans (continued)

On 19 November 2009, the Company entered into a Common Terms Agreement ("CTA"), for credit facilities with a consortium of international and local banks with Standard Chartered Bank as the Dollar Commercial Facility Agent, Bank Muscat SAOG as the Rial Commercial Facility Agent and Bank of China, Shondong Branch as Sinosure Facility Agent, collectively "the Mandated Lead Arranger".

Repayments

The aggregate amount of drawdowns under the above facilities is repayable in full via 29 half yearly instalments commencing from 31 December 2012, with the final instalment being due on 30 September 2026.

Interest

(i) Interest on Dollar Commercial facilities is charged at a floating rate of LIBOR plus margin. The Company has entered into an interest rate swap to cap its obligation against unfavorable interest rate changes.

The margins are indicated below:

	Margin (% per annum)
Prior to completion date (as defined in the CTA)	3.00%
Thereafter up to the sixth anniversary of completion date	2.85%
Thereafter up to the tenth anniversary of completion date	3.20%
Thereafter up to the thirteenth anniversary of completion date	3.55%
Thereafter	3.95%

(ii) Interest on Sinosure Covered facilities is charged at a floating rate of LIBOR plus margin (3% p.a.). The Company has entered into an interest rate swap to cap its obligation against unfavourable interest rate changes.

(iii) Interest under the Rial Commercial Facilities Agreement is charged at a fixed rate, as shown in the table below:

Period	Margin (% per annum)
From financial close to the third anniversary of financial close	8.00%
From the third anniversary of financial close to the fifth anniversary of financial close	7.00%
From the fifth anniversary of financial close to the eighth anniversary of financial close	4.25%
From the eighth anniversary of financial close to the twelfth anniversary of financial close	5.75%

Other fees

The Company was required to pay front end fees to the Mandated Lead Arranger. In addition, the Company paid commitment fees at 1.3% of undrawn Dollar Commercial facilities and Sinosure Covered facilities and 0.4% of undrawn Rial Omani facilities. As at 31 December 2020, there were no undrawn loans.

Securities

The term loan and the debt reserve account facility are secured, under the security documents as a whole, by the following collateral:

- a charge on all project assets through commercial/legal mortgage;
- an assignment of its insurance/reinsurance;
- a security over Company's shares (apart from those held by public);
- a charge over all the project accounts; and
- direct agreements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

20 Term loans (continued)

Covenants

The term loan facilities contain certain covenants pertaining to, amongst other things, liquidation and merger, entering into material new agreements, negative pledge, disposal of assets, granting of loans and guarantees, acquisition of capital assets, debt service coverage ratio, change of business, hedging agreements, etc, with which the Company is required to comply. The Company is in compliance with the covenants attached with the term loans.

21 Asset retirement obligation ("ARO")

Under the Usufruct Agreement, the Company has a legal obligation to remove the Plant at the end of its useful life and restore the land. The Company shall at its sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavation and return the surface to grade of the designated areas.

The fair value of the ARO provision has been calculated using an expected present value technique. This technique reflects assumptions such as costs, plant useful life, inflation and profit margin that third parties would consider to assume the settlement of the obligation. The movement in ARO provision is as follows:

	2020	2019
	RO	RO
At 1 January	**646,228**	604,528
Provision made during the year	**41,856**	41,700
At 31 December	**688,084**	646,228

Because of the long term nature of the liability, there is significant uncertainty in estimating the cost that will be incurred. It has been assumed that the site will be restored using technology and material that are currently available. The provision has been calculated using a discount rate of 6.5% (2019: 6.5%).

22 Long term lease liability

On adoption of IFRS 16, the Company recognised lease liabilities in relation to lease of land which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate 6.5% as of 1 January 2019.

	2020	2019
	RO	RO
Land	**491,616**	461,616

	31 December 2020		31 December 2019	
	Total minimum lease payments	**PV of minimum Lease payment**	Total minimum lease payments	PV of minimum Lease payment
	RO	**RO**	RO	RO
More than 5 years	**1,794,832**	**491,616**	1,794,832	461,616

23 Financial risk management

Financial assets are assessed for impairment at each reporting date as disclosed below in credit risk.

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

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

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

(a) Market risk

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

Interest rate risk

At the reporting date, the interest rate profile of the Company's interest-bearing financial assets and liabilities is:

	Interest rate	2020	2019
		RO	RO
Financial assets			
Fixed term cash deposit	0.48%	**20,676,336**	18,925,080
Financial liabilities			
Term loan			
- USD variable rate loans	Libor + 3%	**(70,734,777)**	(82,119,324)
- USD variable rate loans	Libor + 3.2%	**(56,619,306)**	(65,732,010)
- RO fixed rate loans	5.75%	**(26,482,140)**	(30,744,360)
		(153,836,223)	(178,595,694)

IFRS 9 and IFRS 7 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 2021. LIBOR is one of the most common series of benchmark interest rates. LIBOR reforms and expectation of cessation of LIBOR will impact the Company's current risk management strategy and possibly accounting for financial liabilities of RO 127,354,083.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

23 Financial risk management (continued)

(a) Market risk (continued)

Interest rate risk (continued)

IFRS 9 and IFRS 7 Interest Rate Benchmark Reform (continued)

These financial instruments are referenced to Libor. Refer note 11 to the financial statements for nominal value and details of derivative contracts under hedging arrangements.

The Company had early adopted the Interest Rate Benchmark Reform amendment to IFRS 9 and IFRS 7 issued in September 2019 during the financial year ended 31 December 2019. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs have the effect that LIBOR reform should not generally cause hedge accounting to terminate.

In calculating the change in fair value attributable to the hedged risk of term loan, the Company has made the following assumptions that reflect its current expectations:

- The floating-rate debt will move to the benchmark adopted when USD Libor is phased out, and the spread will be similar to the spread included in the interest rate swap used as the hedging instrument;
- No other changes to the terms of the term loan are anticipated; and
- The Company has incorporated the uncertainty over when the floating-rate debt will move to new adopted benchmark, the resulting adjustment to the spread, and the other aspects of the reform that have not yet been finalised by adding an additional spread to the discount rate used in the calculation.

The Company is assessing the impact and next steps to ensure a smooth transition from LIBOR to the new benchmark rates.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial liabilities at fair value through profit or loss and the Company does not designate hedging instruments under a fair value hedge accounting model. Therefore a change in interest rate at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

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

	Equity			
	2020		2019	
	100 bps Increase RO	100 bps Decrease RO	100 bps Increase RO	100 bps Decrease RO
Interest rate swap	4,275,027	(4,275,027)	5,454,008	(5,454,008)

Currency risk

The majority of the transactions and balances are either in RO or USD. As the RO is pegged to the USD, balances in USD are not considered to represent significant currency risk. The Company is not exposed to significant currency risk as at 31 December 2020.

23 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash balances held with banks. Under the terms of the PWPA, the Company's sales are billed wholly to OPWP. The Company manages its credit risk with OPWP by monitoring its credit rating and obtaining credit enhancements. The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks and financial institutions with strong credit ratings. The carrying amount of financial assets represents the maximum credit exposure.

Impairment of financial assets

The Company has trade receivables from the provision of operation and maintenance services and leasing of assets, which are subject to the expected credit loss model. While fixed term cash deposits, cash and cash equivalents and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The company has one customer, and the ECL allowance on receivable from that customer has been computed based on rating grades issued by external rating agency. The ratings by external agency is based on historic default rate and is adjusted for forward-looking macro-economic information (e.g., economic data from industry groups, associations or bodies).

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 360 days past due.

The trade receivables have been guaranteed by the Government of Sultanate of Oman.

The maximum exposure to credit risk at the reporting date, without taking into account collateral or other credit enhancements was:

	2020	2019
	RO	RO
Break down of financial assets (at carrying amount)		
Fixed term cash deposits (3 to 6 Months)	**20,676,336**	18,925,080
Cash and cash equivalents	**521,251**	4,420,424
Trade receivable (gross of ECL allowance)	**23,124,052**	19,194,190
Other receivables	**10,250**	105,438
	44,331,889	42,645,132

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

23 Financial risk management (continued)

(b) Credit risk (continued)

Trade receivables (continued)

The table below shows the balances with banks categorised by short-term credit rating as published by Moody's investor's service at the reporting date:

Bank	Rating	2020	2019
Bank balances		**RO**	RO
Bank Muscat SAOG	**P-3**	**474,264**	4,391,244
Bank of China	**P-1**	**46,624**	28,257
		520,888	4,419,501
Fixed term deposits			
Bank Muscat SAOG	**P-3**	**2,310,000**	2,400,000
Bank of China	**P-1**	**18,366,336**	16,525,080
		20,676,336	18,925,080
Trade receivables			
OPWP	**Ba3**	**23,124,052**	19,194,190

Age analysis of current trade and other receivable is as follows:

	2020		2019	
	RO	**Allowance for impairment**	RO	Allowance for impairment
Not past due	**5,703,026**		5,946,560	
Past due 0 to 3 months	**3,227,632**		5,281,487	
Past due 3 to 6 months	**4,757,273**	**(12,150)**	5,920,575	(12,150)
Past due 6 to 12 months	**8,814,997**		2,151,006	
Past due > 12 month	**631,374**		-	
	23,134,302	**(12,150)**	19,299,628	(12,150)

Overdue payment represents outstanding amount from OPWP on account of Fuel Charge revenue for the current financial year. Fuel charge revenue is pass through in nature and does not pose any significant risk to the Company. As per NGSA, the Company is not liable to pay for fuel if the Company does not receive the fuel revenue.

The Company has received confirmation from OPWP and MEM for net settlement of the amounts pertaining to fuel charge receivable and natural gas payable for the year 2019; and accordingly the receivable and payable amounts for the year 2019 have been offset. Gross receivable and payable balances which have been offset are as follows;

	RO
Fuel element receivable from OPWP for the year of 2019	**14,759,620**
Fuel element payable to MEM for the year of 2019	**(14,128,246)**
Net receivable	**631,374**

The net receivable of RO 631,374 mentioned above pertaining to financial year 2019 has been subsequently received as of the date of authorisation of these financial statements.

OPWP has also proposed similar settlement arrangement for the year 2020, which still needs to be agreed by the parties.

23 Financial risk management (continued)

(b) Credit risk (continued)

Trade receivables (continued)

The closing loss allowances for trade receivables as at 31 December 2020 reconcile to the opening loss allowances as follows:

	2020 RO	2019 RO
Opening loss allowance as at 1 January 2019 – calculated under IFRS 9	12,150	7,790
Increase in loan loss allowance recognised in profit or loss during the year	-	4,360
At 31 December	12,150	12,150

(c) 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 always 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.

The Company limits its liquidity risk by ensuring bank facilities and shareholders' advances are available, where required. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements

		Cash flows			
	Carrying amount	Contractual cash flow	Less than 1 year	More than 1 to 5 years	More than 5 years
31 December 2020	RO	RO	RO	RO	RO
Derivatives					
Interest rate swaps used for hedging	13,895,094	(14,054,430)	(3,506,644)	(10,082,680)	(465,106)
Non-derivative financial liabilities					
Term loan	151,874,156	(172,137,073)	(29,279,510)	(116,387,129)	(26,470,434)
Trade and other payables	22,832,519	(22,832,519)	(22,832,519)	-	-
Long term lease liability	491,616	(1,794,832)	-	-	(1,794,832)
	189,093,385	(210,818,854)	(55,618,673)	(126,469,809)	(28,730,372)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

23 Financial risk management (continued)

(c) Liquidity risk (continued)

		Cash flows			
	Carrying amount	Contractual cash flow	Less than 1 year	More than 1 to 5 years	More than 5 years
31 December 2019	RO	RO	RO	RO	RO
Derivatives					
Interest rate swaps used for hedging	11,771,596	(12,302,099)	(2,437,116)	(8,718,257)	(1,146,726)
Non-derivative financial liabilities					
Term loan	175,920,568	(210,674,366)	(31,372,134)	(124,579,067)	(54,723,165)
Trade and other payables	19,979,280	(19,979,279)	(19,979,279)	-	-
Long term lease liability	461,616	(1,794,832)	-	-	(1,794,832)
	208,133,060	(244,750,576)	(53,788,529)	(133,297,324)	(57,664,723)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at a significantly different amount.

Embedded derivatives

The following agreements contain embedded derivatives:

(i) The PWPA between the Company and OPWP contains embedded derivatives in pricing the fixed operation and maintenance charge and variable operation and maintenance charge rate for the power facility as well as the desalination facility. Fixed percentages of the fixed operation and maintenance charge rate and variable operation and maintenance charge rate for both facilities get adjusted to reflect changes in the US price index and the Omani Consumer price index.

(ii) The NGSA between the Company and MOG contains embedded derivatives in gas price for provision of natural gas to the plant. The gas price gets adjusted to reflect changes in US price index.

(iii) The LTSA between the Company and GEIL contains embedded derivatives in pricing the fixed monthly fee and variable monthly fee for provision of long term maintenance services. Fixed percentage of the fixed monthly fee and variable monthly fee gets adjusted to reflect changes in US price index.

These embedded derivatives are not separated from the host contract, and accounted for as a standalone derivative under IFRS9, as the management believes that the economic characteristics and risk associated with the embedded derivatives are closely related to those of the host contract.

Capital management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to members and benefits to other stakeholders, and to provide an adequate return to members by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to members, return capital to shareholders, and issue new shares, or sell assets to reduce debt.

23 Financial risk management (continued)

(c) Liquidity risk (continued)

Capital management *(continued)*

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio (debt to equity)

	2020	2019
	RO	RO
Debt (Long-term loan)	151,874,156	175,920,568
Equity (Shareholders' funds)	121,062,238	111,426,567
Debt to equity ratio (times)	1.25	1.58

Fair value of financial instruments

The management believes that the fair value of the financial assets and liabilities are not significantly different from their carrying amounts as shown in the financial statements at the reporting date.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

31 December 2020	Fair value - hedging instrument RO	Loans and receivables RO	Other financial liabilities RO	Total RO	Level 2 RO
Financial assets not measured at fair value					
Trade and other receivables (excluding advances to vendors, and prepayments)	-	23,122,152	-	23,122,152	-
Cash and bank balances	-	21,197,587	-	21,197,587	-
	-	44,319,739	-	44,319,739	-
Financial liabilities measured at fair value					
Derivative instrument	(13,895,094)	-	-	(13,895,094)	(13,895,094)
Financial liabilities not measured at fair value					
Term loan	-	-	(151,874,156)	(151,874,156)	(151,303,679)
Trade and other payables	-	-	(22,832,519)	(22,832,519)	-
	-	-	(174,706,675)	(174,706,675)	(151,303,679)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

23 Financial risk management (continued)

(c) Liquidity risk (continued)

Fair value of financial instruments *(continued)*

31 December 2019	Fair value - hedging instrument RO	Loans and receivables RO	Other financial liabilities RO	Total RO	Level 2 RO
Financial assets not measured at fair value					
Trade and other receivables (excluding advances to vendors, and prepayments)	-	19,287,478	-	19,287,478	-
Cash and bank balances	-	23,345,504	-	23,345,504	-
	-	42,632,982	-	42,632,982	-
Financial liabilities measured at fair value					
Derivative instrument	(11,771,596)	-	-	(11,771,596)	(11,771,596)
Financial liabilities not measured at fair value					
Term loan	-	-	(175,920,568)	(175,920,568)	(181,873,270)
Trade and other payables	-	-	(19,979,280)	(19,979,280)	-
	-	-	(195,899,848)	(195,899,848)	(181,873,270)

24 Commitments

(a) Performance guarantees

	2020 RO	2019 RO
Performance guarantees	**1,540,800**	1,540,800

The Company has taken bank guarantees from Bank Muscat for the amount of USD 4,000,000 and provided to Oman Electricity Transmission Company SAOG under the electrical connection agreement.

(b) Operation and maintenance commitment

As per O&M Agreement, SSOMC operates and maintains the Company's plant at Salalah until 24 May 2027. Under O&M agreement, the Company has to pay the fixed operating fee:

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

	2020 RO	2019 RO
Due:		
Not later than one year	**770,400**	770,400
Later than one year but not later than five years	**3,081,600**	3,081,600
Later than five years	**1,078,560**	1,848,960
	4,930,560	5,700,960

24 Commitments (continued)

(c) Capital Commitment

Total capital commitment as at 31 December 2020 are in the amount of RO 130,939 (2019: RO 886,953).

25 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	2020	2019
Profit for the year (RO)	**18,322,275**	15,048,814
Weighted average number of shares outstanding during the year	**954,571,950**	954,571,950
Earnings per share - Basic and diluted (RO)	**0.019**	0.016

Since the Company has no potentially dilutive instruments, the basic and dilutive earnings per share are same.

26 Net assets per share

Net assets per share are calculated by dividing the shareholders' funds by the number of shares at the end of the reporting year.

	2020	2019
Net assets – Shareholders' funds (RO)	**121,062,238**	111,426,567
Number of shares at the end of the year	**954,571,950**	954,571,950
Net assets per share (RO)	**0.127**	0.117

27 Investors' Trust Fund

Record of Investors Trust Fund indicates that the amount of RO 43,715 (31 December 2019: RO 47,129) have not been claimed from the Company by the shareholders as at 31 December 2020.

28 Segmental reporting

The Company has only one segment in accordance with IFRS 8. Segment information is, accordingly, presented in respect of the Company's business segments. The primary format, business segments, is based on the Company's management and internal reporting structure. The requirements of IFRS 8, paragraphs 31 to 34 relating to entity wide disclosures has been covered under statements of financial position, profit and loss and other comprehensive income and also in notes 1, 2, 3 and 4 to these financial statements.

29 Operating lease agreement for which the Company acts as a lessor

The Company has entered into a PWPA with OPWP for a substantial element of the production of power and water with 100% 'take-or-pay' clauses in favour of the company.

Management has determined that the take-or-pay arrangements with OPWP under PWPA are covered by International Financial Reporting Interpretation Committee-Determining whether an Arrangement contains a Lease (IFRIC 4) as such arrangements convey the right to use the assets [IFRIC 4 has been subsumed by IFRS 16 - Refer note 2.2(a)]. Management further determined that such arrangement in substance represents an operating lease under IFRS 16 Leases. The lease commenced on 25 May 2012. The following is the total of future minimum lease receipts expected to be received under PWPA:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

29 Operating lease agreement for which the Company acts as a lessor (continued)

	2020	2019
	RO	RO
Due:		
Not later than 1 year	43,142,996	43,257,954
Not later than 2 years	43,142,996	43,142,996
Not later than 3 years	43,142,996	43,142,996
Not later than 4 years	43,257,954	43,142,996
Not later than 5 years	43,142,996	43,257,954
Later than five years	53,489,223	96,632,218
	269,319,161	312,577,114

30 Dividend

On 10 February 2021, Board of Directors proposed final cash dividend of Baizas 1.8 per share for the financial year ended 31 December 2020.

On 17 November 2020, the Shareholders, in an Ordinary General Meeting, approved the interim cash dividend for 2020 of Baizas 6.4 per share.

On 12 February 2020, Board of Directors proposed final cash dividend of Baizas 2.7 per share for the financial year ended 31 December 2019. Capital Market Authority advised the Companies to suspend the approval of Annual General Meeting for payment of dividend and to distribute the dividend proposed by the board of directors as per approved AGM agenda. Therefore, the Company distributed the dividend proposed by the board of directors on its cut off date of 1 April 2020. On 10 June 2020, the Company convened its Annual General Meeting in which Shareholders approved the final cash dividend of Baizas 2.7 per share.

On 29 October 2019, the Board of Directors approved interim cash dividend of Baizas 7.1 per share in accordance with the authorization given by the Shareholders at its AGM on 12 March 2019 to the Shareholders registered in the Company's Shareholder register with Muscat Clearing & Depository Company SAOC on 1 November 2019.

On 12 March 2019, in an Annual General Meeting, Shareholders approved a final cash dividend of Baizas 3.4 per share for the financial year ended 31 December 2018.

31 Impact of COVID – 19

The novel coronavirus (COVID-19) pandemic has developed rapidly in 2020, with a significant number of cases and had a substantial impact on economies and businesses. The Government of Oman established the Supreme Committee for COVID-19 so as to deal with the pandemic situation in the country and contain impact to the extent possible.

For the year ended 31 December 2020, the Company has not experienced any significant pandemic-related impact on its operating and financial performance. However, the Company has taken all possible measures to mitigate the risks arising from the COVID-19 situation such as safety and health measures for the employees (such as social distancing and working from home) and securing the supply of materials that are essential to the operations. Further, as at the reporting date, the Company has sufficient funds available to meet its obligations as and when they materialise. As of 31 December 2020, the Company has cash and bank balances (excluding restricted cash) in the amount of RO 6,877,115 and undrawn working capital facility amounting to RO 3.85 million to fulfill its obligations and to finance its ongoing operations. Furthermore, the Company has take or pay commercial arrangement, by which, the Company receives guaranteed fixed capacity charge from OPWP who has been regular in paying fixed capacity charge on timely basis.

31 Impact of COVID – 19 (continued)

The Company is closely monitoring the developing situation of the pandemic at country, regional and global level and will continue to evaluate and assess the effects of pandemic. The Company will continue to follow the various government policies and advice and, in parallel, will do its utmost to continue its operations in the best and safest way possible without jeopardising the health of its employees.

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