SEMBCORP SALALAH POWER & WATER COMPANY SAOG

INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

Registered office:

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

Principal place of business:

Salalah
Sultanate of Oman

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

INTERIM FINANCIAL STATEMENTS
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Independent Auditors' Report

To the Shareholders of Sembcorp Salalah Power and Water Company SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the interim financial statements of Sembcorp Salalah Power and Water Company SAOG ("the Company") set out on pages 2 to 44, which comprise the interim statement of financial position as at 30 September 2021, the interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying interim financial statements present fairly, in all material respects, the interim financial position of the Company as at 30 September 2021, and its interim financial performance and its interim cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS).

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 Auditors' Responsibilities for the Audit of the Interim financial statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the interim financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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Continued from page 1(a)

Key Audit Matters *(continued)*

The Key audit matter	How the matter was addressed in our audit
Impairment of non-financial assets (see note 8, 9 and 10) As at 30 September 2021 the Company has non-financial assets with impairment indicators amounting to RO 262.8 million. Non-financial assets comprising the carrying value of property, plant and equipment, right of use assets and intangible assets, are considered as one cash generating unit (CGU) given that the assets do not generate cash flows independently. Where a review for impairment is conducted, the recoverable amount is determined based on the higher of 'value in use' or 'fair value less costs of disposal. The impairment testing of the non-financial assets of the Company is considered to be a key audit matter 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 required determining the assumptions to be used to estimate the recoverable amount of the assets. The recoverable amount of the CGU has been derived from discounted forecast cash flow model. These models use several key assumptions, including estimates of future fixed and variable charges, operating costs and the weighted-average cost of capital (discount rate).	• Evaluating the appropriateness of the discount rates applied, which included comparing the weighted-average cost of capital with sector averages for the relevant markets in which the CGU operate; • Evaluating the appropriateness of the assumptions applied to key inputs such as estimate of future fixed and variable charges, operating costs, inflation, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry; • Testing the mathematical accuracy (foot, cross foot, recalculations) of the discounted cash flow model; • Performing our own sensitivity analysis, which included assessing the effect of reasonably possible reductions forecast cash flows to evaluate the impact on the currently estimated headroom for the non-financial assets; • Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

Other matter

The financial statements of the Company as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 11 February 2021.

The interim financial statements of the Company as at and for the period ended 30 September 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 28 October 2020.

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Continued from page 1(b)

Other matter *(continued)*
As disclosed in note 32, the interim statement of profit or loss and other comprehensive income and related explanatory notes for the three-month period ended 30 September 2021 and 2020 are neither audited nor reviewed, and have been disclosed in compliance with requirements of IFRS and the Capital Markets Authority (CMA).

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the interim financial statements in accordance with IFRS, and their preparation in compliance with the relevant disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as management determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the interim financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 management.

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Continued from page 1(c)

Auditors' Responsibilities for the Audit of the Interim financial statements *(continued)*

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the interim 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 auditors' 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 interim financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements
We report that interim financial statements of the Company as at and for the period ended 30 September 2021 comply, in all material respects, with the:

- relevant disclosure requirements of the Capital Markets Authority; and

- applicable provisions of Commercial Companies Law of 2019.

KPMG

31 October 2021 *Ravikanth Petluri*

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SEMBCORP SALALAH POWER & WATER COMPANY SAOG

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

	Notes	**Unaudited Three months period ended 30 September 2021 RO**	Unaudited Three months period ended 30 September 2020 RO	**Nine months period ended 30 September 2021 RO**	Nine months period ended 30 September 2020 RO
Revenue from contracts with customers	3	**17,740,934**	17,886,629	**55,536,873**	54,229,856
Cost of sales	4	**(10,099,761)**	(10,055,003)	**(31,218,037)**	(29,083,560)
Gross profit		**7,641,173**	7,831,626	**24,318,836**	25,146,296
Administrative and general expenses	5	**(186,700)**	(155,356)	**(488,648)**	(548,346)
Other income	6	**28,714**	25,089	**356,371**	1,710,691
Profit before interest and tax		**7,483,187**	7,701,359	**24,186,559**	26,308,641
Finance income		**27,164**	37,937	**75,674**	235,599
Finance costs	7	**(2,660,675)**	(3,141,282)	**(8,144,423)**	(9,611,280)
Profit before income tax		**4,849,676**	4,598,014	**16,117,810**	16,932,960
Income tax expense	19	**(731,682)**	(691,588)	**(2,425,755)**	(2,534,251)
Profit after tax for the period		**4,117,994**	3,906,426	**13,692,055**	14,398,709
Other comprehensive income					
Items that may be reclassified to profit or loss					
Fair value of cash flow hedge adjustments – gross	11	**37,393**	52,866	**1,009,352**	(6,194,995)
Reclassification to profit or loss - gross	7	**1,153,379**	1,066,261	**3,497,273**	2,894,624
Deferred tax asset on change in fair value of cash flow hedge	19	**(178,616)**	(167,870)	**(675,994)**	495,055
Other comprehensive income for the period		**1,012,156**	951,257	**3,830,631**	(2,805,316)
Total comprehensive income for the period		**5,130,150**	4,857,683	**17,522,686**	11,593,393
Earnings per share:					
Basic and diluted earnings per share	26	**0.0043**	0.0041	**0.0143**	0.0151

The notes on pages 6 to 44 are an integral part of these financial statements.

Independent auditors' report – page 1.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

	Notes	30 September 2021 RO	30 September 2020 RO	31 December 2020 RO
Assets				
Non-current assets				
Property, plant and equipment	8	**262,108,400**	272,716,456	270,072,326
Right of use assets	9	**681,333**	708,297	701,515
Intangible assets	10	**9,421**	32,802	26,584
Total non-current assets		**262,799,154**	273,457,555	270,800,425
Current assets				
Inventory	12	**5,649,395**	5,847,514	5,667,627
Trade and other receivables	13	**20,803,378**	34,212,692	24,565,231
Bank deposits	14	**14,083,120**	14,320,617	20,676,336
Cash and cash equivalents	14	**5,236,222**	10,181,880	521,251
Total current assets		**45,772,115**	64,562,703	51,430,445
Total assets		**308,571,269**	338,020,258	322,230,870
Equity and Liabilities				
Equity				
Share capital	15 (a)	**95,457,195**	95,457,195	95,457,195
Legal reserve	15 (b)	**12,399,647**	10,638,084	11,030,441
Retained earnings		**25,179,221**	17,152,653	14,574,602
Shareholders' funds		**133,036,063**	123,247,932	121,062,238
Hedging reserve	11 &15(c)	**(7,980,200)**	(12,811,173)	(11,810,831)
Net equity		**125,055,863**	110,436,759	109,251,407
Liabilities				
Non-current liabilities				
Long term loans	20	**100,452,297**	126,554,845	126,719,435
Long term lease liability	22	**515,583**	484,116	491,616
Asset retirement obligation	21	**721,519**	677,620	688,084
Deferred tax liability	18	**22,977,404**	21,386,969	21,801,198
Derivative financial instruments	11	**5,433,051**	10,377,695	10,392,475
Total non-current liabilities		**130,099,854**	159,481,245	160,092,808
Current liabilities				
Current portion of long term loans	20	**26,735,713**	27,424,341	25,154,721
Short term borrowings	17	**2,750,000**	3,500,000	-
Current portion of derivative financial instruments	11	**3,955,418**	4,694,272	3,502,619
Trade and other payables	16	**18,049,720**	31,467,655	22,832,519
Current tax payable	18	**1,924,701**	1,015,986	1,396,796
Total current liabilities		**53,415,552**	68,102,254	52,886,655
Total liabilities		**183,515,406**	227,583,499	212,979,463
Total equity and liabilities		**308,571,269**	338,020,258	322,230,870
Net assets per share	26	**0.139**	0.129	0.127

The financial statements on pages 2 to 44 were approved and authorised for issue in accordance with a resolution of the Board of Directors on 25 October 2021.

Director

Chief Executive Officer

The notes on pages 6 to 44 are an integral part of these financial statements.

Independent auditors' report – page 1.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

	Share capital RO	Legal reserve RO	Retained earnings RO	Hedging reserve RO	Total RO
At 1 January 2020	95,457,195	9,198,213	6,771,159	(10,005,857)	101,420,710
Profit for the period	-	-	14,398,709	-	14,398,709
Other comprehensive income					
Fair value of cash flow hedge adjustments – gross	-	-	-	(6,194,995)	(6,194,995)
Reclassification to profit or loss - gross (note 7)	-	-	-	2,894,624	2,894,624
Deferred tax liability on change in fair value of cash flow hedge	-	-	-	495,055	495,055
Total comprehensive income for the period	-	-	14,398,709	(2,805,316)	11,593,393
Transactions with owners of the Company, recognised directly in equity					
Final dividend 2019 (note 30)	-	-	(2,577,344)	-	(2,577,344)
Transfer to legal reserve (Note15 b)	-	1,439,871	(1,439,871)	-	
Total transactions with owners of the Company, recognised directly in equity	-	1,439,871	(4,017,215)	-	(2,577,344)
At 30 September 2020	95,457,195	10,638,084	17,152,653	(12,811,173)	110,436,759
At 1 January 2021	**95,457,195**	**11,030,441**	**14,574,602**	**(11,810,831)**	**109,251,407**
Profit for the period	**-**	**-**	**13,692,055**	**-**	**13,692,055**
Other comprehensive income					
Fair value of cash flow hedge adjustments – gross	**-**	**-**	**-**	**1,009,352**	**1,009,352**
Reclassification to profit or loss - gross (note 7)	**-**	**-**	**-**	**3,497,273**	**3,497,273**
Deferred tax asset on change in fair value of cash flow hedge	**-**	**-**	**-**	**(675,994)**	**(675,994)**
Total comprehensive income for the period	**-**	**-**	**13,692,055**	**3,830,631**	**17,522,686**
Transactions with owners of the Company, recognised directly in equity					
Final dividend 2020 (note 30)	**-**	**-**	**(1,718,230)**	**-**	**(1,718,230)**
Transfer to legal reserve (Note 15 b)	**-**	**1,369,206**	**(1,369,206)**	**-**	**-**
Total transactions with owners of the Company, recognised directly in equity	**-**	**1,369,206**	**(3,087,436)**	**-**	**(1,718,230)**
At 30 September 2021	**95,457,195**	**12,399,647**	**25,179,221**	**(7,980,200)**	**125,055,863**

The notes on pages 6 to 44 are an integral part of these financial statements.

Independent auditors' report – page 1.

SEMBCORP SALALAH POWER & WATER COMPANY SAOG

INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

	Nine months period ended 30 September 2021 RO	Nine months period ended 30 September 2020 RO
Operating activities		
Profit before tax	**16,117,810**	16,932,960
Adjustments for:		
Depreciation and amortization	**8,358,122**	8,326,708
Amortisation of deferred financing cost	**468,575**	548,469
Finance costs	**7,675,297**	9,062,358
Finance income	**(75,674)**	(235,599)
Allowance for impairment of trade receivable	**21,453**	(1,919)
Provision for asset retirement obligation	**33,435**	31,392
Changes in working capital:		
Inventory	**18,232**	(478,455)
Trade and other receivables	**3,730,815**	(13,508,974)
Trade and other payables	**(2,087,660)**	13,378,065
Bank deposits	**6,593,216**	4,604,463
Cash flow generated from operating activities	**40,853,621**	38,659,468
Income tax paid	**(1,397,638)**	-
Finance cost paid	**(10,346,469)**	(10,929,548)
Net cash flow generated from operating activities	**29,109,514**	27,729,920
Investing activities		
Acquisition of property, plant and equipment	**(356,851)**	(716,126)
Finance income received	**85,259**	314,857
Net cash flow used in investing activities	**(271,592)**	(401,269)
Financing activities		
Repayment of term loan	**(25,154,721)**	(22,489,851)
Proceeds from short term borrowing	**2,750,000**	3,500,000
Dividend paid	**(1,718,230)**	(2,577,344)
Net cash flow used in financing activities	**(24,122,951)**	(21,567,195)
Net change in cash and cash equivalents	**4,714,971**	5,761,456
Cash and cash equivalents as at 1 January	**521,251**	4,420,424
Cash and cash equivalents as at 30 September (note 14)	**5,236,222**	10,181,880

Reconciliation of liabilities arising from financing activities (note 14.1)

The notes on pages 6 to 44 are an integral part of these financial statements.

Independent auditors' report – page 1.

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

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 Oil and Gas ("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 complete interim audited financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) including the requirements of IAS 34, 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

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 of IFRS 16 ‘Leases’. Based on management’s evaluation, the PWPA with OPWP was considered as a lease within the context of IFRS 16 and has been classified as an operating lease 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 a 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 taking into account the government’s future plans to deregulate the power and water sector in Oman.

2 Basis of preparation and significant accounting policies (continued)

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 included in the following notes:

- Note 11: determining the fair value of the derivative financial instruments.
- Note 8: useful life and impairment of the property, plant and equipment.
- Note 21: determination of asset retirement obligation.

(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 9.4 million (30 September 2020 – RO 15.1 million and 31 December 2020 – RO 13.9 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. The nature of the assets are buildings, roads and pipelines and plant and machinery. Refer note 8 for carrying values of the nature of the assets.

(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 30 September 2021. 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 5.96% 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 30 September 2021 was RO 262.799 million (30 September 2020 – RO 262.799 million and 31 December 2020 - RO 270.080 million).

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 30 September 2021. 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

2 Basis of preparation and significant accounting policies (continued)

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 qualifying cash flow hedges, 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.

(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

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.

Derecognition

Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(b) Financial instruments (continued)

Derecognition (continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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.

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 of financial assets

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.

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(b) Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets (continued)

Under IFRS 9, loss allowance are measured on either of the following bases:

- 12 month ECL: these are ECLs that result from possible default events within 12 months after the reporting date; and
- Lifetime ECL: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are measured as 12- month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Finance assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

General approach

The Company applies three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset. The Company applies general approach to all financial assets except trade receivable without significant financing component.

Simplified approach

The Company applies simplified approach to measuring credit losses, which mandates recognition of lifetime expected loss allowance for trade receivables without significant financing component. Under simplified approach, there is no need to monitor for significant increases in credit risk and the Company will be required to measure lifetime expected credit losses at all times.

Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward- looking information.

The Company assumes that the credit risk on a financial asset has increased significantly based on the certain delinquency period (days past due) or if exposure has moved from investment grade to non-investment grade on credit rating scale of independent credit rating agency in case of low credit risk instrument.

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(b) Financial instruments (continued)

Significant increase in credit risk (continued)

To determine whether a financial instrument has low credit risk, the Company uses internal credit ratings which are mapped to the external credit rating agencies such as Moody's etc. The Company considers that the rating within the investment grade, (the Company considers this to be Ba3 or higher per Moody's), are considered a low risk and have less likelihood of default. Where the external rating of a financial instrument is not available, the Company reviews the ability of the counterparty by reviewing their financial statements and other publicly available information.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) or based on the certain delinquency period (days past due).

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Credit- impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

(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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

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

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.

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and if the criteria below is met:

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) 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.

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.

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

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(c) Contracts with customers (continued)

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.

(d) 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.

(e) 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.

(f) 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.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and other short-term, highly liquid investments with original maturities of ninety days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(h) 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.

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.

(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 incurred 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

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.

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

(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.

(i) 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.

(j) Leases

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

(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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(i) Leases (continued)

(i) Company as a lessee (continued)

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) Company as lessor
At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

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

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.
The Company recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of ‘other revenue’.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(k) 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.

(l) 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.

<u>Capacity charge</u>
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.
<u>Variable charge</u>
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.

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.

(m) Finance income and cost

Finance income/cost comprises interest received on bank deposits, foreign exchange gains and losses and interest expense that are recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or
– the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(n) 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.

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(o) 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.

(p) 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.

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.

(q) 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 lossas the related service is provided.

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.

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(r) 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.

(s) Dividend

The Board of Directors takes into account appropriate parameters including the requirements of the Commercial Companies Law 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 by the shareholders.

(t) 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. Net assets per share is not a defined performance measure in IFRS standards.

(u) 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.

(v) 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

(w) 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

2 Basis of preparation and significant accounting policies (continued)

2.4 Significant accounting policies (continued)

(w) New standards or amendments for 2021 and forthcoming requirements

A number of new standards, amendments to standards and interpretations are effective for the periods beginning on or after 1 January 2021. Those, which are relevant to the Company, are set out below.

New and revised IFRS in issue and effective

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) effective from 1 January 2021;
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) effective from 1 April 2021.

These standards do not have any material impact on these financial statements

New and revised IFRS in issue but not yet effective

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

- 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 January 2022;
- Reference to the Conceptual Framework - Amendments to IFRS 3. Effective date of this amendment is for annual periods beginning on or after 1 January 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 January 2022;
- Annual Improvements to IFRS Standards 2018-2020. Effective date of this amendment is for annual periods beginning on or after 1 January 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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3 Revenue from contracts with customers

	Unaudited Three months period ended 30 September 2021 RO	Unaudited Three months period ended 30 September 2020 RO	**Nine months period ended 30 September 2021 RO**	Nine months period ended 30 September 2020 RO
Operating lease income - Investment charge	**10,506,663**	10,525,203	**32,472,098**	32,604,889
Fixed operation and maintenance charge	**2,169,956**	2,142,877	**6,775,408**	6,694,338
Fuel charge	**4,623,689**	4,757,456	**14,970,807**	13,572,751
Water output charge	**237,133**	232,309	**596,913**	696,590
Energy charge	**203,493**	228,784	**721,647**	661,288
	17,740,934	17,886,629	**55,536,873**	54,229,856

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 recognized impairment losses on receivables arising from Company's contract with customer (note 13.1).

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

4 Cost of sales

	Unaudited Three months period ended 30 September 2021 RO	Unaudited Three months period ended 30 September 2020 RO	**Nine months period ended 30 September 2021 RO**	Nine months period ended 30 September 2020 RO
Fuel cost	**4,467,395**	4,522,458	**14,474,615**	12,930,987
Depreciation (note 8 and 9)	**2,802,811**	2,791,977	**8,314,841**	8,280,933
Operation and maintenance cost (note 19)	**1,771,681**	1,703,320	**5,107,668**	4,955,226
Contractual services maintenance cost	**656,362**	640,856	**2,092,312**	1,729,259
Insurance cost	**222,000**	207,525	**666,000**	613,519
Incentive payment (note 19)	**93,330**	120,055	**339,476**	369,013
Security charges	**31,840**	27,977	**79,025**	79,143
License and permits	**22,602**	22,671	**67,808**	68,015
Provision for asset retirement obligation (note 21)	**11,145**	10,464	**33,435**	31,392
Electricity import cost	**7,100**	7,700	**17,640**	25,934
Other overheads	**13,495**	-	**25,217**	139
	10,099,761	10,055,003	**31,218,037**	29,083,560

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5 Administrative and general expenses

	Unaudited Three months period ended 30 September 2021 RO	Unaudited Three months period ended 30 September 2020 RO	**Nine months period ended 30 September 2021 RO**	Nine months period ended 30 September 2020 RO
Staff costs	**56,875**	58,298	**170,667**	170,761
Directors' remuneration and sitting fees	**34,500**	32,450	**102,228**	116,129
Legal and professional charges	**7,894**	16,917	**42,412**	90,262
Fee and subscription	**22,955**	22,955	**71,269**	71,244
Depreciation and amortisation (notes 8 and 10)	**14,579**	14,308	**43,281**	45,775
Charity and Donations	**19,931**	1,000	**22,931**	30,931
Travelling expenses	**-**	910	**923**	12,325
Others	**8,513**	9,012	**13,484**	12,838
Impairment on financial assets [note 23 (b)]	**21,453**	(494)	**21,453**	(1,919)
	186,700	155,356	**488,648**	548,346

6 Other income

Other income for the period ended 30 September 2021 mainly include Material Adverse Change claims.

7 Finance costs

	Unaudited Three months period ended 30 September 2021 RO	Unaudited Three months period ended 30 September 2020 RO	**Nine months period ended 30 September 2021 RO**	Nine months period ended 30 September 2020 RO
Interest expense on project financing	**1,347,207**	1,888,666	**4,129,691**	6,128,186
Interest expense on interest rate swap	**1,153,379**	1,066,261	**3,497,273**	2,894,624
Deferred financing cost (note 14.1)	**151,993**	178,695	**468,575**	548,469
Interest expense on short term borrowings	**-**	-	**24,366**	17,048
Interest expense on lease liability (note 22)	**7,989**	7,500	**23,967**	22,500
Commission and bank charges	**107**	160	**551**	453
	2,660,675	3,141,282	**8,144,423**	9,611,280

Interest expense on project financing and deferred finance cost relates to the term loan. Interest expense on swaps relates to the derivative financial instruments.

8 Property, plant and equipment

	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
Cost								
At 1 January 2021	**48,652,121**	**26,551,709**	**290,296,410**	**204,343**	**333,321**	**362,134**	**645,034**	**367,045,072**
Additions	**-**	**38,196**	**314,993**	**512**	**-**	**3,150**	**-**	**356,851**
Transfers during the period (note 10)	**-**	**-**	**-**	**-**	**-**	**-**	**(1,925)**	**(1,925)**
At 30 September 2021	**48,652,121**	**26,589,905**	**290,611,403**	**204,855**	**333,321**	**365,284**	**643,109**	**367,399,998**
Accumulated depreciation								
At 1 January 2021	**12,898,084**	**7,115,510**	**76,188,476**	**188,092**	**266,359**	**316,225**	**-**	**96,972,746**
Charge for the period	**1,098,968**	**616,939**	**6,554,041**	**3,018**	**29,715**	**16,171**	**-**	**8,318,852**
At 30 September 2021	**13,997,052**	**7,732,449**	**82,742,517**	**191,110**	**296,074**	**332,396**	**-**	**105,291,598**
Carrying amount								
At 30 September 2021	**34,655,069**	**18,857,456**	**207,868,886**	**13,745**	**37,247**	**32,888**	**643,109**	**262,108,400**

	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
Cost								
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	-	-	574,404	-	2,950	11,582	127,190	716,126
Transfers during the period (note 10)	-	-	402,979	-	-	-	(448,883)	(45,904)
At 30 September 2020	48,596,630	26,551,709	290,240,712	190,049	333,321	332,500	648,809	366,893,730
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 period	1,098,567	616,652	6,518,213	1,278	32,060	23,102	-	8,289,872
At 30 September 2020	12,529,217	6,908,458	73,988,216	187,810	255,587	307,986	-	94,177,274
Carrying amount								
At 30 September 2020	36,067,413	19,643,251	216,252,496	2,239	77,734	24,514	648,809	272,716,456

	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
Cost								
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 10]	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	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

The Property, Plant and Equipment are subject to operating lease arrangement with OPWP as mentioned in note 2.2(a) of the financial statements.

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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) The depreciation charge has been allocated as set out below:

	Unaudited For three months period ended 30 September 2021 RO	Unaudited For three months period ended 30 September 2020 **RO**	**Nine months period ended 30 September 2021** RO	Nine months period ended 30 September 2020 RO
Cost of sales (note 4)	**2,796,010**	2,785,194	**8,294,659**	8,260,733
Administrative expenses (note 5)	**8,087**	8,091	**24,193**	29,139
	2,804,097	2,793,285	**8,318,852**	8,289,872

9 Right of use assets

	Land RO	**Total RO**
Cost		
At 1 January 2021	**832,028**	**832,028**
At 30 September 2021	**832,028**	**832,028**
Accumulated depreciation		
At 1 January 2021	**130,513**	**130,513**
Charge for the period (note 4)	**20,182**	**20,182**
At 30 September 2021	**150,695**	**150,695**
Net carrying amount at 30 September 2021	**681,333**	**681,333**

	Land RO	Total RO
Cost		
At 1 January 2020	832,028	832,028
At 30 September 2020	832,028	832,028
Accumulated depreciation		
At 1 January 2020	103,532	103,532
Charge for the period (note 4)	20,199	20,199
At 30 September 2020	123,731	123,731
Net carrying amount at 30 September 2020	708,297	708,297

9 Right of use assets (continued)

	Land RO	Total RO
Cost		
At 1 January 2020	832,028	832,028
At 31 December 2020	832,028	832,028
Accumulated depreciation		
At 1 January 2020	103,532	103,532
Charge for the year	26,981	26,981
At 31 December 2020	130,513	130,513
Net carrying amount at 31 December 2020	701,515	701,515

10 Intangible assets

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

	30 September 2021 RO	30 September 2020 RO	31 December 2020 RO
Cost			
At 1 January	**172,012**	126,108	126,108
Transfers during the period/year (note 8)	**1,925**	45,904	45,904
	173,937	172,012	172,012
Accumulated amortisation			
At 1 January	**(145,428)**	(122,573)	(122,573)
Charge for the period/year (note 5)	**(19,088)**	(16,637)	(22,855)
	(164,516)	(139,210)	(145,428)
Carrying amount	**9,421**	32,802	26,584

11 Hedging reserve

	30 September 2021 RO	30 September 2020 RO	31 December 2020 RO
Interest rate swaps:			
SMBC Capital Market Limited	**(1,904,069)**	(3,065,894)	(2,814,874)
Standard Chartered Bank	**(5,849,633)**	(9,390,804)	(8,674,671)
KfW-IPEX	**(1,634,767)**	(2,615,269)	(2,405,549)
Hedging instruments at the end of the period	**(9,388,469)**	(15,071,967)	(13,895,094)
Deferred tax asset (note 18)	**1,408,269**	2,260,794	2,084,263
Hedging reserve at the end of the period (net of tax)	**(7,980,200)**	(12,811,173)	(11,810,831)
Less: Hedging reserve at the beginning of the period	**(11,810,831)**	(10,005,857)	(10,005,857)
Effective portion of change in fair value of cash flow hedge for the period	**3,830,631**	(2,805,316)	(1,804,974)
Hedging instruments classification:			
Non-current portion of hedging instruments	**5,433,051**	10,377,695	10,392,475
Current portion of hedging instruments	**3,955,418**	4,694,272	3,502,619
	9,388,469	15,071,967	13,895,094

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11 Hedging reserve (continued)

	30 September 2021 RO	30 September 2020 RO	31 December 2020 RO
Change in fair value of outstanding hedging instruments since 1 January	**1,009,352**	6,194,995	6,247,674
Change in value of hedged item used to determine hedge effectiveness	**(1,009,352)**	(6,194,995)	(6,247,674)

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.

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 30 September 2021 is approximately RO 81 million (USD 209 million) and approximately RO 21 million (USD 54 million), at a fixed interest rate of 4.345% (30 September 2020 - 4.345% and 31 December 2020 - 4.345%) and 3.8% (30 September 2020 – 3.8% and 31 December 2020 - 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

	30 September 2021 RO	30 September 2020 RO	31 December 2020 RO
Fuel inventory	**1,159,527**	1,138,592	1,134,575
Spare parts and consumables	**4,489,868**	4,708,922	4,533,052
	5,649,395	5,847,514	5,667,627

13 Trade and other receivables

	30 September 2021 RO	30 September 2020 RO	31 December 2020 RO
Trade receivable (note 13.1)	**19,265,288**	32,651,213	23,111,902
Advances to vendors	**1,378,019**	1,383,715	1,386,506
Prepayments	**155,954**	176,173	56,573
Other receivable	**4,117**	1,591	10,250
	20,803,378	34,212,692	24,565,231

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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13 Trade and other receivables (continued)

The Company has one customer (OPWP) which accounts for the trade receivables balance as at 30 September 2021 (30 September 2020 and 31 December 2020 - one customer).

13.1 *Trade receivable*

	30 September 2021	30 September 2020	31 December 2020
	RO	RO	RO
Gross trade receivable	**19,298,891**	32,661,444	23,124,052
Allowance for impairment	**(33,603)**	(10,231)	(12,150)
	19,265,288	32,651,213	23,111,902

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

14 Cash and cash equivalents

	30 September 2021	30 September 2020	31 December 2020
	RO	RO	RO
Cash in hand	**773**	654	362
Cash at bank	**5,235,449**	10,181,226	520,889
Cash and cash equivalents	**5,236,222**	10,181,880	521,251
Fixed term deposits (3 to 6 months) and DSRA	**14,083,120**	12,010,536	20,676,336
Restricted cash	**-**	2,310,081	-
Bank deposits	**14,083,120**	14,320,617	20,676,336

Debt Service Reserve Account (DSRA) (Restricted cash)
As at 30 September 2021, the Company has placed funds in the bank accounts to meet the Debt Service Reserve Account (DSRA) minimum balance requirement of RO 14,083,435 (30 September 2020: RO 14,320,742 and 31 December 2020: RO 14,320,472) [note 20].

Fixed term deposits
The fixed term deposits of RO 14,083,120 (30 September 2020: RO12,010,536 and 31 December 2020: RO 20,676,336) have a weighted average interest rate of 0.58% (30 September 2020: 0.30% and 31 December 2020: 0.48% per annum).

14.1 Reconciliation of liabilities arising from financing activities

			Non-cash items		
	1 January 2021	**Cash flows**	**Interest Cost**	**Deferred finance cost**	**30 September 2021**
	RO	**RO**	**RO**	**RO**	**RO**
Long term loans (notes 7 and 20)	**151,874,156**	**(25,154,721)**	**-**	**468,575**	**127,188,010**
Long term Lease liability (notes 7 and 22)	**491,616**	**-**	**23,967**	**-**	**515,583**

			Non-cash items		
	1 January 2020	Cash flows	Interest Cost	Deferred finance cost	30 September 2020
	RO	RO	RO	RO	RO
Long term loans (notes 7 and 20)	175,920,568	(22,489,851)	-	548,469	153,979,186
Long term Lease liability (notes 7 and 22)	461,616	-	22,500	-	484,116

			Non-cash items		
	1 January 2020	Cash flows	Interest Cost	Deferred finance 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

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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:

	Nationality	30 September 2021 Number of shares held of nominal value 100 baiza each	% of total
SOFIH	**British Virgin Island**	**381,828,780**	**40.00%**
IPWC	**Oman**	**125,431,511**	**13.14%**
Public		**447,311,659**	**46.86%**
		954,571,950	**100.00%**

	Nationality	30 September 2020 Number of shares held of nominal value 100 baiza each	% of total
SOFIH	British Virgin Island	381,828,780	40.00%
IPWC	Oman	125,431,511	13.14%
Public		447,311,659	46.86%
		954,571,950	100.00%

	Nationality	31 December 2020 Number of shares held of nominal value 100 baiza each	% of total
SOFIH	British Virgin Island	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 132 of the Oman 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).

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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16 Trade and other payables

	30 September 2021 RO	30 September 2020 RO	31 December 2020 RO
Trade payable	**13,055,722**	25,800,039	16,328,102
Due to related parties (note 19)	**1,836,828**	2,433,673	1,940,863
Accrued expenses and other payable	**2,312,336**	2,161,044	1,843,920
VAT Payable	**820,339**	-	-
Interest payable	**24,495**	872,543	2,719,634
Provisions	-	200,356	-
	18,049,720	31,467,655	22,832,519

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 30 September 2021 is RO 2.75 million (31 December 2020: Nil; 30 September 2020: 3.5 million). 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 charge of RO 675,994 (30 September 2020: reversal of RO 495,055 and 31 December 2020: reversal of RO 318,524) has been recognised directly in equity in respect of the changes in fair values of interest rate swaps (note 11).

	Unaudited Three month period ended 30 September 2021 RO	Unaudited Three months period ended 30 September 2020 RO	Nine months period ended 30 September 2021 RO	Nine months period ended 30 September 2020 RO
(a) Recognised in profit or loss				
Current tax for the year	**566,695**	452,790	**1,925,543**	1,015,986
Deferred tax expense for the period	**164,987**	238,798	**500,212**	1,518,265
	731,682	691,588	**2,425,755**	2,534,251

(b) Reconciliation

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

	Nine months period ended 30 September 2021 RO	Nine months period ended 30 September 2020 RO
Profit before tax	**16,117,810**	16,932,960
Income tax as per rates mentioned above	**(2,417,672)**	(2,539,944)
Expenses not deductible for tax	**(8,083)**	(5,268)
Prior year adjustment	**-**	10,961
Income tax expense for the period	**(2,425,755)**	(2,534,251)

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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18 Income tax (continued)

(c) Deferred tax asset (liability)

As at September 2021	**At 1 January RO**	**Recognised during the period RO**	**At 30 September RO**
Charged to profit or loss			
Property, plant and equipment	**(23,957,187)**	**(511,850)**	**(24,469,037)**
Asset retirement obligation	**58,356**	**6,306**	**64,662**
Right of use asset/ lease liability	**13,370**	**5,332**	**18,702**
	(23,885,461)	**(500,212)**	**(24,385,673)**
Deferred tax recognised in other comprehensive income			
Derivative financial instruments	**2,084,263**	**(675,994)**	**1,408,269**
Deferred tax liability (net)	**(21,801,198)**	**(1,176,206)**	**(22,977,404)**

As at September 2020	At 1 January RO	Recognised during the period RO	At 30 September RO
Charged to profit or loss			
Property, plant and equipment	(22,985,562)	(730,217)	(23,715,779)
Asset retirement obligation	37,946	18,408	56,354
Right of use asset/ lease liability	6,548	5,114	11,662
Tax losses	811,570	(811,570)	-
	(22,129,498)	(1,518,265)	(23,647,763)
Deferred tax recognised in equity			
Derivative financial instruments	1,765,739	495,055	2,260,794
Deferred tax liability (net)	(20,363,759)	(1,023,210)	(21,386,969)

As at December 2020	At 1 January RO	Recognised during the year RO	At 31 December RO
Charged to profit or loss			
Property, plant and equipment	(22,985,562)	(971,625)	(23,957,187)
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)

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

	30 September 2021 RO	30 September 2020 RO	31 December 2020 RO
At 1 January	**1,396,796**	-	-
Charge for the period/year	**1,925,543**	1,015,986	1,396,796
Paid during the period/year	**(1,397,638)**	-	-
	1,924,701	1,015,986	1,396,796

18 Income tax (continued)

(e) Status of prior year returns

The Company's assessment for the tax years 2017 to 2020 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 30 September 2021.

19 Related party transactions

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 during the period for bad or doubtful debts in respect of amounts owed by related parties (30 September 2020: Nil and 31 December 2020: Nil).

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

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

	Three month period ended 30 September 2021	Three months period ended 30 September 2020	**Nine month period ended 30 September 2021**	Nine months period ended 30 September 2020
	RO	RO	**RO**	RO
Sembcorp Industries Limited (SIL)				
- Reimbursement of expenses	**55**	3,288	**55**	3,288
Sembcorp Salalah O&M Services Company LLC (SSOM)				
- Operation and maintenance cost	**1,771,681**	1,703,320	**5,107,668**	4,955,226
- Incentive payment	**93,330**	120,055	**339,476**	369,013

Due to related parties at the period end comprised:

	30 September 2021	30 September 2020	31 December 2020
	RO	RO	RO
SSOM	**1,836,773**	2,433,673	1,940,863
SIL	**55**	-	-
	1,836,828	2,433,673	1,940,863

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:

	Three month period ended 30 September 2021	Three months period ended 30 September 2020	**Nine month period ended 30 September 2021**	Nine months period ended 30 September 2020
	RO	RO	**RO**	RO
Directors' remuneration	**28,000**	26,700	**82,228**	98,629
Directors' sitting fees	**6,500**	5,750	**20,000**	17,500
Short term employee benefits	**90,696**	88,314	**333,908**	356,731
Social security and gratuity	**5,340**	5,012	**19,148**	18,326
	130,536	125,776	**455,284**	491,186

Compensation of some of the Key management personnel has been paid through Sembcorp Salalah O&M Services Co. LLC of RO 217,441 (30 September 2020: RO 224,013).

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20 Term loans

	Maturity	**30 September 2021 RO**	30 September 2020 RO	31 December 2020 RO
Non-current				
Project financing loan (USD)	2012-2026	**106,529,622**	127,354,083	127,354,083
Project financing loan (Rials)	2012-2026	**22,151,880**	28,751,760	26,482,140
		128,681,502	156,105,843	153,836,223
Less: Unamortised transaction cost		**(1,493,492)**	(2,126,657)	(1,962,067)
		127,188,010	153,979,186	151,874,156
Less: Current portion of term loans		**(26,735,713)**	(27,424,341)	(25,154,721)
		100,452,297	126,554,845	126,719,435

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 by 29 half yearly instalments commencing from 31 September 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 of July 2012 (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 (USD) 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 March 2010 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 sixth anniversary of financial close	4.25%
From the sixth anniversary of financial close to the eighth anniversary of financial close	5.75%

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20 Term loans (continued)

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.

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:

	30 September 2021 RO	30 September 2020 RO	31 December 2020 RO
At 1 January	**688,084**	646,228	646,228
Provision made during the period/ year	**33,435**	31,392	41,856
At 30 September	**721,519**	677,620	688,084

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% (30 September 2020: 6.5% and 31 December 2020: 6.5%).

22 Long term lease liability

The Company recognised lease liabilities in relation to lease of land [notes 1 and 8 (a)]. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate 6.5%.

	30 September 2021 RO	30 September 2020 RO	31 December 2020 RO
Land	**515,583**	484,116	491,616

	30 September 2021		30 September 2020		31 December 2020	
	Total minimum lease payments RO	**PV of minimum Lease payment RO**	Total minimum lease payments RO	PV of minimum Lease payment RO	Total minimum lease payments RO	PV of minimum Lease payment RO
More than 5 years	**1,794,832**	**515,583**	1,794,832	484,116	1,794,832	491,616

23 Financial risk management

Other disclosures

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	**30 September 2021**	30 September 2020	31 December 2020
	%	**RO**	RO	RO
Financial assets				
Fixed term cash deposit	0.58%	**14,083,120**	12,010,536	20,676,336
Financial liabilities				
Short term borrowing	3.50%	**(2,750,000)**	(3,500,000)	-
Term loan				
- USD variable rate loans	Libor + 3%	**(59,168,492)**	(70,734,777)	(70,734,777)
- USD variable rate loans	Libor + 3.20%	**(47,361,130)**	(56,619,306)	(56,619,306)
- RO fixed rate loans	5.75%	**(22,151,880)**	(28,751,760)	(26,482,140)
		(131,431,502)	(159,605,843)	(153,836,223)

Adoption of amendments to 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 6 month USD Libor would cease after June 2023. 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 its financial liabilities.

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 (note 11).

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 adopted the Interest Rate Benchmark Reform amendment to IFRS 9 and IFRS 7 issued in September 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.

23 Financial risk management (continued)

(a) Market risk (continued)

Interest rate risk (continued)

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 during 2023, 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					
	30 September 2021		30 September 2020		31 December 2020	
	100 bps Increase RO	**100 bps Decrease RO**	100 bps Increase RO	100 bps Decrease RO	100 bps Increase RO	100 bps Decrease RO
Interest rate swap	**2,833,913**	**(2,833,913)**	4,214,512	(4,214,512)	4,275,027	(4,275,027)

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 30 September 2021 (30 September 2020 and 31 December 2020: No significant exposure to currency risk).

(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.. 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.

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23 Financial risk management (continued)

(b) Credit risk (continued)

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:

	30 September 2021 RO	30 September 2020 RO	31 December 2020 RO
Classified as financial assets measured at amortised cost			
Fixed term cash deposits (3 to 6 months)	**14,083,120**	12,010,536	20,676,336
Cash and cash equivalents	**5,236,222**	12,491,961	521,251
Trade receivable	**19,298,891**	32,661,444	23,124,052
Other receivable	**4,117**	1,591	10,250
	38,622,350	57,165,532	44,331,889

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. Although one of the bank has been rated as not prime, management does not foresee any credit risk.

Bank	**Rating**			
Bank balances		**30 September 2021 RO**	30 September 2020 RO	31 December 2020 RO
Bank Muscat SAOG	**NP**	**5,225,179**	12,447,326	474,264
Bank of China	**P-3**	**10,270**	37,516	46,624
		5,235,449	12,484,842	520,888
Fixed term deposits				
Bank Muscat SAOG	**NP**	**2,296,000**	-	2,310,000
Bank of China	**P-3**	**11,787,120**	12,010,536	18,366,336
		14,083,120	12,010,536	20,676,336
Trade receivables				
OPWP	**Ba3**	**19,298,891**	32,661,444	23,124,052

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2021

23 Financial risk management (continued)

(b) Credit risk (continued)

Trade receivables (continued)

Age analysis of trade and other receivables is as follows:

	30 September 2021 RO	30 September 2020 RO	31 December 2020 RO
Not past dues	**6,053,735**	5,998,878	5,703,026
Past due 0 to 3 months	**5,016,268**	4,803,045	3,227,632
Past due 3 to 6 months	**6,138,859**	4,788,295	4,757,273
Past due 6 to 12 months	**2,094,146**	9,001,236	8,814,997
Past due 12 months	**-**	8,071,581	631,374
Gross trade and other receivables	**19,303,008**	32,663,035	23,134,302
Allowance for impairment	**(33,603)**	(10,231)	(12,150)
Net trade and other receivables	**19,269,405**	32,652,804	23,122,152

Overdue payment represents outstanding amount from OPWP on account of Fuel Charge revenue. 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 closing loss allowances for trade receivables as at 30 September 2021 reconcile to the opening loss allowances as follows:

	30 September 2021 RO	30 September 2020 RO	31 December 2020 RO
Opening loss allowance as at 1 January calculated under IFRS 9	**12,150**	12,150	12,150
Charge for the period/ (unused amount reversed) [note 5]	**21,453**	(1,919)	-
At 30 September/31 December	**33,603**	10,231	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

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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**
30 September 2021	**RO**	**RO**	**RO**	**RO**	**RO**
Derivatives					
Interest rate swaps used for hedging	**9,388,469**	**(9,592,015)**	**(3,960,106)**	**(5,631,909)**	**-**
Non-derivative financial liabilities					
Term loans	**127,188,010**	**(143,804,686)**	**(31,334,983)**	**(112,469,703)**	**-**
Short term borrowing	**2,750,000**	**(2,750,000)**	**(2,750,000)**	**-**	
Trade and other payables	**18,049,721**	**(18,049,721)**	**(18,049,721)**	**-**	**-**
Long term lease liability	**515,583**	**(1,794,832)**	**-**	**-**	**(1,794,832)**
	157,891,783	**(175,991,253)**	**(56,094,809)**	**(118,101,612)**	**(1,794,832)**
30 September 2020					
Derivatives					
Interest rate swaps used for hedging	15,071,967	(15,238,060)	(4,702,075)	(10,034,836)	(501,149)
Non-derivative financial liabilities					
Term loans	153,979,186	(175,935,988)	(33,065,719)	(116,437,553)	(26,432,716)
Short term borrowing	3,500,000	(3,500,000)	(3,500,000)	-	-
Trade and other payables	31,467,655	(31,467,655)	(31,467,655)	-	-
Long term lease liability	484,116	(1,794,832)	-	-	(1,794,832)
	204,502,924	(227,936,535)	(72,735,449)	(126,472,389)	(28,728,697)
31 December 2020					
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)
31 December 2020	189,093,385	(210,818,854)	(55,618,673)	(126,469,809)	(28,730,372)

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 Consumer 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 Consumer price index.

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23 Financial risk management (continued)

(c) Liquidity risk (continued)

Embedded derivatives (continued)

(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 labour and material price index.

These embedded derivatives are not separated from the host contract, 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.

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

	30 September 2021	30 September 2020	31 December 2020
	RO	RO	RO
Debt (Long-term loan)	**127,188,010**	153,979,186	151,874,156
Equity (Shareholders' funds)	**133,036,063**	123,247,932	121,062,238
Debt to equity ratio (times)	**0.96**	1.25	1.25

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.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- 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).

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23 Financial risk management (continued)

Fair value of financial instruments (continued)

	Carrying amount				Fair value
	Fair value - hedging instrument	**Financial assets at amortised cost**	**Other financial liabilities At amortised cost**	**Total**	**Level 2**
30 September 2021	**RO**	**RO**	**RO**	**RO**	**RO**
Financial assets not measured at fair value					
Trade and other receivables	**-**	**19,269,405**	**-**	**19,269,405**	**-**
Cash and bank balances	**-**	**19,319,342**	**-**	**19,319,342**	**-**
	-	**38,588,747**	**-**	**38,588,747**	**-**
Financial liabilities measured at fair value					
Derivative instruments	**(9,388,469)**	**-**	**-**	**(9,388,469)**	**(9,388,469)**
Financial liabilities not measured at fair value					
Term loan	**-**	**-**	**(127,188,010)**	**(127,188,010)**	**(128,057,685)**
Trade and other payables	**-**	**-**	**(18,049,721)**	**(18,049,721)**	**-**
Short term borrowings	**-**	**-**	**(2,750,000)**	**(2,750,000)**	**-**
	-	**-**	**(147,987,731)**	**(147,987,731)**	**(128,057,685)**
30 September 2020					
Financial assets not measured at fair value					
Trade and other receivables	-	32,652,804	-	32,652,804	-
Cash and cash equivalents	-	24,502,497	-	24,502,497	-
	-	57,155,301	-	57,155,301	-
Financial liabilities measured at fair value					
Derivative instruments	(15,071,967)	-	-	(15,071,967)	(15,071,967)
Financial liabilities not measured at fair value					
Term loan	-	-	(153,979,186)	(153,979,186)	(153,378,716)
Trade and other payables	-	-	(31,467,655)	(31,467,655)	-
Short term borrowings	-	-	(3,500,000)	(3,500,000)	-
	-	-	(188,946,841)	(188,946,841)	(153,378,716)
31 December 2020					
Financial assets not measured at fair value					
Trade and other receivables	-	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 instruments	(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)

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23 Financial risk management (continued)

Fair value of financial instruments (continued)

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique
Interest rate swaps	The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps.

The fair value and carrying value of financial assets is same as these are expected to mature within ninety days or less.

24 Commitments

(a) Performance guarantees

	30 September 2021	30 September 2020	31 December 2020
	RO	RO	RO
Performance guarantees	**1,540,800**	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:

	30 September 2021	30 September 2020	31 December 2020
	RO	RO	RO
Due:			
Not later than one year	**770,400**	770,400	770,400
Later than one year but not later than five years	**3,081,600**	3,081,600	3,081,600
Later than five years	**498,122**	1,268,522	1,078,560
	4,350,122	5,120,522	4,930,560

(c) Capital Commitment

Total capital commitment as at 30 September 2021 are in the amount of RO 271,758 (30 September 2020: RO 295,732 and 31 December 2020: RO 130,939).

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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:

	Three month period ended 30 September 2021 RO	Three months period ended 30 September 2020 RO	**Nine month period ended 30 September 2021 RO**	Nine months period ended 30 September 2020 RO
Profit for the period (RO)	**4,117,994**	3,906,426	**13,692,055**	14,398,709
Weighted average number of shares outstanding during the period	**954,571,950**	954,571,950	**954,571,950**	954,571,950
Earnings per share - Basic and diluted (RO)	**0.0043**	0.0041	**0.0143**	0.0151

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. Net assets per share is not a defined performance measure in IFRS standards.

	30 September 2021	30 September 2020	31 December 2020
Net assets - Shareholders' funds (RO)	**133,036,063**	123,247,932	121,062,238
Number of shares at the end of the period/year	**954,571,950**	954,571,950	954,571,950
Net assets per share (RO)	**0.139**	0.129	0.127

27 Investors' Trust Fund

Record of Investors Trust Fund indicates that the amount of RO 45,197 (30 September 2020: RO 48,217 and 31 December 2020: RO 43,715) have not been claimed from the Company by the shareholders as at 30 September 2021.

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 IFRS 16 'Leases' as such arrangements convey the right to use the assets to OPWP. Management further determined that such arrangement in substance represents an operating lease under IFRS 16 Leases [note 2.2 (a)]. The lease commenced on 25 May 2012. The following is the total of future minimum lease receipts expected to be received under PWPA:

	30 September 2021 RO	30 September 2020 RO
Due:		
Not later than 1 year	**43,142,996**	43,142,996
Not later than 2 years	**43,142,996**	43,142,996
Not later than 3 years	**43,257,954**	43,142,996
Not later than 4 years	**43,142,996**	43,257,954
Not later than 5 years	**43,142,996**	43,142,996
Later than five years	**20,922,370**	64,065,366
	236,752,308	279,895,304

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30 Dividend

On 22 March 2021, Shareholders approved 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.

31 Impact of COVID – 19

The novel coronavirus (COVID-19) pandemic 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.

To date, 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.

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.

32 Other information

The interim statement of profit or loss and other comprehensive income and related explanatory notes for the three-month period ended 30 September 2021 and 2020 are neither audited nor reviewed.