ACWA POWER
كوا باور
Barka
بركاء

ANNUAL REPORT 2019

SAFE, RELIABLE AND CLEAN

POWER & WATER FOR OMAN


His Majesty Sultan Haitham bin Tarik

His Majesty Sultan Qaboos bin Said

"May Allah have mercy upon him"

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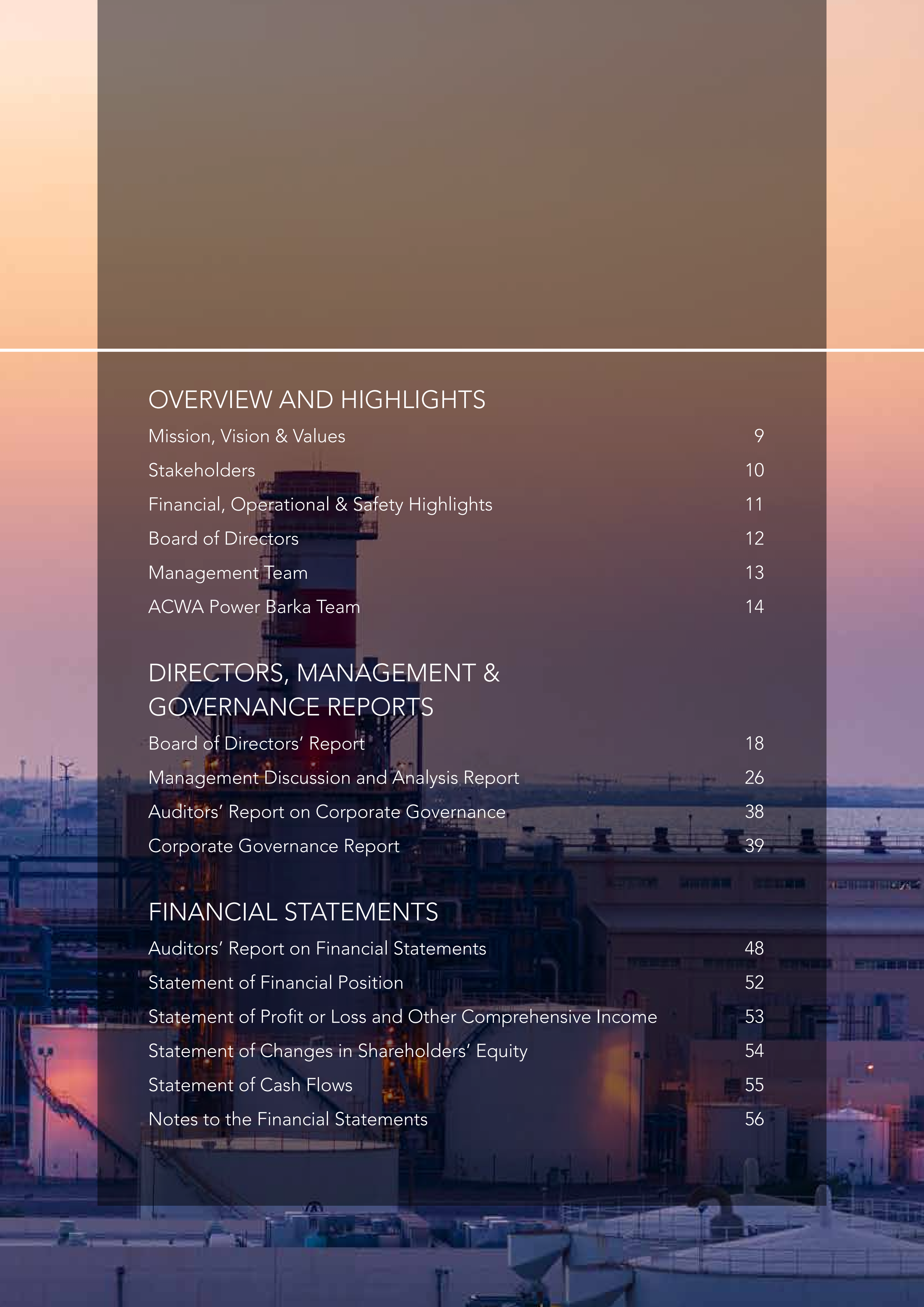

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OVERVIEW AND HIGHLIGHTS

Safety comes first

17 years without Lost Time Incident, the proudest achievement so far.

Business Continuity

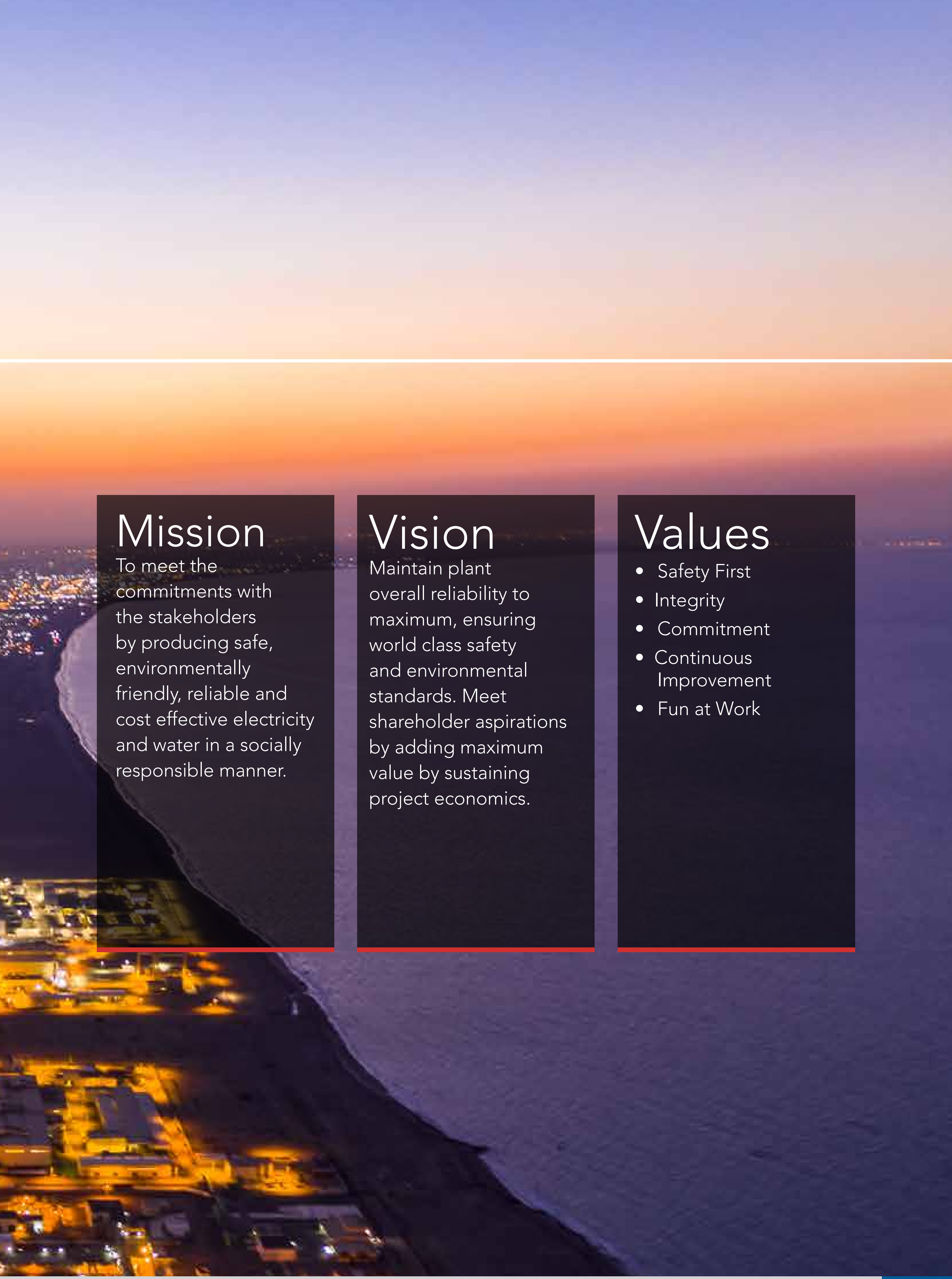
Participating in Power 2022 procurement process to secure long-term contracts.

Operational Challenge

Completion of lifetime extension activities on gas turbines, safely and within time.

Developing People

Investing in local talent and grooming them to be the future leaders.



Mission

To meet the commitments with the stakeholders by producing safe, environmentally friendly, reliable and cost effective electricity and water in a socially responsible manner.

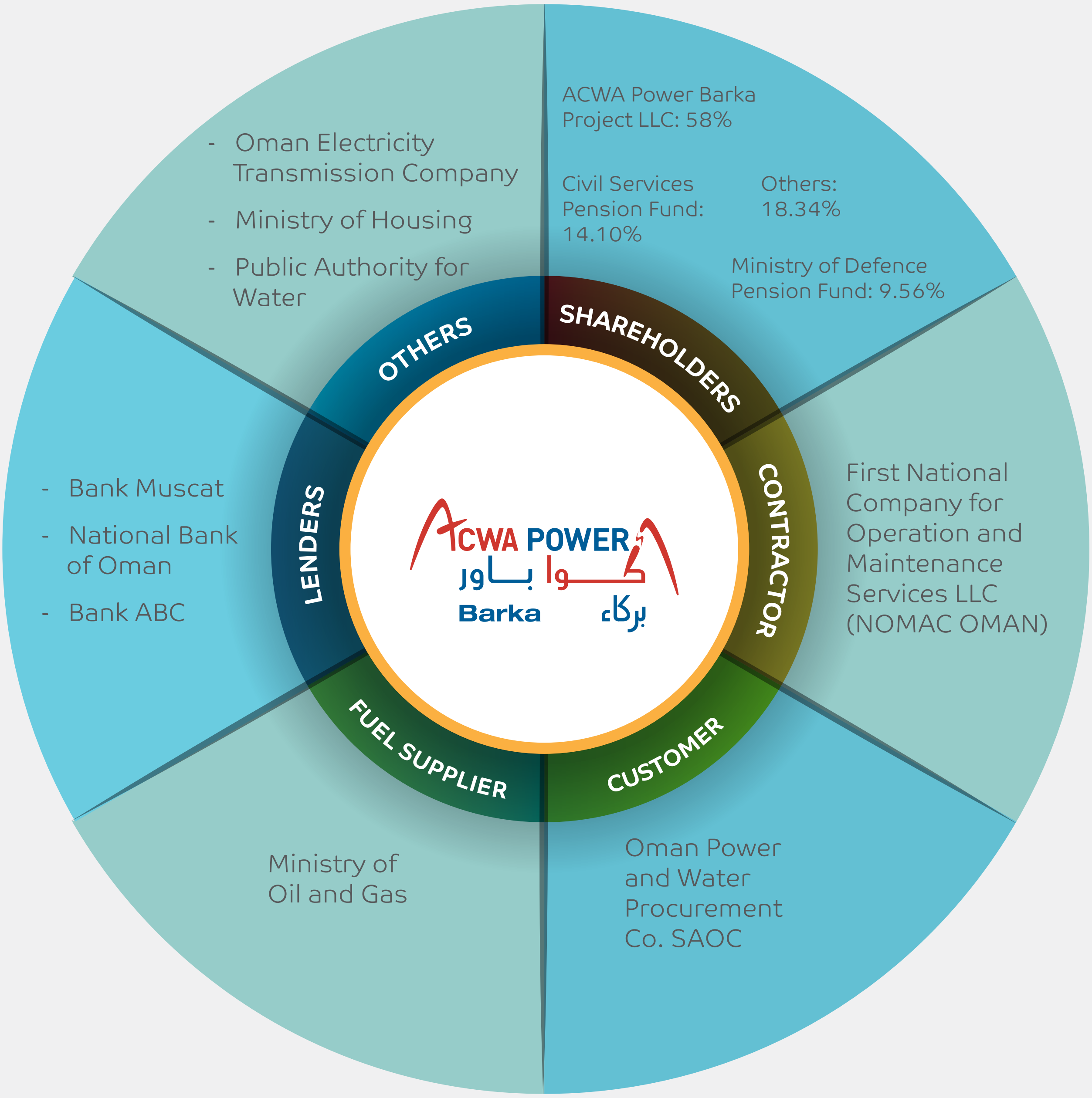
Vision

Maintain plant overall reliability to maximum, ensuring world class safety and environmental standards. Meet shareholder aspirations by adding maximum value by sustaining project economics.

Values

- Safety First
- Integrity
- Commitment
- Continuous Improvement
- Fun at Work

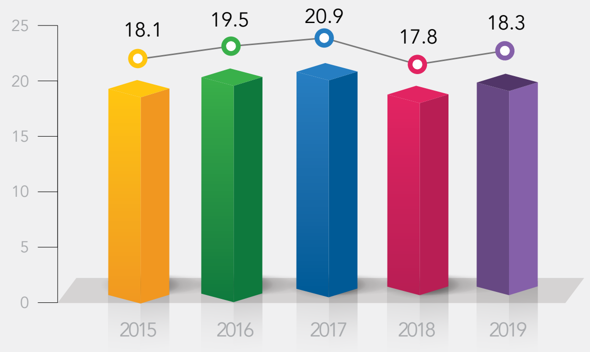
Stakeholders

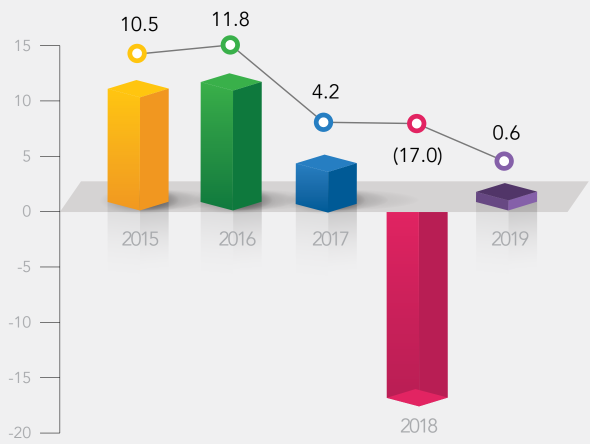


Financial, Operational & Safety Highlights

Historical highlights (in million Omani Rials)

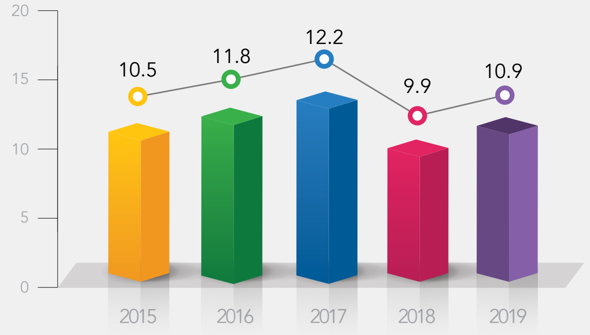
Gross profit





Net profit

Net profit - ex one off*



*Excluding impacts of Supreme Court decision, increase in income tax rate and impairment expense.

Board of Directors

Ahmed Al Subhi
Chairman

Kashif Rana
Deputy Chairman

Ganesh Subramanian
Member

Hamad Al Wahaibi
Member

Zeeshan Hyder
Member

Ahmed El Sinani
Member

Management Team

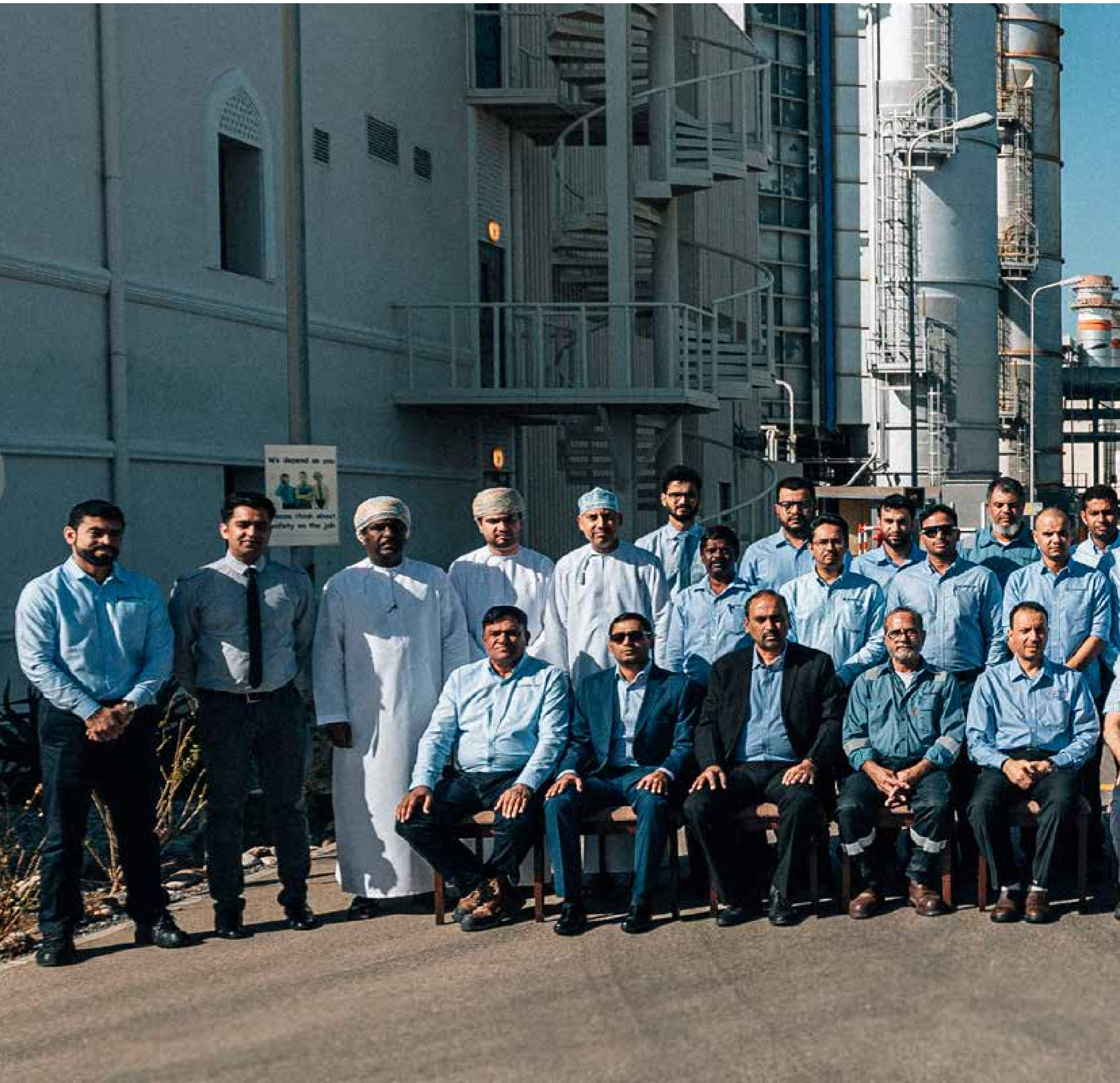
Salim Al Sibani
Chief Executive Officer

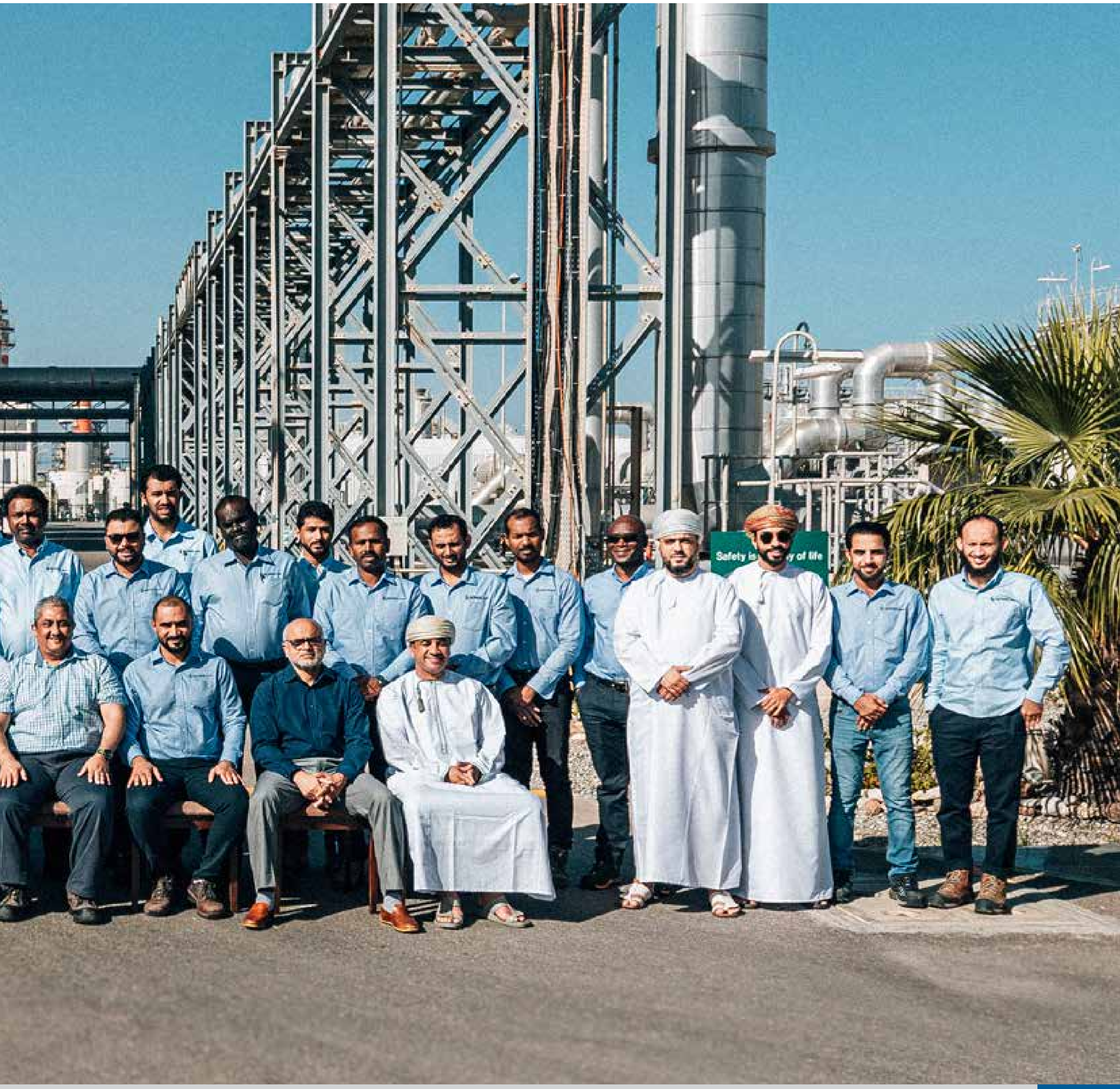
Zafar Yasin
Chief Technical Officer

Usman Anwar
Chief Financial Officer

Mohammed Al Balushi
Technical Manager

ACWA Power Barka Team




Safety is ... of life

DIRECTORS, MANAGEMENT & GOVERNANCE REPORTS


بركاء

Board of Directors' Report

Dear Shareholders,

On behalf of the Board of Directors of ACWA Power Barka SAOG, I have the pleasure to present the Annual Report of the Company for the year ended 31 December 2019.

Highlights of the Year

The focus of your Company remained on safety and environment. The Company achieved 17 years without a Lost Time Incident on 2 May 2019 for its main plant. This accomplishment is a landmark milestone considering the environment of a live plant. The Company along with its Operator has sustained this safety environment over all these years by adopting a proactive approach and developing a behavior-based safety culture.

The Company is now part of Power 2022 Procurement Process which provides an opportunity to secure a new long term Power Purchase Agreement. During the year, your Company was declared as a pre-qualified bidder which will allow for submission of multiple bids under the Request For Proposal (RFP) stage of the process. The benchmark tariff criteria are quite challenging under the RFP and efforts will be focused on submitting a viable technical and commercial bid to the Off taker in order to protect shareholder value.

The Company was unsuccessful in securing extension of the two Water Purchase Agreement related to RO Plants. Consequently, the Company approached the Authority of Electricity (AER) to raise its concerns on certain aspects of the negotiation process. Unfortunately, the determination of the matter by AER was not favorable to the Company. In order to protect the interest of its stakeholders, the Company disputed this determination in the primary court under the sector law. The outcome of this is expected during the first quarter of 2020. Considering that the water tariff market has evolved dramatically as well as unsuccessful bid for extension, the Company undertook an internal assessment of comparing future cash flows from its RO plants against its book value and prudently recognized an impairment of OMR 12 million under the applicable IFRS.

The Company is also actively engaged with government authorities in developing its understanding of the proposed Spot Market for power producers that will be rolled out in coming years.

From operational perspective, the Company prepared itself to undertake Lifetime Extension activities on its gas turbines. The turbines have completed almost 17 years of successful operation and require replacement of some components in line with recommendation of the Original Equipment Manufacturer (OEM). The activity will be performed in first quarter of 2020 by Operator under a Long-Term Service Agreement (LTSA) with NOMAC Maintenance Energy Services O.P.C LLC (NMES). This key activity will enhance long term reliability of the plant.

The performance of the two RO Plants was affected earlier in the year due to changes in the seawater quality. The Company is well protected under Force Majeure provisions of the project agreements for such events. The claims submitted to Off taker were approved during the year.

Your Company successfully held its Annual General Meeting (AGM) for 2018 on 28 March 2019. All agenda items were approved by the shareholders.

Strategic Positioning

Your Company currently holds a 5% share in the power sector and 14% share in the water sector in the Sultanate of Oman. There is one off taker, the Oman Power and Water Procurement Company, and one natural gas supplier for the primary fuel, the Ministry of Oil and Gas. The operations and maintenance of the plants is performed by First National Company for Operation and Maintenance Services LLC ('NOMAC Oman'), a wholly owned subsidiary of ACWA Power.

Operational Performance

The operational performance will always remain the key contributor towards the Company's performance and is the backbone of any company in this sector. The performance of one turbine was affected during the year due to generator failure that happened in last quarter of 2018. The turbine was successfully brought back into service in shortest possible time to minimize the commercial impact. The turbine has operated perfectly from that point onwards without any issues.

The Company experienced very good progress during the year in terms of reliability of the RO Phase I plant. This was the result of various enhancement initiatives that were undertaken with help of Operator. In comparison to previous years reliability, the performance of the RO Phase II plant appreciably improved however it continued to face certain challenges that affected its performance. The Company however is confident that with help of its Operator, these challenges will be overcome in near future.

The Company successfully demonstrated the Guaranteed Net Contracted Power and Water Capacity for the Contract Year 2019-20 in the Annual Plant Performance Test for natural gas and diesel oil. These tests were carried out under the new operating Call On / Call Off regime under the extension term.

Occupational Health, Safety and Environment

First of our core values, Safety Comes First is of great importance. Actions speak louder than words, and the safety landmark of seventeen years without a Lost Time Incident is a testimony of our commitment as an organization towards safety.

Safety is a core value of the Company and we believe that safety comes first for our people, our contractors and our community. The team has worked progressively on health, safety and environment ('HSE') throughout the year to minimize the risk of complacency.

Preserving the environment is also one of the key considerations of your Company. We are pleased to inform you that there were no environmental exceedances during the year.

Financial Performance

We seek to maintain trust of our stakeholders by conducting the business in a fair and ethical manner. To achieve this strategic objective, your Company maintains the highest level of financial controls, reporting and corporate governance standards. The Company continues to maintain these standards, and this is periodically confirmed by timely and accurate reporting as well as rigorous internal and the independent internal and external auditing processes and procedures. The Company remains in compliance with the Code of Corporate Governance of the Capital Market Authority.

The Company made numerous initiatives to reduce the commercial impact of the unplanned High Impact Low Probability (HILP) event related to gas turbine generator failure. The Operator minimized maintenance costs by working aggressively to reduce the repair work schedule and bring the turbine back to service. Everyone worked hand in hand with the insurers and ensured timely approval and recovery of claims. The Company has mitigated the commercial impact of this event to the extent of insurance deductibles.

The Company recorded gross profit of RO 18.3m (2018: RO 17.8m) for the year 2019 which demonstrates continued strong operational performance. Excluding non-cash impact of impairment of RO 12.1m (2018: RO 31.6m), the company would have reported profit before tax of RO 12.9m (2018: RO 11.6m). However, due to the impact of recognition of impairment, the Company is reporting a net profit after tax of RO 0.6m only (2018: loss after tax RO 17m) which corresponds to earnings per share of RO 0.003 (2018: loss per share RO 0.106).

The Company continued to work with all stakeholders including regulatory authorities, lenders and industry peers to find a long-term solution for the changing dynamics of the power sector in Oman.

The Company has not declared dividends in 2019 pursuant to decision of the shareholders in the last Annual General Meeting to accumulate cash towards settlement of its tax liabilities and funding of the Lifetime Extension Activities.

People

Investment in the core asset of the Company, its people, is evident from the consistent safety record and operating performance of the business. The Company recognizes that people development is an essential element of the business's strategy to achieve excellence and thus places great importance to the development of people at all levels. Accordingly, we work on attracting, retaining and motivating our people. We reaffirm our commitment for identifying and developing Omani talent.

The directors of your Company are diversified individuals with vast financial, operational, technical and market-oriented experience. The board recognizes and acknowledges the exemplary and diligent efforts of the entire team who have helped cement the Company's position in the sector and continues to prioritize nurturing local talent in line with the national vision to develop world class leaders.

I, along with the Board, would like to extend my gratitude to the entire team at Barka who have given their best to manage the opportunities and challenges Company faced in 2019.

Social Responsibility

The Company firmly believes in the importance of being a good corporate citizen in the conduct of its

business activities as well as in fulfilling its corporate and social responsibilities.

Several social and community welfare initiatives were taken up by your Company and its Operator in the sector of Health, Safety and Environment. Safety awareness booklets were distributed to general public in collaboration with Royal Police of Oman. This helped increasing the general aware of the public about the importance of safety in different areas such as safe driving and safety at houses.

The Company contributed in cleaning campaign for the fisheries port under the sponsorship of Ministry of Agriculture and Fisheries in AL Batinah Governorate.

The Company also installed sun shade for the passage and rest areas of Al Rustaq Social House through which about 40 residents in the elderly house benefitted.

External Assessment of the Board of Directors

The Shareholders in the Annual General Meeting held on 26 March 2018 resolved that assessment of the Board of Directors to be carried out once during the three-year term. Therefore, no assessment was carried out during current year.

Outlook for 2020

The Company along with its advisors will diligently work towards a submission of a robust and competitive bid to OPWP under Power 2022 Procurement Process to secure a long term PPA contract as the existing PWPA expires by 31 December 2021. The benchmark tariffs set by OPWP under the process are challenging with the commercial terms under the new contract is expected to be less favorable compared to existing contracts.

The Company looks forward to engaging with regulatory authorities and explore possibilities to contract the two RO Plants on long term basis. Securing new contracts for the Power and RO Plants is also vital for the sustenance of operations beyond 2021. The leadership team will endeavor to navigate these regulatory headwinds and achieve the best possible outcome for the Company.

Spot Market is expected to be rolled out in later 2020. We will continue our engagement with the Regulator and Market Operator on this initiative.

The Lifetime extension activities on gas turbines 1 are planned during first quarter of 2020. Strategic spares and components of the turbine are procured which will be replaced to ensure reliable operations for a long term. Similar activities will be performed

on gas turbine 2 during first quarter of 2021. The critical components and spare parts will be procured during second half of the year 2020. Funding of these activities is significant and will be met from internal cash flows and hence dividends will only be declared if allowed by cash position of the company.

The Operator will continue to perform all other necessary planned maintenance in a timely manner as per prudent industrial practice to ensure the healthiness of all equipment.

We will continue to participate in the local sector to promote a healthy, competitive environment with a focus on safe, clean and reliable power and water.

Acknowledgements

We would like to take this opportunity to express ACWA Power Barka's respect and gratitude to all our stakeholders especially to our customer (the Oman Power and Water Procurement Company), our fuel supplier (Ministry of Oil and Gas), the Public Authority of Electricity and Water, the Authority of Electricity Regulation and the Capital Market Authority.

In closing, on behalf of the Board of Directors, we would like to take the opportunity to express our gratitude to His Majesty Sultan Haitham Bin Tarik

and his Government for their vision, guidance, wisdom and continued support. We would also like to acknowledge the progressive and enlightened vision of His Majesty Sultan Qaboos Bin Said which continues to be a model for other to emulate and without it, the success being achieved by many would not have been possible.

Chairman Board of Directors	Director	Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report

Business Framework

The principal activities of ACWA Power Barka SAOG (the 'Company') are to develop, finance, design, construct, operate, maintain, insure and own a gross 457 MW power generating station and 20 MIGD MSF water desalination plant and other related infrastructure. The Company also owns two Seawater Reverse Osmosis based water desalination plants with combined capacity of 22.5 MIGD.

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

The principal agreements are the Power and Water Purchase Agreement ('PWPA') and Water Purchase Agreements (WPA) with OPWP which require the Company to make the power and water facilities available and accordingly deliver electrical energy and water output as per contractual terms. The current term of these agreements is expiring on 31 December 2021. The Company has a fuel supply agreement with the Ministry of Oil and Gas (MOG) and an O&M Agreement both of which are co-terminus with terms of PWPA/WPAs.

The Annual Performance tests were successfully performed for the Main Plant, Expansion Phase 1 and Expansion Phase 2 in April 2019 for the Contract Year 2019-20 which ensures the revenue stream for the Contract Year.

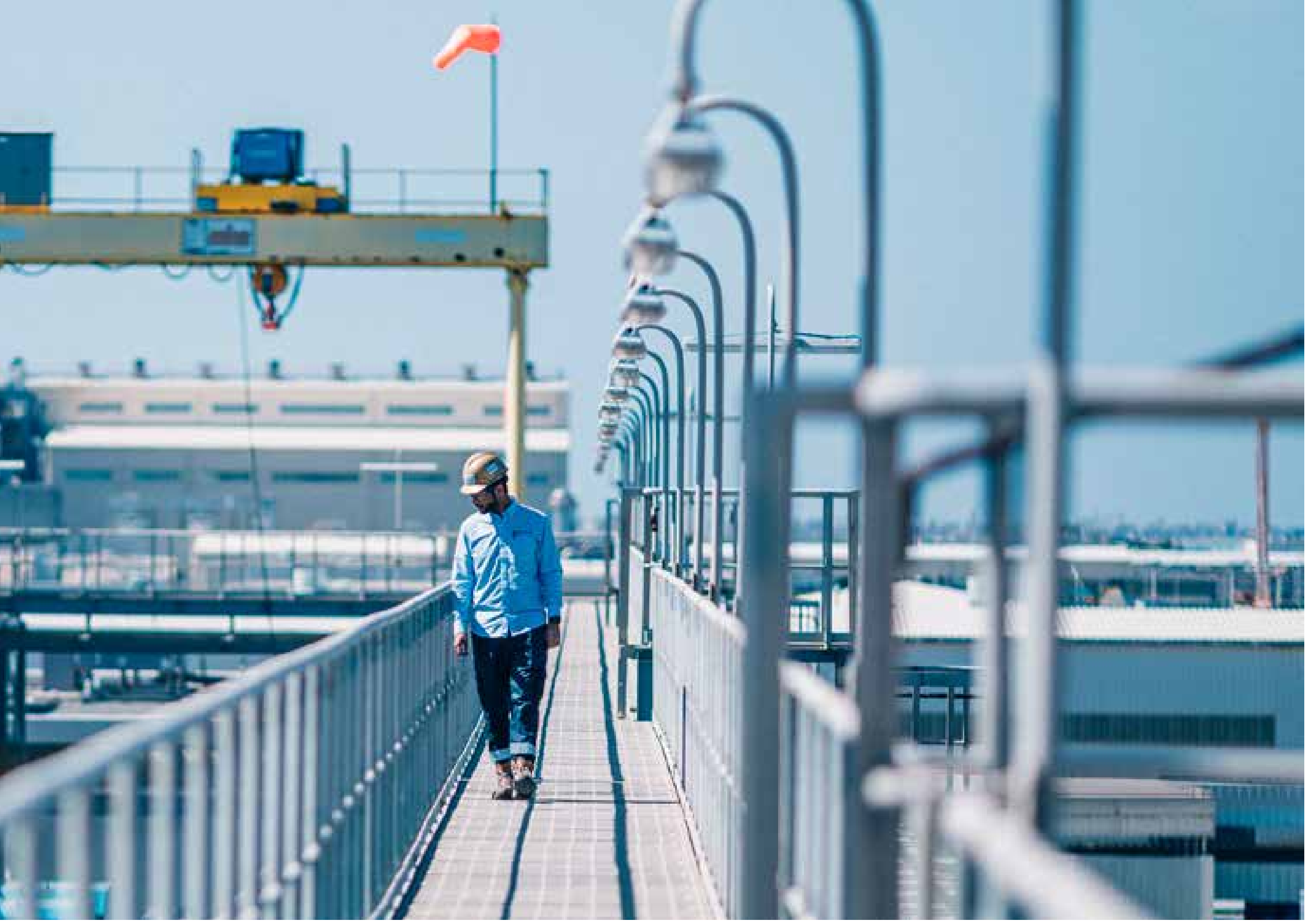
The Company has been granted a Generation and Desalination License by the Authority of Electricity Regulation for a period of 25 years.

The Company has contracted out the operation and maintenance activities to First National Company for Operation and Maintenance Services LLC ('NOMAC Oman') effective from 1 June 2011. The term of the O&M Agreements is co-terminus with the term of the PWPA / WPAs. NOMAC Oman is an Omani company wholly owned by ACWA Power.

The Barka Seawater Facilities Company (BSFC) was formed in 2010 as a joint venture between ACWA Power Barka and SMN Barka as 50% equity shareholders. BSFC constitute seawater intake and outfall facilities. These facilities are currently being operated and maintained by NOMAC Oman under an O&M Agreement with BSFC.

17 Years without a Lost Time Incident

The Company takes pride in achieving 17 years without a Lost Time Incident on 2 May



2019. The entire team celebrated this landmark accomplishment during the year. The Company and its Operator always keep safety at the forefront which is the first of the core values of the Company.

Operational & Organizational Highlights

The Company continued to operate its main plant in Call Off mode during 2019 i.e. mainly power plant was operated while MSFE water desalination plant remained on standby other than for operation for few days required for Annual Performance Tests. This mode of operation was new for the team however it was managed in a professional manner maintaining high reliability factor.

The repair activities on gas turbine generator, which suffered failure in November 2018, were completed in January 2019 after which it was declared fully available. The turbine since then has performed without any problem achieving the reliability of almost 100%.

The Company implemented several reliability enhancement initiatives on its Reverse Osmosis based water plant (RO Phase I) which resulted in a reliability factor of 99.2% during 2019. The reliability factor of RO Phase II has also shown appreciable improvement and achieved reliability of 96.1%.

The Company considers its people as its biggest asset and provide all necessary in-house and external trainings to boost their career development. As part of this development the Company encourages diversification and provides all the team members an opportunity to work in various departments. Furthermore, the Company has been committed to Omanization and considers it as a national service.

Power Generation

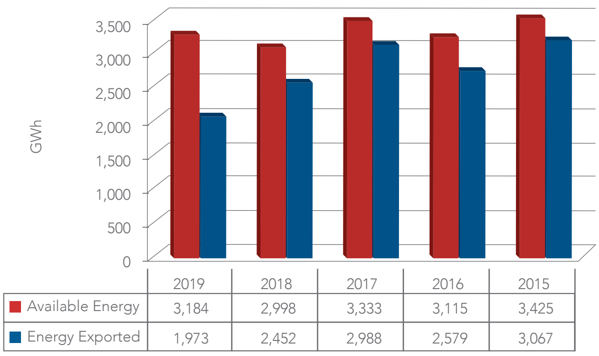
The Power Plant maintained a reliability factor of 97.2% during the year despite the impact of gas turbine generator failure that continued from 2018. In case this one-off impact is ignored, the Plant achieved the reliability factor of 99.6% which has also helped in setting off the impact of this unusual event.

The power plant exported 1,973 GWh during the year and cumulatively has exported 42,179 GWh since commencement of commercial operations in June 2003. The average hourly net power exported during year was 225 MW (2018: 280 MW). The load factor, which is 58.0% for 2019 (2018: 69.0%) is dependent on the demand for power by the national grid and has no impact on the business performance.

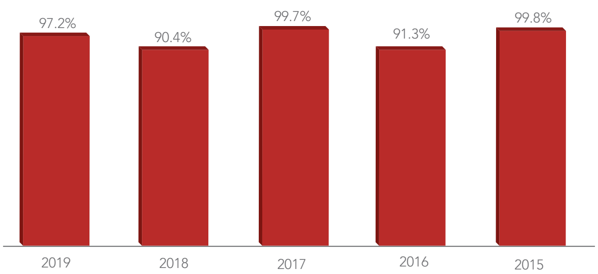
The following table and graph show the progression in exported energy and reliability factors for the last five years.

Year	Available Energy (GWh)	Energy Exported (GWh)	Export Factor (%)	Reliability Factor (%)
2019	3,184	1,973*	62.0	97.2
2018	2,998	2,452	81.8	90.4
2017	3,333	2,988	89.6	99.7
2016	3,115	2,579	82.8	91.3
2015	3,425	3,067	89.5	99.8

*including power supplied to two RO plants



Reliability Factor (Power)



The lower reliability factor in 2018 was the result of two unusual gas turbine generator failure events that occurred in last quarter. The repair activities on generator of gas turbine 2 were completed in 2018 itself while for generator of gas turbine 1, the repair completed in January 2019. The reliability factor of 97.2% in 2019 reflects this.

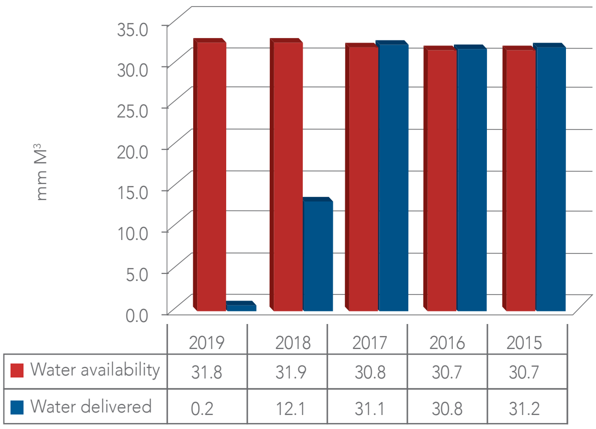
Water Production

In the current term of the PWPA, the MSFE water desalination plant remained standby during the year in Call Off mode. The dispatch was nearly zero from this plant during the year other than the time when plant was in operation for Annual Performance Test.

The main challenge during this Call Off mode is to preserve the MSF units and keep them ready for any upcoming requirement of the Off taker and for the Annual Performance Test (APT). A robust preservation procedure has been developed by the team following the recommendations of the OEM that enabled the Company not only to complete the APT successfully but to continue maintaining the top-notch reliability factor of 99.9% during 2019 as well.

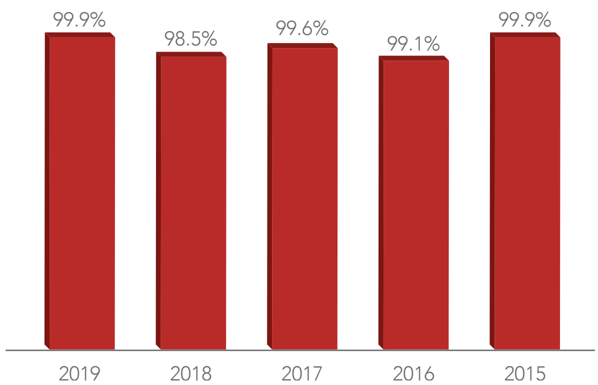
The following table and graph show the progression in exported water and reliability factors for the last five years.

Year	Water Availability (MInm3)	Water delivered (MInm3)	Export Factor (%)	Reliability Factor (%)
2019	31.8	0.2	0.6	99.9
2018	31.9	12.1	38.0	98.5
2017	30.8	31.1	100.9	99.6
2016	30.7	30.8	100.3	99.1
2015	30.7	31.2	101.6	99.9



A minor quantity of water exported during 2019 was due to APT that was performed in the month of April.

Reliability Factor (Water)



Reverse Osmosis Phase 1 Facility

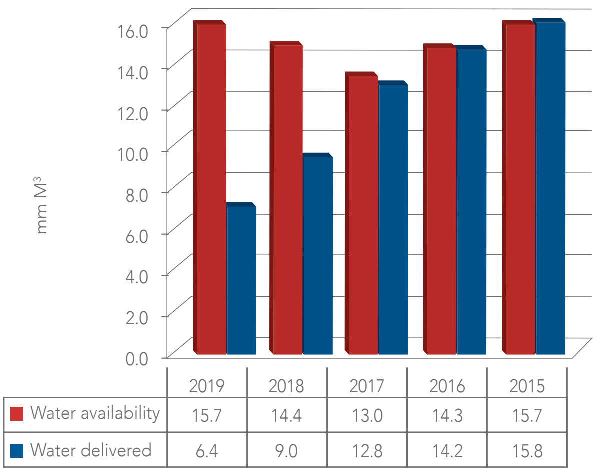
The RO Phase I maintained a reliability factor of 99.2% (2018: 92.2%) which is the best during the last five years since plant achieved its commercial operations. This improvement is the result of multiple reliability enhancement initiatives implemented by the Barka team.

In line with previous years RO Phase I plant experience Seawater Quality Failure during month of February 2019 due to sever algal bloom. Such a situation is recognized as Force Majeure Event (FME) under the Water Purchase Agreement ("WPA") during which Company is excused from performance of its obligation. The Company submitted relevant Force Majeure claims with all the supporting documents to the Off-taker and successfully secured their approval. Accordingly the Term of the WPA is extended by 5 days & 17 hours i.e. the time which is required to recover the availability loss as a result of such FME.

The following table and graph show the progression in exported water and reliability factors for the last five years.

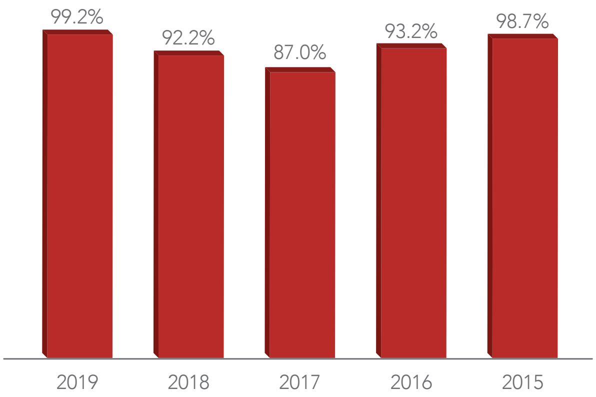
Year	Water Availability (Mlnm3)	Water delivered (Mlnm3)	Export Factor (%)	Reliability Factor (%)
2019	15.7	6.4	41.1	99.2*
2018	14.4	9.0	62.3	92.2
2017	13.0	12.8	98.2	87.0
2016	14.3	14.2	99.4	93.2
2015	15.7	15.7	100.0	98.7

*excluding impact of availability loss due to Force Majeure events owing to Seawater quality failure



The reduction in water delivered during the year was the result of certain maintenance activities carried out by the Off taker on their water reservoirs.

RO-1 Reliability Factor (Water)



Reverse Osmosis (RO) Phase 2 Facility

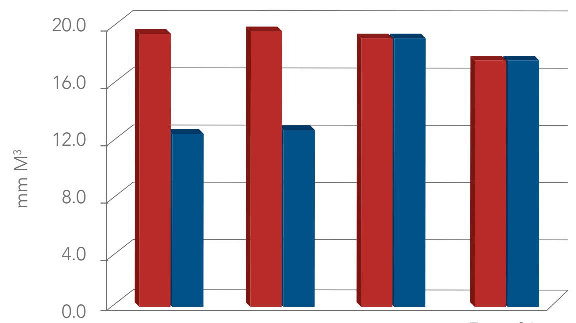
The Company implemented certain reliability initiatives on RO Phase II with help of its Operator. These initiatives resulted in enhanced reliability factor of 96.1% during the year 2019 (2018: 93.7%).

RO Phase II plant experienced Seawater Quality Failure in 2019 as well during the months of January, February, March, September and October due to sever algal bloom. Such a situation is recognized as Force Majeure Event (FME) under the Water Purchase Agreement ("WPA") during which Company is excused from performance of its obligation. The Company submitted relevant Force Majeure claims with all the supporting documents to the Off-taker and successfully secured their approval. Accordingly the Term of the WPA is extended by 11 days and 11 hours i.e. the time which is required to recover the availability loss as a result of such FME.

The following table and graph show the progression in exported water and reliability factors since commencement of commercial operation:

Year	Water Availability (Mlnm3)	Water delivered (Mlnm3)	Export Factor (%)	Reliability Factor (%)
2019	18.4	11.4	62.1	96.1*
2018	18.5	11.7	63.1	93.7
2017	18.3	18.2	99.8	93.0
2016	16.7	16.7	100.0	97.3

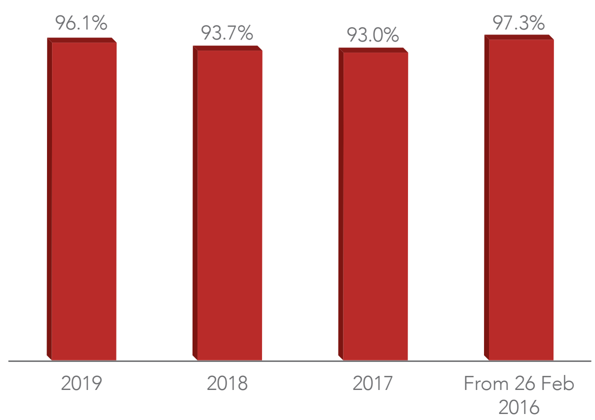
*excluding impact of availability loss due to Force Majeure events owing to Seawater quality failure



	2019	2018	2017	From 26 Feb 2016
Water availability	18.4	18.5	18.3	16.7
Water delivered	11.4	11.7	18.2	16.7

The reduced water delivery in 2018 & 2019 is reflection of lower dispatch requirement from the Off taker due to additional of new water plants in the national water network.

RO-2 Reliability Factor (Water)



Plant Maintenance Philosophy

The power island consists of two gas turbines of V94.2 Siemens design and one steam turbine manufactured by Ansaldo Energia. The net generating capacity of these machines is 427.36 MW under reference ambient conditions in Call-On mode and 388 MW in Call-Off mode under revised reference conditions. Your Company, along with NOMAC Oman, has developed a robust strategy to ensure that the machines remain in pristine condition with the ability to provide sustained results.

The team believes in a risk-based approach towards maintenance to create a viable balance between predictive, proactive and scheduled maintenance. All machines, which include both gas turbines, the steam turbine and both heat recovery steam generators, have been subject to planned maintenance as advised by the Original Equipment Manufacturer ('OEM'), Ansaldo Energia, since commissioning in June 2003.

Following the O&M restructuring in 2011, all maintenance has been performed by NOMAC Oman as envisioned in the operations and maintenance agreement.

As mandated by the BOD, The Company has given the go ahead to NOMAC to perform life time extension (LTE) activities on the two gas turbines in line with the maintenance cycle advised by OEM. LTE of gas turbine-1 is falling in Q1 of 2020 and NOMAC has made all the arrangement in procuring necessary parts.

The high reliability of these machines has been maintained by the excellent operations and maintenance management program developed by the Barka team. NOMAC Oman utilizes a Computerized Maintenance Management System to ensure a holistic approach towards maintaining the plant. Safety plays the foremost role in all maintenance work and is the topmost priority.

A summary of the annual inspection and maintenance activities during 2019 is given below:

1. Planned minor outage of GT-1 and HRSG-1.
2. Planned minor outage of GT-2 and HRSG-2.
3. Planned outages of the MSF desalination units: outage was taken from the winter down time to carryout necessary preventive and predictive maintenance activities in line with approved outage schedule by the Off taker.
4. Several planned and short notice outages were taken to conduct the preventive and periodic maintenance activities on both the RO plants. These activities include replacement of membranes and chemical cleaning of RO/UF/MF membranes.

Performance Tests

The Power and MSF Plant commenced 17th year of its commercial operation from 1st May 2019. In current PWPA, these plants are required to operate in two modes i.e. Call-On (with MSF) and Call-Off (without MSF) with different guaranteed power capacities of 427.36 MW and 388.00 MW respectively. Accordingly, the Company was obliged to demonstrate the below capacities during the APT in 2019:

1. guaranteed power capacity with natural gas - Call-On mode.
2. guaranteed water capacity with natural gas - Call-On mode.
3. guaranteed power capacity with diesel - Call-On mode.
4. guaranteed water capacity with diesel - Call-On mode.

5. guaranteed power capacity with natural gas - Call-Off mode.
6. guaranteed power capacity with diesel oil - Call-Off mode.

The Company was successful in demonstrating the contracted capacities as per above requirements.

The APT for two RO Plants were also completed successfully within the time frame given in the WPAs.

The success of these tests is crucial for the Company as it is the basis of determining the capacity payments for any contract year.

Environment

Protecting and preserving the environment is an integral part of the Company's vision. The Company strives to be a world class generator which produces a clean and sustainable product.

The fuel used at the plants is nature gas which has very low Sulphur content. The gas turbines are equipped with dry low NOx (DLN) burner technology to control air emissions levels of NOx.

Site Specific Environmental and Social Management Plan (ESMP) was developed and implemented. The annual Environmental Day was held on 5 May 2019. The team took the opportunity to re-look at the plant-wide environment aspect/impact assessment.

There have been zero exceedances during the reporting year and all regulatory permits have been maintained or in the process of usual renewal.

Safety

The landmark achievement during the period was the achievement of 17 years without a Lost Time Accident on 2 May 2019.

The Operator completed all maintenance activities in a safe environment. Sub-contractors are expected to conform to the organization's safety standards, and they are trained in this respect by the team. Several behavioral based safety programs were arranged for the team.

The Operator maintains several certifications including ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environment Management System), ISO 45001:2018 (Occupational Health and Safety Management System) and ISO 27001:2013 (Information Security Management System).

Omanization

Your Company continues to focus on its Omanization strategy. Key business leaders within both your Company and NOMAC Oman are from the local talent pool, which has set a precedent in the local IWPP and IPP sector.

This is a result of sustained and focused policy of identifying and grooming people so that the Company remains in line with or ahead of contractual obligations.

NOMAC Oman has a practice of hiring fresh talent from Omani universities and colleges and providing long term training programs leading to employment. Short term summer internships are provided to various students. The Company also actively hires experienced local talent to fulfill resourcing requirements.

Social Responsibility

The Company and its Operator have been involved with various social and community welfare initiatives. The Company provided its support to the Health, Safety and Environment sector. It contributed in Printing of safety awareness booklets and brochures and distributed to the public with collaboration with Royal Police of Oman. The aim of this program was to give awareness to the public about the importance of safety in different areas such as safe driving and safety at houses.

Also, as part of our obligations towards the environment, the company has donated for the Cleaning of the fisheries port campaign which was sponsored by Ministry of Agriculture and Fisheries in AlBatinah Governorate.

The Company also installed sun shade for the passage and rest areas of Al Rustaq Social House through which about 40 residents in the elderly house benefitted.

Commercial & Legal Highlights

Power 2022 Procurement Process

The Company is part of Power 2022 Procurement process which is run by OPWP. This process offers an opportunity to secure new long-term PPA contract for the period beyond 2021. The Company was declared successful pre-qualified bidder during the year which will allow for submission of further bids under the RFP stage of the process. It is expected that tariff regime under this process will be aggressive and much lower than current tariffs under the PWPA.

Spot Market

The Authority for Electricity Regulation is in the process of introducing 'Spot Market' for electricity sector which will start on a trial basis by 2020. The main objective of this initiative is to optimize the residual value of non-contracted power generation capacity through additional utilization during peak load periods which cannot be covered by baseload commitments. The Company is actively participating on this initiative and has taken the necessary steps to ensure its installed capacity is fully utilized.

Reverse Osmosis Water Plants

The Company was not successful in Request for Offer (RFO) process run by OPWP in 2018. The Company approached the Authority for Electricity Oman (AER) to share its reservations on the methodology and benchmark tariff adopted by OPWP under the process. Unfortunately, the determination by AER on this matter was not favorable. The Company

subsequently lodged a court case to contest this determination to protect the interest of its shareholders. This was an unfortunate position to be in for the Company considering that both the RO plants are relatively new and have only completed a few years of operations. The expected lower tariffs going forward has resulted in recognition of a non-cash impairment impact of OMR 12.1 million under IFRS as disclosed to the shareholders earlier.

Financial Highlights

					RO in MM's
Income Statement	2019	2018	2017	2016	2015
Revenue – 'straight line'	55.7	61.5	71.7	66.8	65.4
Operating costs	37.5	43.8	50.7	47.3	47.3
Gross profit	18.3	17.8	20.9	19.5	18.1
Other costs	*17.7	**34.7	***16.7	7.7	7.5
Net profit / (loss) after tax – excluding one off items	10.9	9.9	12.2	11.8	10.5
Net profit / (loss) after tax	0.6	(17)	4.2	11.8	10.5
Gross profit margin	33%	29%	29%	29%	28%
Net profit / (loss) margin	1%	(28%)	6%	18%	16%
Earnings / (loss) per share (RO)	0.003	(0.106)	0.027	0.074	0.066

* During the year, Company has recognized an impairment loss of OMR 10.3m (net of tax) on its SWRO Water Plants.

** The Company has recognized an impairment loss of OMR 26.9m (net of tax) on its MSFE Water Plant.

*** The Company recognized OMR 3.3m one-off deferred tax liability on account of revision in income tax rate from 12% to 15% and also recognized OMR 4.7m tax liability in respect of adverse decision from Supreme Court on the matter of carry forward of losses incurred during exemption period.

Revenues

The revenues overall have decreased by (OMR 5.8m) compared to previous year. The primary driver of this decrease is lower power (OMR 3.5m) and water (OMR 2.8m) output revenue due to lower demand from the grid and operation of MSF plant on standby mode. This reduction is set off by reduction in lower gas costs.

The power capacity revenue was higher by (OMR 0.8m) as corresponding year was affected by gas turbine generator failure. There was not deferred revenue recognition compared to previous year amounting to (OMR 0.5m).

Operating Costs

Operating costs are lower compared to corresponding year by (OMR 6.3m). This decrease is primarily attributed to lower gas consumed due to lower output.

Gross Profit

The net increase of (OMR 0.5m) in gross profit is primarily due to higher capacity revenue from all the plants which is partially offset by absence of deferred revenue for the year.

Other Costs

Other costs for the current year are lower (RO 17m) as compared to previous year. This is primarily attributable to (RO 16.6m) lower impairment loss (net of tax) recognized during the year compared to the impairment loss recognized in the corresponding year.

Net Profit After Tax

This year company generated a profit after tax of (RO 0.6m) as compared o a net loss after tax of (RO 17.0m) in the corresponding year primarily due to the lower impairment loss recognized for the year.

					RO in MM's
Balance Sheet	2019	2018	2017	2016	2015
Total assets	130.8	129.3	164.3	170.9	182.4
Total equity	38.5	37.9	54.8	57.7	52.6
Paid up capital	16	16	16	16	16
Return on assets (%)	0.5	(13.2)	2.5	6.8	5.8
Net assets per share – RO	0.240	0.237	0.342	0.360	0.331
Return on paid up capital (%)	3	N/A	26	73	66
Debt equity ratio	56:44	62:38	57:43	59:41	63:37
Ordinary dividend (%)	-	-	45	43	27
Dividend per share – RO	-	-	0.045	0.043	0.027
Dividend payout ratio (%)	-	-	166*	58	41

* The higher dividend payout ratio is due to lower profit on account of recognition of tax liabilities for i) increase in income tax rate and ii) adverse Supreme Court decision.

N/A – Not Applicable since no meaningful return ratio is computable.

Cash Flows and Dividends

The Company has met its obligations to the lenders by the timely debt service of (OMR 15.6m) during the year. The Company incurred (OMR 1.3m) in capital expenditure.

In view of the capital expenditure to be incurred in Lifetime Extension activity of GT1 of the power plant and income tax liabilities outstanding, the Company did not pay any dividends.

Risks faced by the Company

The risks that are being faced by a power company like your Company include loss of availability due to breakdowns, contract extension risk, accidental damage and default in payment by the Off taker.

The Company has materially transferred its operations and maintenance risk to the Operator pursuant to its O&M Agreements.

The primary risks associated with the Company are:

- Renewal of existing contracts or securing new contracts for period beyond 2021. The Company is actively engaged with OPWP to secure renewal / extension of its contracts under the Power 2022 Procurement Process. The Company also strives to secure future contract for RO plants by appropriately pursuing the court case of contesting AER determination against the Company in RFO process.
- Increase in forced outages of the two RO plants due to severe seawater quality beyond design limits of the pretreatment units. The Company has initiated improvement program involving main vendors.
- Technical failure of GT2 generator unit like GT1 experienced in 2018. The Company has carried out major repair works and is utilizing built-in monitoring & control system to mitigate such risk.
- Cybersecurity related threats are becoming an ever-increasing risk in the recent times. The Company has been focusing to mitigate these risks through implementing a robust and comprehensive Cybersecurity framework at its Plants. This strategy is also in line with what has been prescribed by the Authority for Electricity Regulation to be followed by the industry.

Financial obligations of the OPWP under the project agreements are secured by a Guarantee issued by the Ministry of Finance. In addition, comprehensive insurance program is in place to protect the business against property damage, business interruption, public liability and sabotage and terrorism risks. The PWPA and WPAs protect the Company against inflation and the Rial Omani/US Dollar exchange rate movement, if any. Fuel cost is pre-determined in the fuel supply agreement over the period of the PWPA.

Major portion of the long-term loan is denominated in Omani Rials.

These proven risk mitigation strategies have successfully protected the business from any untoward exposure over many years and the management will continue to actively perform risk analyses to identify and mitigate potential challenges.

History of the Project

Introduction

ACWA Power Barka SAOG ("the Company") was incorporated as an Omani Joint Stock Company in the Sultanate of Oman on November 19, 2000 under a trade license issued by Ministry of Commerce & Industry.

History of the Company

The Government of the Sultanate of Oman invited proposals (tender number 45/2000) in April 2000 for:

1. The design, procurement, construction, commissioning and financing of a natural gas and fuel oil fired electricity generating plant and a sea- water desalination plant, with an anticipated guaranteed net contracted capacity of about 427 MW of power and 20 MIGD of water, and the gas connection facilities; and
2. The operation and maintenance of the Plant in such a manner as to ensure that the Plant and the gas connection facilities may at all times be operated for a period of 15 years from the COD; and
3. The sale of the electrical energy and water associated therewith, to the power purchaser, in accordance with the PWPA.

The Project was awarded by the Government to a consortium comprising AES Corporation and Multitech LLC, following a competitive bidding process. The consortium formed the Company for the purposes of entering into the Project Agreements and undertaking the Project. Subsequently in 2010, AES Corporation sold its shareholding in the Project to ACWA Power International. The Project has been developed by the Company under a Build, Own and Operate ("BOO") scheme. The BOO concept enables the Company to operate as a going concern beyond the contracted period of 15 years by either extending the PWPA (if agreed to by OPWP) or selling into an electricity pool, if one has been created at that time.

The 427 MW gas fired power plant and 20 MIGD desalination plant is situated on the Omani coast approximately 60 km north-west of Muscat. The site is strategically located near the main gas transmission system and electricity grid network.

The power section of the Plant uses two V94.2 Ansaldo Gas Turbines (to drive electrical generators) with Heat Recovery Steam Generators (HRSG's), which utilize the exhaust heat of the gas turbines to produce steam, and this steam is supplied to a Steam Turbine to complete the combined cycle. The desalination section of the Plant uses three identical Multi-stage Flash Evaporator desalination units supplied by Hitachi, which produce 6.67MIGD each.

The land for the Plant is owned by Government and is leased to the Company for 25 years (renewable for a further 25 years) under a Usufruct Agreement. The plot of land measures about 110,000 sq m. Enelpower S.p.A of Italy and Hitachi Zosen Corporation of Japan were the principal Engineering, Procurement, and Construction ("EPC") contractor(s) for the Project.

Major Stakeholders

Shareholders:	ACWA Power, Civil Services Pension Fund, Ministry of Defence Pension Fund
Lenders:	Consortium of local and regional banks led by Bank Muscat SAOG
Power and Water Offtaker:	OPWP
Gas Supplier:	MOG
O&M arrangements:	NOMAC Oman with technical support agreements with ACWA Power
EPC contractor(s)	Enelpower S.p.A. of Italy (power plant) and Hitachi Zosen Corporation of Japan (desalination plant)
	ABEINSA (Expansion Project – Phase 1)
	Osmoflo (Expansion Project – Phase 2)

Chief Executive Officer

Chief Financial Officer

CORPORATE GOVERNANCE REPORT

BDO

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Sultanate of Oman

REPORT OF FACTUAL FINDING
TO THE SHAREHOLDERS OF ACWA Power Barka SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority ("CMA") circular no. E/4/2015 dated 22 July 2015, with respect to the Board of Directors' Corporate Governance Report of ACWA Power Barka SAOG ("the Company") as at, and for the year ended, 31 December 2019, and its application of the Corporate Governance practices in accordance with the amendments to CMA Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the "Code"). Our engagement was undertaken in accordance with the International Standard on Related Services 4400 *Engagements to Perform Agreed- Upon Procedures Regarding Financial Information*. The procedures were performed solely to assist you in evaluating the extent of the Company's compliance with the Code as issued by the CMA and are summarised as follows:

1) We obtained the Corporate Governance Report (the "Report") issued by the Board of Directors and checked that the Report includes, as a minimum, all items suggested by the CMA to be covered by the Report as detailed in Annexure 3 of the Code by comparing the Report with such suggested content in Annexure 3; and

2) We obtained the details regarding the areas of non-compliance with the Code identified by the Company's Board of Directors, included in the Report together with the reasons for such non-compliance as identified for the year ended 31 December 2019. The areas of non- compliance with the Code, as identified by the Company's Board of Directors, are disclosed in "Non-Compliance and Penalties" section of the Report.

We have no exceptions to report in respect of the procedures performed, other than those mentioned in point 2 above.

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

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

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying Corporate Governance Report of the Company to be included in its annual report for the year ended 31 December 2019 and does not extend to any other areas of the annual report or to the financial statements of the Company, taken as a whole.

BDO
Muscat
20 February 2020

Bipin Kapur
Partner

Corporate Governance Report

Statement of Issue:

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

We are pleased to report that ACWA Power Barka SAOG ("the Company") remained in compliance with the principles of the Code.

Company Philosophy on Code of Governance:

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

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

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

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

- Compliance with All Laws, Rules, Regulations and this Code
- Conflicts of Interest and Corporate Opportunities
- Quality of Public Disclosures
- Protection and Proper Use of Company Assets
- Protection of Confidential Proprietary Information
- Insider Trading
- Fair Dealing
- Interacting with Government
- Environment, Health and Safety
- Respect for One Another
- Record Retention

The Company encourages representation of non-executive and independent directors on its Board of Directors. At present the Board consists of seven directors all of which are non-executive directors. Three of them are independent directors while two directors represent the minority shareholders. All the directors have excellent industry and corporate governance experience.

Upon election of new Directors, the Audit Committee was constituted by the Board of Directors and it is performing its functions in accordance with its terms of reference drawn in compliance with the Code and an effective internal audit function has been set up. The periodic financial statements issued during the year were reviewed by the Audit Committee.

In compliance with the Code, Nomination and Remuneration Committee of the Board of Directors also carried out its functions during the year.

Board of Directors

The Board of Directors was elected in March 2017 and will be subject to re-election in March 2020. The Company's Board of Directors consists of seven members.

The Directors of the Company bring a rich experience of corporate governance, operations and maintenance, finance & accounting, business development and institution building. Their experience is complimented by their academic qualifications in the field of administration, management, finance, accounting and engineering.

Five meetings of the Board of Directors were held during the year on the following dates:

- 27 February 2019
- 29 April 2019
- 29 July 2019
- 28 October 2019
- 4 December 2019

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

Mr. Theagarajan Eswaran resigned from the directorship of the Company during the year.

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

Name of Director	Category	Board Meetings held and attended during 2019					AGM 28th Mar 19
		27th Feb	29th Apr	29th Jul	28th Oct	4th Dec	
Mr. Ahmed Al Subhi – representing ACWA Power Barka Project LLC (Chairman)	Non-Independent	✓	✓	✓	✓	✓	✓
Mr. Kashif Rana (Deputy Chairman)	Non-Independent	✓	✓	✓	✓	✓	✓
Mr. Ganesh Subramanian	Independent	✓	✓	✓	✓	✓	✓
Mr. Ahmed El Sinani – representing Civil Services Pension Fund	Non-Independent	✓	✓	✓	✓	✓	✓
Mr. Theagarajan Eswaran*	Independent	✓	✓	✓	✓	NA	✓
Mr. Hamad Al Wahaibi - representing Ministry of Defence Pension Fund	Independent	✓	✓	✓	✓	✓	✓
Mr. Zeeshan Hyder	Non-Independent	✓	✓	✓	✓	✓	✓

Legend: ✓: Present –: Apologies NA: Not applicable

* Resigned during the year

The Company held its Annual General Meeting of shareholders on 28 March 2019 for the year ended 31 December 2018.

No dividend was approved by the Board during 2019.

The following table shows the number of directorships of ACWA Power Barka's Board members in other public joint stock companies in the Sultanate of Oman as of 31 December 2019.

Name of director	Number of Directorships
Mr. Ahmed Al Subhi	3
Mr. Ahmed El Sinani	1
Mr. Hamad Al Wahaibi	2

Procedures for Standing as a Candidate for the Board of Directors

The election of the Board is governed by the Rules and Conditions for Election of Directors of Public Joint Stock Companies and their Responsibilities issued vide ministerial decision 173/2002 on 23 October 2002 and subsequent amendment vide ministerial decision 201/2016 on 31 August 2016 and Article 26 to Article 29 of the Company's Articles of Association.

As per the Rules and Conditions for Election of Directors of Public Joint Stock Companies and their responsibilities and the Articles of Association of the Company which states:

- The management of the Company shall be entrusted to Board of Directors comprising of seven members.
- The Directors shall be non-executives and shall not be working for the Company in consideration of a fixed monthly or annual remuneration.
- The term of office of the Board shall, subject to a re-election, be for a maximum period of 3 years (renewable) to be elected by resolution at the Company's Ordinary General Meeting.
- A minimum of one third of the Directors must be independent directors.
- A juristic person shall not be represented on the Board of the Company by more than one director on the Board.
- The position of Chief Executive Officer / General Manager / Chairman shall not be held by a single person.
- Nominee to the membership of the Board must not be an employee or director of a public or closed joint stock company which is based in the Sultanate of Oman carrying out similar objectives to that of the Company.
- If the office of an elected Director becomes vacant during the period falling between two Ordinary General Meetings, the Board of Directors, based on recommendations from the NRC, may appoint a temporary director who meets the requirements of these Articles of Association. The temporary director shall hold his office until the next Ordinary General Meeting.

The Articles of Association of the Company are substantially in line with the provisions of the Capital Market Authority and in the event of any conflict between these Articles of Association and any relevant law, the provisions of such law shall prevail.

Audit Committee

The Board of Directors reconstituted the Audit Committee on 22 March 2017 by appointing three directors as Audit Committee members two of which were independent. The Chairman of the Audit Committee is an independent director. These members have required knowledge and experience of accounting, international financial reporting standards and commercial law that enable them to perform their functions. The Committee supports the Board in fulfilling its oversight and review function. The Committee reviews the Company's adherence to policies, procedures, practices and compliance with laws and regulations.

The Committee ensures that the financial statements prepared are in accordance with the International Financial Reporting Standards and the disclosure rules issued by the CMA.

A brief description of the terms of reference of the Audit Committee is as under:

1. The Audit Committee has the power to seek required information and/or presence of any employee of the Company.

2. Ensuring adequacy of the control environment and overseeing the issuance of financial statements to the stake holders.

3. Acting as a communication channel between Auditors, Management and the Board.

Detail of meetings held during the year and attendance by the members is as under:

Name of Director	Category	AC Meetings held and attended during 2019			
		26th Feb	29th Apr	29th July	28th Oct
Mr. Ganesh Subramanian (Chairman)	Independent	✓	✓	✓	✓
Mr. Kashif Rana	Non-Independent	✓	✓	✓	✓
Mr. Theagarajan Eswaran*	Independent	✓	✓	✓	✓

Legend: ✓: Present –: Apologies NA: Not applicable

*Resigned

The Audit Committee heard the views of the external auditors before forwarding the financial statements for the year 2019 to the Board of Directors in their meeting held on 20 February 2020. During this meeting, the views of the internal auditor and the external auditors were heard separately without the presence of the Management. In addition, the Audit Committee has also reviewed the reports and heard the views of Internal Auditor on quarterly basis in absence of management. The Audit Committee reviewed and approved the Internal Audit plan for 2020. The Audit Committee also submitted its plan for 2020 to the Board.

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

Nomination and Remuneration Committee

The Board of Directors constituted the Nomination and Remuneration Committee on 22 March 2017 by appointing three directors as its members one of which is independent. These members possess adequate knowledge and experience to carry out their responsibilities diligently. The Committee assisted the Board in the nomination of the most proficient directors to fill the vacancies and aims to assist the board in selecting the appropriate and necessary executives for the Executive Management. The Committee meets at least 2 times annually.

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

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

Details of meetings held during the year and attendance by the members is as under:

Name of Director	Category	NRC Meeting held and attended during 2019	
		18th Dec	29th Dec
Mr. Kashif Rana (Chairman)	Non -Independent	✓	✓
Mr. Theagarajan Eswaran*	Independent	NA	NA
Mr. Zeeshan Hyder	Non - Independent	✓	✓

Legend: ✓: Present –: Apologies
NA: Not applicable
*Resigned during the year

Executive Management

The Management team of the Company is led by its Chief Executive Officer ('CEO') who has been appointed by the Board of Directors. The CEO is supported by two Team Leaders who report directly to him and oversee the different departments of the Company. All Leaders have vast experience in their respective roles.

Remuneration of Directors and Key Management Officers

Members of the Board, Audit Committee and Nomination and Remuneration Committee are entitled to a sitting fee of RO 400 per meeting attended during the year. The sitting fee of Directors for the year ended 31 December 2019 amounted to RO. 16,800 for Board and its Committee meetings attended during the year. Further, the Company has paid RO 27,072 to directors as remuneration for the year 2018, as approved by shareholders at the Annual General Meeting held on 28 March 2019.

The Company will propose RO. 25,714 as remuneration to directors for 2019 which will be paid to directors after approval from shareholders in the Annual General Meeting planned to be held on 16 March 2020.

The details of annual remuneration of key management officers of the Company are as under.

Key officers	Annual remuneration (RO)
Remuneration	264,262
Travel	652
Other Perquisites	8,604
Total	273,518

The remuneration paid to the officers is commensurate with the role, responsibilities and skills required for the position based on a well laid down policy and process for determining remuneration linked with performance. Employment contracts of executive management meet the requirements of Omani labor law and there is a standard notice period as per Company's policy in case of resignation by the employee.

Non-Compliance and Penalties

CMA imposed a penalty of OMR 250 on the Company based on its view that Company had submitted the minutes of 2018 Annual General Meeting with a delay of one day after the prescribed deadline of 15 days from the date of AGM. However, the Company and its legal counsel are of the view that submission of AGM minutes was within the prescribed timelines and in line with past practice.

The Company has, under protest and without prejudice, paid an additional tax of RO 526,850 for the Tax Years 2011 and 2012 against a demand notice issued by the Tax Authority ("TA"). In the view of the Company, the demand raised by the TA is not payable because it had not given a consequential effect arising from a favourable ruling of the Appeal Court (for certain other tax years). The TA had issued demand notice earlier, which was considered as cancelled basis the favourable ruling of the Appeal Court. The Company's position is that tax liability for the subject years were payable only once the order giving effects to the Supreme Court judgment (for certain other tax years) was issued, which reversed the ruling of the Appeal Court and not from the date of original orders. The Company believes that it has complied with the tax laws on timely basis. The Company has filed an Appeal before the Income Tax Committee and awaiting for the decision.

One of the members of the Audit Committee and the Nomination and Remuneration Committee resigned in November 2019 creating a temporary vacancy in both these committees. The Company is in the process of identifying a suitable replacement to comply with the provisions of the Code of Corporate Governance.

Communication to Shareholders

The Company effectively communicated with the shareholders during the year using all available means of communication. Periodic financial statements along with the Management Discussion and Analysis Report were approved by the Board for issuance.

The financial statements were submitted to MSM according to timelines prescribed by the law. The annual and quarterly financial statements were also published in two daily newspapers i.e. Arabic and English. These financial statements were made available at the official web site of MSM after being approved from the Board of Directors. The Annual Report for the year ended 31 December 2019 includes the Board of Directors' Report and the Management Discussion and Analysis Report.

Company also hosted a discussion session during the year pursuant to a request made by MSM as part of MSM endeavours to enhance investor and general public awareness of the listed entities. This event was attended by representatives from CMA, MSM, Muscat Clearing and Depository Co. (MCD), brokerage and investment company members, investors and members of the press.

Distribution of Shareholdings

The shares of the Company are listed and traded on MSM. The shareholding of the Company is widely distributed. The pattern of shareholding, major shareholders and their shareholdings as on 31 December 2019, were as follows:

Shareholders by type	Shareholding
Omani	99.58%
GCC Nationals	0.16%
Foreigners	0.26%

Major Shareholders	Shareholding
ACWA Power Barka Project LLC	58.00%
Civil Service Pension Fund	14.10%
Ministry of Defence Pension Fund	9.56%
Shareholders holding less than 5%	18.34%

Market Price Data and Company's Stock Performance

Year 2018	ACWA Power Barka		MSM (Services Sector)	
	High	Low	High	Low
January	0.712	0.692	2,291.38	2,131.74
February	0.684	0.664	2,148.75	2,057.48
March	0.664	0.664	2,090.85	1,979.11
April	0.656	0.656	2,044.36	1,968.80
May	0.656	0.656	2,037.38	1,938.95
June	0.656	0.656	1,983.19	1,905.74
July	0.656	0.656	1,921.86	1,834.93
August	0.636	0.636	1,883.29	1,819.07
September	0.636	0.636	1,972.40	1,869.73
October	0.636	0.636	1,960.85	1,907.60
November	0.636	0.636	1,970.79	1,905.94
December	0.598	0.598	1,960.36	1,875.68

Source: The above data has been obtained from MSM website.

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

Professional Profile of External Auditor

BDO LLC, the statutory auditors of the Company, have been operating in the Sultanate of Oman since 1976. BDO LLC is an independent and legally distinct member firm of BDO International Limited. BDO, globally the fifth largest professional services firm, providing industry focused Assurance, Tax and Advisory services, has over 88,000 employees working in a global network of over 1,800 offices situated in 167 countries and territories.

BDO LLC is accredited by the Capital Market Authority to audit listed public stock companies (SAOGs) in Oman. BDO LLC billed an amount of RO 19,230 towards professional services rendered to the Company for the year 2019, of which RO 14,750 was for the provision of audit services and RO 4,480 for other services.

Summary of Independent Quality Assurance Review of the Internal Audit Unit

The Company appointed BDO LLC for independent quality assurance review of the internal audit unit of the Company for the year 2018 as per the International Professional Practices Framework (IPPF) as well as the requirements specified in the CMA resolution 10/2018 regarding comprehensive external assessment of internal audit unit.

A detailed report emanating from the aforementioned review was submitted to the Audit Committee in February 2019 for its review and consideration.

The overall assessment is that the activities of the Company's Internal Audit unit "Generally Conforms" with the IIA Standards, subject, however, to certain matters that may be considered to enhance the performance of the internal audit unit in future.

Acknowledgement

The Board of Directors acknowledges as at 31 December 2019:

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

Yours faithfully

Chairman Board of Directors | Director | Chief Executive Officer

FINANCIAL STATEMENTS

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Independent auditor's report to the Shareholders of

ACWA Power Barka SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of ACWA Power Barka SAOG ("the Company"), which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and 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.

Other Matters

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor, who expressed an unmodified opinion on those statements on 27 February 2019.

Key Audit Matters

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

Impairment on property, plant and equipment

Property, plant and equipment as at 31 December 2019 include power generating plant ("Power Plant"), Sea Water Osmosis Plant of 10 MIGD ("SWRO Plant-1") and Sea Water Osmosis Plant of 12.5 MIGD ("SWRO Plant-2") (SWRO Plant-1 and SWRO Plant-2 together referred as "SWRO Plants") with carrying value before impairment amounting to RO 58,638,218, RO 16,960,244 and RO 26,218,534, respectively.

Independent auditor's report to the Shareholders of

ACWA Power Barka SAOG (continued)

Key Audit Matters (continued)

Impairment on property, plant and equipment (continued)

Based on the outcome of the Request for Offer bidding process, the Company was not able to secure extension of its Water Purchase Agreement ("WPA") for its SWRO Plants beyond December 2021. OPWP is currently managing the Power 2022 Procurement Process to offer existing Power Generators long-term contracts whose current Power and Water Purchase Agreement ("PWPA") are expiring either in or around the year 2021. The benchmark tariff stipulated by the off-taker is lower than the current tariff. Accordingly, the management has identified these as impairment indicators for its SWRO Plants and Power Plant. Management has internally estimated the recoverable amount for the Power Plant, SWRO Plant-1 and SWRO Plant-2 based on value-in-use computation.

The estimation of recoverable amount of these plants was assessed as a key audit matter due to the degree of complexity involved in assessing the valuation and the significance of the judgements and estimates made by the management.

Our response

We have performed the following procedures:

(i) Overview of process for assessing impairment indicators and performing impairment tests;

(ii) Assessment of estimates and assumptions made by the management in order to determine the assets' recoverable amount, including:

- The key assumptions adopted by the management for future years (discount rate, tax rate, allocation of overheads and fixed operations and maintenance costs by comparing with market data and available historical internal data)
- Arithmetical correctness of the discounted cash flows model
- Assumptions made to determine the cash flows and residual values after the period covered by the contractual cashflows
- Reconciliation of source data used in impairment test models and assessment of impairment triggers for financial forecasts approved by the management of the Company
- Assessment of completeness of disclosure in the financial statements of the Company in terms of impairment in accordance with International Accounting Standard 36 "Impairment of Assets".

Other information included in the Company's 2019 Annual Report

Those Charged With Governance and the management of the Company are responsible for the other information. The other information comprises the Chairman's Report, Corporate Governance Report and Management Discussion and Analysis Report which is included in the Company's 2019 Annual Report, but does not include the financial statements and our auditor's report thereon.

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

Independent auditor's report to the Shareholders of

ACWA Power Barka SAOG (continued)

Other information included in the Company's 2019 Annual Report (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

BDO

Independent auditor's report to the Shareholders of

ACWA Power Barka SAOG (continued)

Auditor's Responsibilities for the Audit of the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Report on other legal and regulatory requirements

We report that the financial statements of the Company as at, and for the year ended, 31 December 2019, in all material respects, comply with the relevant disclosure requirements of the Capital Market Authority and applicable provisions of the Commercial Companies Law of the Sultanate of Oman.

BDO

Muscat
20 February 2020

BDO LLC
P.O.Box: 1176
P.C: 112, Ruwi
Sultanate of Oman
Public Accountants & Management Consultants

Bipin Kapur
Partner

STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Notes	2019 RO	2018 RO
ASSETS			
Non-current assets			
Property, plant and equipment	6	95,634,041	113,263,856
Intangible assets	7	308,163	144,374
Right-of-use assets	8	728,653	-
Total non-current assets		96,670,857	113,408,230
Current assets			
Inventories	9	4,911,037	5,029,751
Trade and other receivables	10	21,347,054	6,351,618
Cash and bank balances	11	7,905,552	4,549,526
Total current assets		34,163,643	15,930,895
Total assets		130,834,500	129,339,125
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	16,000,000	16,000,000
Legal reserve	13	5,333,333	5,333,333
Special reserve	14	85,555	85,555
Retained earnings		17,031,972	16,472,676
Total capital and reserves		38,450,860	37,891,564
Non-current liabilities			
Long-term loan - non-current portion	16	35,383,636	48,112,599
Deferred tax liability	17	9,889,089	12,033,170
Provision for site restoration	18	2,618,909	2,468,867
Employees' benefit liabilities	19	75,389	62,961
Lease liabilities - non-current portion	20	780,991	-
Total non-current liabilities		48,748,014	62,677,597
Current liabilities			
Long-term loan - current portion	16	13,214,874	12,483,303
Trade and other payables	21	21,198,973	7,208,451
Lease liabilities - current portion	20	7,447	-
Taxation	17	9,214,332	9,078,210
Total current liabilities		43,635,626	28,769,964
Total equity and liabilities		130,834,500	129,339,125
Net assets per share (RO)	29	0.240	0.237

The financial statements were authorised for issue in accordance with a resolution of the board of directors on 20 February 2020:

Chairman Board of Directors

Director

The attached notes 1 to 36 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RO	2018 RO
Income			
Revenue	23	55,723,563	61,532,087
Operating costs	24	(37,468,306)	(43,768,836)
Gross profit		18,255,257	17,763,251
Other income	25	649,073	79,036
		18,904,330	17,842,287
Expenses			
General and administrative expenses	26	(2,316,419)	(2,119,581)
Finance costs	27	(3,716,865)	(4,094,662)
Impairment charge on property, plant and equipment	28	(12,115,085)	(31,592,836)
		(18,148,369)	(37,807,079)
Profit/ (loss) before tax for the year		755,961	(19,964,792)
Income tax (expense)/ income	17	(196,665)	3,000,616
Net profit/ (loss) after tax and total comprehensive income/ (loss) for the year		559,296	(16,964,176)
Basic and diluted earnings/ (loss) per share (RO)	29	0.003	(0.106)

The attached notes 1 to 36 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2019

	Share capital	Legal reserve	Special reserve	Retained earnings	Total
	RO	*RO*	*RO*	*RO*	*RO*
At 31 December 2017	16,000,000	5,333,333	85,555	33,436,852	54,855,740
Net loss after tax and total comprehensive loss for the year	-	-	-	(16,964,176)	(16,964,176)
At 31 December 2018	**16,000,000**	**5,333,333**	**85,555**	**16,472,676**	**37,891,564**
Net profit after tax and total comprehensive income for the year	**-**	**-**	**-**	**559,296**	**559,296**
At 31 December 2019	**16,000,000**	**5,333,333**	**85,555**	**17,031,972**	**38,450,860**

The attached notes 1 to 36 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 RO	2018 RO
OPERATING ACTIVITIES			
Net profit/ (loss) before tax for the year		755,961	(19,964,792)
Adjustments for:			
Depreciation	6	6,576,905	5,738,882
Amortisation of intangible assets	7	84,877	28,565
Amortisation of right-of-use assets	8	29,576	-
Amortisation of deferred financing costs	16	485,911	469,507
Provision for site restoration		-	2,468,867
Accretion charge/ interest on provision for site restoration	18	150,042	-
Interest on lease liability-right-of-use assets	20	45,300	-
Amortisation of deferred revenue		-	(545,609)
Provision for employees' benefit liabilities	19	12,428	11,164
Allowance for expected credit loss of trade receivables	10	18,105	7,602
Finance costs	27	3,019,979	3,614,352
Profit on sale of property, plant and equipment		-	(6,500)
Write-off of property, plant and equipment		-	165,907
Impairment charge on property, plant, machinery and equipment	28	12,115,085	31,592,836
Adjustment to property, plant and equipment	6	5,672	96,575
Working capital changes:			
Inventories	9	118,714	(314,638)
Trade and other receivables	10	(15,013,541)	(247,500)
Trade and other payables	21	14,053,162	(1,654,530)
Cash generated from operating activities		22,458,176	21,460,688
Payment of income tax	17	(2,204,624)	(1,093,711)
Net cash generated from operating activities		20,253,552	20,366,977
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(1,316,513)	(3,828,848)
Proceeds from sale of property, plant and equipment		-	6,500
Net cash used in investing activities		(1,316,513)	(3,822,348)
FINANCING ACTIVITIES			
Finance costs paid		(3,082,620)	(3,707,490)
Repayment of long-term loan	16	(12,483,302)	(11,329,825)
Payment of lease liabilities	20	(15,091)	-
Net cash used in financing activities		(15,581,013)	(15,037,315)
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,356,026	1,507,315
Cash and cash equivalents, beginning of the year		4,549,526	3,042,211
CASH AND CASH EQUIVALENTS, END OF THE YEAR	11	7,905,552	4,549,526

Disclosure as required by IAS 7, "Statement of Cash Flows" has been shown in Note 36 to the financial statements.

The attached notes 1 to 36 form an integral part of these financial statements.

1 LEGAL STATUS AND ACTIVITIES

ACWA Power Barka SAOG ("the Company") is an Omani public joint stock company. It was incorporated as a closely held joint stock company in the Sultanate of Oman on 19 November 2000 under a trade license issued by the Ministry of Commerce and Industry. The Company's registered address is at P.O. Box 572, Postal Code 320, Barka, Sultanate of Oman.

Based on the terms of the Project Founders Agreement, the Company in an Initial Public Offering (IPO) offered 35% of its existing shares to the public when the Company was transformed from a closely held joint stock Company to a public joint stock company listed on the Muscat Securities Market (MSM). The shares were listed on the MSM on 12 January 2005.

The registered address of International Company for Water and Power Projects (ACWA Power), the ultimate parent Company is at Airport Road, Qurtubah, Building 5, Business Gate Office Complex, Kingdom of Saudi Arabia.

The principal activities of the Company are to develop, finance, design, construct, operate, maintain, insure and own a power generating station and water desalination plant and associated gas interconnection facilities and other relevant infrastructure. The Company commenced its commercial operations from 11 June 2003.

Below are the major plants operated by the Company and their dates of commercial operation:

Main Plant which consists of 427MWH gas fired power generation facility and 20 MIGD Multi-Stage Flash Distillation (MSF) water facility and commenced its commercial operations on 11 June 2003.

Sea Water Reverse Osmosis (SWRO) Plant of 10 MIGD (Expansion – Phase I) which commenced its commercial operations with effect from 29 May 2014.

Sea Water Reverse Osmosis (SWRO) Plant of 12.5 MIGD (Expansion – Phase II) which commenced its commercial operations effective from 26 February 2016.

In addition, the Company also has a 50% shareholding interest in Barka Seawater Facilities Company SAOC (BSFC) which has been accounted as a Joint Operation in the Company's financial statements.

2 SIGNIFICANT AGREEMENTS

A) The Company has entered into the following significant agreements with respect to the Main Plant:

i. Power and Water Purchase Agreement (PWPA) with the Ministry of Housing, Electricity and Water (MHEW) granting the Company the right to generate electricity and desalinate water in Wilayat of Barka for a period of fifteen years commencing from the commercial operations date based on a tariff structure.

   Effective 1 May 2005, the rights and obligations of MHEW under the PWPA have been novated to OPWPC in accordance with the arrangements described in the Master Novation Agreement signed on 26 November 2000. All the financial obligations of OPWPC under the Project Agreements are secured under the guarantee issued by the Ministry of Finance, Government of Oman, which has come into force on execution of the Novation Agreement.

   Effective from 1 May 2005, the Company has been granted a Generation and Desalination license by the Authority for Electricity Regulation, Oman for a period of twenty-five years.

ii. Natural Gas Sales Agreement (NGSA) including subsequent amendment with the Ministry of Oil and Gas (MOG) for the purchase of natural gas for fifteen years.

iii. Usufruct agreement with the Government for grant of usufruct rights over the plant site for 25 years.

2 SIGNIFICANT AGREEMENTS (continued)

A) The Company has entered into the following significant agreements with respect to the Main Plant: (Continued)

iv. Agreement with local and regional banks for long-term loan facilities.

v. Agreement with Arab Banking Corporation B.S.C. for working capital facilities.

vi. Operation and Maintenance Agreement (O&M Agreement) with First National Company for Operation and Maintenance Services LLC (NOMAC Oman) to operate and maintain the plant.

vii. Shareholders' agreement with SMN Barka Power Company in respect of establishment of Barka Shared Facilities Company pursuant to the PWPA.

viii. Amendment Agreement to the PWPA with OPWPC for the extension period till 31 December 2021.

ix. Second Amendment Agreement to the NGSA with the MOG for the purchase of natural gas for the extension period ending 31 December 2021.

x. Amendment Agreement to the O&M Agreement with NOMAC Oman for the extension period till 31 December 2021.

B) The Company has entered into following significant agreements with respect to 10MIGD Reverse Osmosis Water Expansion Project (Expansion – Phase I):

i. Water Purchase Agreement (WPA) with OPWPC granting the Company the right to desalinate water in the Wilayat of Barka, using reverse osmosis technology.

ii. Usufruct agreement with the Government for grant of usufruct rights over the project site for 25 years.

iii. Agreement with local banks for long-term loan facilities.

iv. Engineering, Procurement and Construction contracts with Abiensa (Spain) and its subsidiaries for the supply and construction of Expansion – Phase I and subsequent agreements thereon.

v. Supplemental Operation and Maintenance Agreement with NOMAC Oman for the operation and maintenance of Expansion – Phase I.

vi. Effective 16 September 2013, the Authority for Electricity Regulation, Oman issued the modified existing generation and desalination licence to incorporate the water delivered under the Expansion – Phase I.

vii. Amendment Agreement to the phase 1 WPA with OPWPC for the extension period till 31 December 2021.

viii. Amendment Agreement to the Supplemental Operation and Maintenance Agreement with NOMAC Oman for the extension period till 31 December 2021.

C) The Company has entered into following significant agreements with respect to 12.5MIGD Reverse Osmosis Water Expansion Project (Expansion Project - Phase II):

i. WPA with OPWPC granting the Company the right to desalinate water in Wilayat of Barka, using reverse osmosis technology.

ii. Agreement with local banks for long-term loan facilities.

iii. Engineering, Procurement and Construction contracts with Osmoflo Group for the supply and construction of Expansion Project - Phase II and subsequent agreements thereon.

iv. Supplemental Operation and Maintenance Agreement with NOMAC Oman for the operation and maintenance of Expansion Project - Phase II.

2 SIGNIFICANT AGREEMENTS (continued)

C) The Company has entered into following significant agreements with respect to 12.5MIGD Reverse Osmosis Water Expansion Project (Expansion Project - Phase II): (Continued)

v. Usufruct agreement with the Government for grant of usufruct rights over the project site and temporary areas for 25 years.

vi. Permeate Water Supply Agreement with OPWPC for supply of permeate water.

vii. Effective 31 August 2015, the Authority for Electricity Regulation, Oman issued the modified existing generation and desalination licence to incorporate the water delivered under the Expansion – Phase II.

viii. Amendment Agreement to the Phase II WPA with OPWPC for the extension period till 31 December 2021.

ix. Amendment Agreement to the Supplemental Operation and Maintenance Agreement with NOMAC Oman for the extension period till 31 December 2021.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and functional currencies

The financial statements are prepared under the historical cost convention and going concern assumption, except for fair valuation of derivative instruments.The preparation of financial statements is in conformity with IFRS that requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies.

The financial statements are presented in Omani Rials (RO) which is the functional and reporting currency for the financial statements.

(b) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), the relevant requirements of the Commercial Companies Law of the Sultanate of Oman and the relevant Rules and Guidelines on Disclosure requirements applicable for licensed companies as issued by the Capital Market Authority (CMA).

(c) Adoption of new and revised IFRS

Improvements/amendments to IFRS/IAS contained numerous amendments to IFRS/IAS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Company's future accounting period with earlier adoption.

Standards, amendments and interpretations effective and adopted in the year 2019

The following new standards, amendment to existing standards or interpretations to published standards are mandatory for the first-time for the financial year beginning 1 January 2019 and have been adopted in the preparation of the financial statements:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Adoption of new and revised IFRS (Continued)

Standards, amendments and interpretations effective and adopted in the year 2019 (Continued)

IFRS 16 - Leases

IAS 17 "Leases" has been replaced by IFRS 16 - "Leases" retrospectively from 1 January 2019.

Until the financial year 2018, leases were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, the lessee is required to recognise a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the lease liability and finance costs. The finance costs are 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.

The Company has evaluated the impact of IFRS 16 as at 1 January 2019. The Company has recognised the right-of-use asset of RO 758,229 (including its share in the Joint Operation of RO 48,087) and lease liability of RO 758,229 on 1 January 2019.

Standards, amendments and interpretations issued and effective in the year 2019 but not relevant

The following new amendments to existing standard and interpretation to published standard is mandatory for accounting period beginning on or after 1 January 2019 or subsequent periods, but is not relevant to the Company's operations:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 12	Income Taxes	1 January 2019
IAS 19	Employee Benefits	1 January 2019
IAS 23	Borrowing Costs	1 January 2019
IAS 28	Investments in Associates and Joint Ventures	1 January 2019
IFRS 9	Financial Instruments	1 January 2019
IFRS 3	Business Combinations	1 January 2019
IFRS 11	Joint Arrangements	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

IAS 12 "Income Taxes"

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, Company recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, amendments and interpretations issued and effective in the year 2019 but not relevant (Continued)

IAS 12 "Income Taxes" (Continued)

The Company applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the Company first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

IAS 19 "Employee benefits"

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, Company is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

The Company is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments did not have any impact on the financial statements of the Company, as it did not have any plan amendments, curtailments, or settlements during the period.

IAS 23 "Borrowing Costs"

The amendments clarify that Company treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The Company applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the Company first applies those amendments. Company applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Company's current practice is in line with these amendments, they do not have any impact on the financial statements of the Company.

IAS 28 "Investments in Associates and Joint Ventures"

The amendments clarify that Company applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, Company does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, amendments and interpretations issued and effective in the year 2019 but not relevant (Continued)

IAS 28 "Investments in Associates and Joint Ventures" (Continued)

These amendments did not have any impact on the financial statements as the Company does not have long-term interests in its associates and joint ventures.

IFRS 9 "Financial instruments"

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments did not have any impact on the financial statements of the Company.

IFRS 3 "Business Combinations"

The amendments clarify that, when Company obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

The Company applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments did not have any impact on the financial statements of the Company as there were no business acquisitions during the year.

IFRS 11 "Joint Arrangements"

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

Company applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

IFRIC 23 "Uncertainty over income tax treatments"

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, amendments and interpretations issued and effective in the year 2019 but not relevant (Continued)

IFRIC 23 "Uncertainty over income tax treatments" (Continued)

- whether the Company considers uncertain tax treatments separately;
- the assumptions the Company makes about the examination of tax treatments by taxation authorities;
- how Company determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how the Company considers changes in facts and circumstances.

The Company has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

The interpretation did not have any impact on the financial statements of the Company.

Standards, amendments and interpretations issued but not yet effective in the year 2019

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for the year ended 31 December 2019. They have not been adopted in preparing the financial statements for year ended 31 December 2019 and will or may have an effect on the Company's future financial statements. In all cases, the Company intends to apply these standards from the application date as indicated in the table below:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2022

IFRS 17, "Insurance Contracts" equires entities to identify portfolios of insurance contracts, which comprises contracts that are subject to similar risks and are managed together. Each portfolio of insurance contracts issued shall be divided into a minimum of three groups:

- a group of contracts that are onerous at initial recognition, if any;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- a group of the remaining contracts in the portfolio, if any.

The Company is not permitted to include contracts issued more than one year apart in the same group. Furthermore, if a portfolio would fall into different groups only because law or regulation constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics, the Company may include those contracts in the same group.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted if both IFRS 15 "Revenue from Contracts with Customer and IFRS 9: Financial Instruments" have also been applied.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, amendments and interpretations issued but not yet effective in the year 2019 (Continued)

The Company shall apply the standard retrospectively unless impracticable, in which case the Company has the option of using either the modified retrospective approach or the fair value approach.

At the date of initial application of the standard, those entities already applying IFRS 9 may retrospectively re-designate and reclassify financial assets held in respect of activities connected with contracts within the scope of the standard.

There would have been no change in the operational results of the Company for the year ended 31 December 2019 had the Company early adopted any of the above standards applicable to the Company.

Early adoption of amendments or standards in the year 2019

The Company did not early-adopt any new or amended standards in the year ended 31 December 2019.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies adopted in the preparation of these financial statements is set out below. These policies have been adopted for all the years presented, unless stated otherwise.

Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Financial instruments recognition, measurement and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

The Company's financial assets at amortised cost includes trade receivables and cash and bank balances.

Derecognition

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

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

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

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

Impairment of financial assets

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

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

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, lease liabilities and bank borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

Derecognition

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

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

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

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

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

Cash flow hedges

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (Continued)

Cash flow hedges (Continued)

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

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

Taxation

Taxation is provided in accordance with Omani fiscal regulations.

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

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax-laws that have been enacted at the reporting date.

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

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

Property, plant and equipment

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

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

Plant and machinery	30 – 40 Years
Tools	5 Years
Furniture, fixtures and office equipment	5 Years
Motor vehicles	5 Years
Capital spares	8 – 16 Years

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (Continued)

Spare parts that are major components of plant and machinery are recorded as capital spares upon purchase and depreciated over a period of 8 -16 years after they have been installed in the plant.

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

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written-off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the statement or profit or loss as the expense is incurred.

When each major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

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

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

Capital work-in-progress

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

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

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

Amounts receivable under operating leases, as lessor, are recognised as lease income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. In accordance with IFRS, revenue stemming from (substantial) services in connection with the leased asset is not considered as lease revenue and is accounted for separately.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (Continued)

IFRIC 4 deals with the identification of services and take-or-pay sales or purchasing contracts that do not take the legal form of a lease but convey the rights to customers/suppliers to use an asset or a group of assets in return for a payment or a series of fixed payments. Contracts meeting these criteria should be identified as either operating leases or finance leases. On adoption of IFRIC 4 "Determining whether an arrangement contains a lease" the management concluded that its PWPA for existing plant and WPAs for Expansion – Phase I and II contain lease arrangements. These lease arrangements have been determined to be operating leases under IAS 17 and continue to be treated as operating leases under IFRS 16: Leases.

Interest in joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When the Company undertakes its activities under joint operations, the Company as a joint operator recognises its assets, liabilities, revenue and expenses and its share of the assets, liabilities, revenue and expenses in accordance with the IFRS applicable to those particular assets, liabilities, revenue and expenses.

When the Company transacts with the joint operation, profits and losses resulting from the transactions with the joint operation are recognised in the Company's financial statements only to the extent of interests in the jointly operation that are not related to the Company.

Segment reporting

A segment is a distinguishable component of the Company engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments.

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 or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. 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.

Impairment of non financial assets

At each reporting date, the Company reviews the carrying amounts of its assets (or cash-generating units) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non financial assets (Continued)

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and the carrying amount of the asset and is recognised immediately in the statement of profit or loss. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised earlier.

Inventories

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

Directors' remuneration

The Company follows the Commercial Companies Law 2019, and other latest relevant directives issued by the Capital Market Authority, with regards to determining the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the statement of profit or loss and other comprehensive income in the year to which it relates.

Provisions

General

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Site restoration costs

The Company records a provision for site restoration costs as there is a present obligation as a result of activities undertaken pursuant to the usufruct and PWPA/ WPAs. These costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as finance costs. The estimated future costs are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Employees' benefits liabilities

In respect of Omani employees, contributions are made in accordance with the Oman Social Insurance Law and recognised as an expense in the statement of profit or loss and other comprehensive income as incurred.

For non-Omani employees, provision is made for amounts payable under the Oman Labour Law, based on the employees' accumulated periods of service at the statement of financial position date. This provision is classified as a non-current liability.

Employee entitlements to annual leave and air passage are recognised when they accrue to the employees and an accrual is made for the estimated liability for annual leave and air passage as a result of services up to the reporting date. The accruals relating to annual leave and air passage is disclosed as a part of current liabilities.

Dividend on ordinary shares

The Board of Directors recommend to the shareholders the dividend to be paid out of the Company's profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law 2019, while recommending the dividend. Dividends on ordinary shares are recognised as a liability and deducted from shareholders' equity when they are approved by the Company's shareholders.

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gains or losses arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gains or losses on the change in fair value of the item (i.e. translation differences on items whose fair value gains or losses is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purposes of the statement of cash flows, the Company considers all bank and cash balances that are free of lien and with a maturity of less than three months from the date of placement, and bank overdrafts, to be cash and cash equivalents.

5 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

Preparation of financial statements in accordance with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions in the financial statements relate to:

Useful lives and residual values of property, plant and equipment

Depreciation is charged so as to write-off the cost of assets, less their residual value, 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 calculation of the residual value is based on the management best estimates.

Impairment of trade receivables

An estimate of the collectible amount of trade receivable is made using expected credit loss model which involves days past due information and forward looking information. This assessment is performed on an individual basis.

Net realisable values of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY (continued)

Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Company. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

The Company also assumes that it will be able to realise deferred tax assets and liabilities as the Company continue to generate taxable profits from operations. Further, the Company assumes certain position in relation to the business in computing deferred tax. Changes in interpretation or business prospect may lead to adjustment in the financial statements in later years.

Deferred revenue adjustment for straight-line basis recognition

On adoption of IFRIC 4 "Determining whether an arrangement contains a lease", the management concluded that its PWPA for existing plant and WPAs for Expansion – Phase I and II contain lease arrangements. These lease arrangements have been determined to be operating leases under IAS 17. Accordingly, the investment charge applicable have been recognised as lease income. Management also concludes that under IFRS 16: Leases, the lease arrangement qualifies for operating leases.

The Company makes model-based estimates in computing the deferred revenue to be recognised in each accounting period. The key estimates including assessment of the following are listed below and may have a material impact on the amount of revenue and related profits recognised:

- Scheduled unavailability
- RO-USD exchange rate
- De-rating
- Forced outages
- US and the Omani inflation rate

Joint operation

The management has assessed the shareholders agreement dated 6 February 2008 between the Company and SMN Barka Power Company SAOC committed to establish a shared facility company owned 50:50 between the shareholders and concluded that it falls within the scope of IFRS 11, 'Joint Arrangements' and the arrangement is a joint operation. The primary basis for this conclusion is that both shareholders have collective/joint control over the arrangement, its activities primarily aim to provide the parties with an output and it depends on the shareholders on a continuous basis for settling the liabilities relating to the activity conducted through the arrangement. The joint arrangement is structured as a closed public joint stock company and provides the Company and the parties to the agreements with rights to their respective share of the assets, liabilities, income and expenses of joint operation.

Provision for site restoration

Upon expiry of their respective Usufruct and PWPA/ WPAs, the Company will have an obligation to remove the facilities and restore the affected area. The estimated cost, discount rate and risk rate used in the calculation are based on management's best estimates.

5 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY (continued)

Impairment of plant

The Company determines whether plants are impaired if there are indicators for impairment. This requires an estimation of the value-in-use of the cash-generating unit/ asset. Estimating the value-in- use requires the Company to make estimate of the expected future cash flows from the cash-generating unit/ asset and also to choose a suitable discount rate in order to calculate the net present value of those cash flows. These calculations use contractual cash flows and projections based on management's best estimates considering the future market outlook and information available to the management.

Determining whether an arrangement contains a lease

On adoption of IFRIC 4 "Determining whether an arrangement contains a lease" the management concluded that its PWPA for existing plant and WPAs for Expansion – Phase I and II contain lease arrangements. These lease arrangements have been determined to be operating leases under IAS 17. Accordingly, the investment charge applicable have been recognised as lease income. Management also concludes that under IFRS 16: Leases, the lease arrangement qualifies as operating leases.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Impairment reviews

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgment, requiring inter alia an assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

a) growth in earnings before interest, tax, depreciation and amortisation (EBITDA), calculated as adjusted operating profit before depreciation and amortisation;

b) timing and quantum of future capital expenditure;

c) long-term growth rates; and

d) selection of discount rates to reflect the risks involved.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Company's impairment evaluation and hence results.

6 PROPERTY, PLANT AND EQUIPMENT

a. The movement in property, plant and equipment is as set out below:

	Plant and machinery	Tools	Furniture, fixture and office equipment	Motor vehicles	Capital spares	Capital work-in-progress	Total
	RO	RO	RO	RO	RO	RO	RO
Cost							
At 1 January 2019	211,405,525	110,063	700,939	138,483	2,724,037	848,523	215,927,570
Additions	-	-	3,520	-	-	1,312,993	1,316,513
Transferred from capital work-in progress (i)	765,517	-	-	-	-	(765,517)	-
Transfer from capital work-in progress to intangible assets (g)	-	-	-	-	-	(248,666)	(248,666)
Cost adjustment (h)	-	-	(5,672)	-	-	-	(5,672)
At 31 December 2019	212,171,042	110,063	698,787	138,483	2,724,037	1,147,333	216,989,745
Depreciation and impairment							
At 1 January 2019	100,237,842	110,063	623,707	106,253	1,585,849	-	102,663,714
Impairment charge for the year (Note 28)	12,115,085	-	-	-	-	-	12,115,085
Depreciation charge for the year	6,244,880	-	20,365	9,060	302,600	-	6,576,905
At 31 December 2019	118,597,807	110,063	644,072	115,313	1,888,449	-	121,355,704
Net book amount							
At 31 December 2019	93,573,235	-	54,715	23,170	835,588	1,147,333	95,634,041

Property, plant and equipment and Intangible assets as at 31 December 2019 include Power Generating Plant ("Power Plant") amounting to RO 58,638,218, MSFE Water Plant ("MSFE Plant") with a value of RO 6,019,635 and Sea Water Osmosis Plant of 10 MIGD ("SWRO Plant-1") and Sea Water Osmosis Plant of 12.5 MIGD ("SWRO Plant-2") (SWRO Plant-1 and SWRO Plant-2 together referred as "SWRO Plants") with carrying value before impairment amounting to RO 16,960,244 and RO 26,218,534, respectively. Impairment recognised in the year in respect of SWRO Plant-1 amounts to RO 3,931,132 while that for SWRO Plant-2 stand at RO 8,183,953.

6 PROPERTY, PLANT AND EQUIPMENT (continued)

b. The movement in property, plant and equipment is as set out below:

	Plant and machinery	Tools	Furniture, fixture and office equipment	Motor vehicles	Capital spares	Capital work-in-progress	Total
	RO	RO	RO	RO	RO	RO	RO
Cost							
At 1 January 2018	208,720,376	110,063	652,641	139,483	2,724,037	219,695	212,566,295
Provision for site restoration (f)	2,468,867	-	-	-	-	-	2,468,867
Additions	-	-	1,150	24,000	-	1,334,831	1,359,981
Transferred from capital work-in-progress (i)	582,427	-	47,148	-	-	(629,575)	-
Transferred from capital work-in-progress to intangible assets (g)	-	-	-	-	-	(76,428)	(76,428)
Cost adjustment (h)	(96,575)	-	-	-	-	-	(96,575)
Disposals	-	-	-	(25,000)	-	-	(25,000)
Write offs (i)	(269,570)	-	-	-	-	-	(269,570)
At 31 December 2018	211,405,525	110,063	700,939	138,483	2,724,037	848,523	215,927,570
Depreciation and impairment							
At 1 January 2018	63,141,457	110,063	604,515	121,041	1,483,583	-	65,460,659
Impairment charge for the year (Note 28)	31,592,836	-	-	-	-	-	31,592,836
Depreciation charge for the year	5,607,212	-	19,192	10,212	102,266	-	5,738,882
Disposal	-	-	-	(25,000)	-	-	(25,000)
Write off (i)	(103,663)	-	-	-	-	-	(103,663)
At 31 December 2018	100,237,842	110,063	623,707	106,253	1,585,849	-	102,663,714
Net book amount							
At 31 December 2018	111,167,683	-	77,232	32,230	1,138,188	848,523	113,263,856

c. In accordance with the terms of its PWPA, the Company had transferred its sea water intake / outfall facilities to a Shared Facilities Company under a joint operation agreement (Note 2 A vii). The transferred assets continue to be used by the Company for its operations since the Company retains significant risks and rewards relating to these assets.

d. The depreciation charge has been allocated in the statement of profit or loss as follows:

	2019	2018
	RO	RO
Operating costs (Note 24)	6,547,481	5,709,478
Administrative expenses (Note 26)	29,424	29,404
	6,576,905	5,738,882

6 PROPERTY, PLANT AND EQUIPMENT (continued)

(e) The plants are situated on land leased from the Ministry of Housing for a initial term of 25 years from their effective date and are renewable for a second term of 25 years.

(f) Provision for site restoration comprises of initial recognition of site restoration asset of the Company amounting to RO. 2,277,304 and Company's share of site restoration asset of BSFC amounting to RO 191,563 (Note 18). Depreciation related to site restoration asset of BSFC amounts to RO 7,819 (2018: RO Nil).

(g) During the year, the Company transferred RO 248,666 (2018 - RO 76,428) from capital work in progress to intangible assets (Note 7).

(h) Cost adjustment of RO 5,672 (2018: RO 96,575) represents reversal of excess accruals related to projects that were capitalised in earlier years. Resultantly the depreciation related to such cost adjustment have also been reversed.

(i) Existing Stator of the Gas Turbine Generator 1 (GTG1) of the power plant was replaced in the year 2019 due to a technical failure that occurred during the year 2018. Accordingly, the replaced stator has been derecognised from the statement of financial position and the net book amount of the asset (RO 165,907) has been charged to profit and loss under general and administrative expenses (Note 26) in 2018. Replacement cost of the new stator amounting to RO 320,741 has been capitalised during the year 2019.

(j) Depreciation charge for the plant and machinery includes depreciation of RO 5,442 (2018: RO 3,834) related to the additional assets of BSFC which is accounted as Joint Operator's share of BSFC and within the category of operating costs.

7 INTANGIBLE ASSETS

	Computer softwares
	RO
Cost	
At 1 January 2019	184,310
Transferred from capital work-in-progress (Note 6-g)	248,666
At 31 December 2019	432,976
Accumulated amortisation	
At 1 January 2019	39,936
Charge for the year	84,877
At 31 December 2019	124,813
Net book amount	
At 31 December 2019	308,163

During the year, the Company transferred RO 248,666 (2018 - RO 76,428) from capital work-in-progress to intangible assets.

7 INTANGIBLE ASSETS (continued)

	Computer softwares
	RO
Cost	
At 1 January 2018	107,882
Transferred from capital work-in-progress (Note 6-g)	76,428
At 31 December 2018	184,310
Accumulated amortisation	
At 1 January 2018	11,371
Charge for the year	28,565
At 31 December 2018	39,936
Net book amount	
At 31 December 2018	144,374

8 RIGHT-OF-USE ASSETS

	Leaseholdland
	RO
Cost	
At 1 January 2019	-
Additions	758,229
At 31 December 2019	758,229
Amortisation	
At 1 January 2019	-
Amortisation charge for the year	29,576
At 31 December 2019	29,576
Net carrying amount	
At 31 December 2019	728,653

(a) The amortisation has been charged to operating costs (Note 24).

(b) Right-of-use assets originate from the long-term land lease contracts entered into by the Company with the Ministry of Housing in relation to land acquired for the plants. Under IFRS 16: Leases, these rights are reflected as assets in the financial statements and amortised over the lease term.

(c) During the year, the Company has assessed the lease impact under IFRS 16 using contract rate/ market rate, as applicable, over the remaining useful lives of the plants. Where market rate has been used, it is assumed a 3% annual escalation in the rate starting from 1 January 2020. Expected rates may differ from the actual rates that could be realised and therefore the right-of-use asset and lease liability arising out of such revision will be accounted in the respective years.

(d) The Company's right of use assets include its 50% share of the assets of BSFC of which cost and accumulated depreciation as at the statement of financial position date amounts to RO 48,087 (31 December 2018: RO Nil) and RO 1,923 (31 December 2018: RO Nil) respectively.

9 INVENTORIES

	2019	2018
	RO	RO
Consumable spare parts	4,068,467	4,215,158
Fuel oil	758,575	733,321
Chemicals	83,995	81,272
	4,911,037	5,029,751

Based on the annual assessment carried out by the management, no provision for obsolescence was considered necessary (31 December 2018: RO Nil).

10 TRADE AND OTHER RECEIVABLES

	2019	2018
	RO	RO
Trade receivables (gross)	19,673,576	5,197,285
Less: provision for expected credit losses	(25,467)	(7,602)
Trade receivables (net)	19,648,109	5,189,683
Material adverse change claim receivable from OPWP	1,399,079	930,831
Prepayments	83,733	205,411
Other receivables	192,207	12,995
Staff advances	8,753	7,272
Advances and deposits to suppliers	4,126	5,426
Due from related parties (Note 22)	11,047	-
	21,347,054	6,351,618

(a) The carrying values of trade and other receivables are classified at amortised cost approximate their fair values.

(b) The carrying amounts of the Company's trade receivables are primarily denominated in RO.

(c) Trade receivables amounting to RO 19,673,576 (2018 – RO 5,197,285) are from OPWP, the only customer of the Company.

(d) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The trade receivables of the Main Plant are secured by a guarantee from the Ministry of Finance.

(e) The Company applies the IFRS 9 simplified approach to measure ECL using a lifetime ECL provision for trade receivables. To measure ECL on a collective basis, trade receivables are grouped based on similar credit risk and aging. The ECL rates are based on the Company's historical credit losses experienced over the two years period prior to the year end. The historical losses are then adjusted for the current and forward-looking information on macro-economic factors affecting the Company's customers. The Company has identified the country risk and unemployment rate as the key macro-economic factors.

10 TRADE AND OTHER RECEIVABLES (continued)

(f) The movement in provision for ECL of trade receivables is as follows:

	2019	2018
	RO	RO
Opening balance	7,602	-
Charge for the year (Note 26)	18,105	7,602
Written-off during the year	(240)	-
Closing balance	25,467	7,602

(g) The aging analysis of trade receivables is as follows:

		Not past due	Past due	
	Total	0 - 90 days	90 - 180 days	> 180 days
	RO	RO	RO	RO
31 December 2019	19,648,109	13,409,778	6,233,950	4,381
31 December 2018	5,189,683	5,188,771	-	912

11 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2019	2018
	RO	RO
Cash on hand	713	649
Current account balances with banks	1,892,339	536,968
Call deposit account	6,012,500	4,011,909
	7,905,552	4,549,526

The current account balances with banks are non-interest bearing.

The call deposit which has been placed with a commercial bank in the Sultanate of Oman is unsecured and earns interest of 0.81% per annum (2018: 0.02% per annum).

12 SHARE CAPITAL

	2019	2018
	RO	RO
Authorised share capital		
Ordinary shares of RO 0.100 (2018: RO 0.100) each	100,000,000	100,000,000
Issued and fully paid-up share capital		
Ordinary shares of RO 0.100 (2018: RO 0.100) each	16,000,000	16,000,000

A break-down of the share capital as at 31 December 2019 and 2018 is as follows:

Name of the members	Percentage shareholding	Amount RO	Percentage shareholding	Amount RO
	2019	2019	2018	2018
ACWA Power Barka Project LLC	58.0	9,280,000	58.0	9,280,000
Civil Services Pension Fund	14.1	2,256,000	14.1	2,256,000
Others	27.9	4,464,000	27.9	4,464,000
	100.0	16,000,000	100.0	16,000,000

13 LEGAL RESERVE

In accordance with Article 132 of the Commercial Companies law of the Sultanate of Oman, 10% of the Company's net profit for the year is to be transferred to a non-distributable legal reserve until such time as the amount of the legal reserve becomes equal to one-third of the Company's issued and fully paid-up share capital. During the year ended 31 December 2019, no transfer has been made, as the legal reserve has already reached the statutory minimum limit of one-third of the share capital (2018: RO Nil).

14 SPECIAL RESERVE

In accordance with the Articles of Association of the Company, the excess of share issue amount collected over actual issue expenses have been transferred to a non-distributable special reserve.

15 DIVIDENDS

During the year, no dividend was declared (2018: RO Nil).

16 LONG-TERM LOAN

	2019	2018
	RO	RO
Loan from banks	49,245,689	61,728,992
Less: unamortised transaction costs	(647,179)	(1,133,090)
	48,598,510	60,595,902
Current portion	13,214,874	12,483,303
Non-current portion	35,383,636	48,112,599
	48,598,510	60,595,902

The movement in long-term loan recognised at the reporting date is as follows:

	2019	2018
Balance as at 1 January	61,728,992	73,058,817
Repaid during the year	(12,483,303)	(11,329,825)
Balance as at 31 December	49,245,689	61,728,992

According to the Fourth Amended and Restated Loan Agreement, the term loan facility has the following four tranches:

Tranche	Currency	Principal amount	Interest rates	Final repayment Date
1	RO	62,539,208	5.50% fixed until October 31, 2020 and to be reviewed thereafter	31 October 2022
2	US$	28,000,000	LIBOR + 3.25%	31 October 2020
3	RO	16,600,000	5.50% fixed until October 31, 2020 and to be reviewed thereafter	31 October 2024
4	RO	24,921,292	6.25% fixed until October 31, 2024	31 October 2024

The repayment schedule before deduction of loan transaction costs is as follows:

	2019	2018
	RO	RO
Payable within one year	13,214,874	12,483,303
Payable between 1 and 2 years	11,899,076	13,214,873
Payable between 2 and 5 years	24,131,739	28,581,036
Payable after 5 years	-	7,449,780
	49,245,689	61,728,992

The loan is secured by a charge on all project and Expansion – Phase I and II assets, Government guarantee under PWPA, assignment of insurance / reinsurances, agreement for security over promoters' shares and charge over Company's project accounts.

The movement in unamortised transaction costs is as follows:

	2019	2018
	RO	RO
At 1 January	1,133,090	1,602,597
Amortised during the year	(485,911)	(469,507)
At 31 December	647,179	1,133,090

17 TAXATION

Current tax

Provision for income tax has been made after giving due consideration to adjustments for potential allowances and disallowances.

	2019	2018
	RO	RO
Statement of profit or loss		
Tax charge (net)	2,340,746	1,775,962
Deferred tax reversal	(326,817)	(37,653)
Deferred tax reversal on impairment charge of plant and equipment	(1,817,264)	(4,738,925)
	196,665	(3,000,616)
Statement of financial position		
Non-current liabilities:		
Deferred tax		
At 31 December	9,889,089	12,033,170
Current liabilities:		
Current year	2,340,746	1,775,962
Prior years	6,873,586	7,302,248
At 31 December	9,214,332	9,078,210
Deferred tax liabilities:		
At 1 January	12,033,170	16,809,748
Movement for the year	(2,144,081)	(4,776,578)
At 31 December	9,889,089	12,033,170
Provision for income tax		
At 1 January	9,078,210	8,395,959
Charge for the year	2,340,746	1,775,962
Payments during the year	(2,204,624)	(1,093,711)
At 31 December	9,214,332	9,078,210

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

	2019	2018
	RO	RO
Net profit/ (loss) for the year before tax	755,961	(19,964,792)
Tax at statutory tax rate of 15% (2018: @15%)	113,394	(2,994,719)
Tax effect of items non-deductible for tax purposes	83,271	(5,897)
Income tax for the year	196,665	(3,000,616)

17 TAXATION (continued)

Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15 % (2018 – 15%). The net deferred tax liability and deferred tax (reversal)/ charge in the statement of profit or loss are attributable to the following items:

	At 1 January 2019	Charge to statement of profit or loss	At 31 December 2019
	RO	RO	RO
Assets			
Provision for site restoration expenses	-	(392,836)	(392,836)
Provision for trade receivables	(1,140)	(2,680)	(3,820)
Income tax losses available for carry forward (a)	(10,697)	1,849	(8,848)
Lease liability - right-of-use assets	-	(118,266)	(118,266)
Liabilities			
Property, plant and equipment	12,045,007	(2,096,955)	9,948,052
Right of-use-assets	-	109,299	109,299
Decommissioning/ site restoration asset	-	355,508	355,508
	12,033,170	(2,144,081)	9,889,089

(a) Income tax losses to be carried forward to the extent of future taxable profits available to BSFC resulted in a recognition of deferred tax asset at BSFC of which 50% share is recognised in the company's financial statements.

	At 1 January 2018	Charge to statement of profit or loss	At 31 December 2018
	RO	RO	RO
Assets			
Deferred revenue	(65,489)	65,489	-
Provisions for trade receivables	-	(1,140)	(1,140)
Income tax losses available to carry forward (a)	-	(10,697)	(10,697)
Liabilities			
Property, plant and equipment	16,875,237	(4,830,230)	12,045,007
	16,809,748	(4,776,578)	12,033,170

Status of tax assessments

Prior to tax year 2009

Assessments of the Company is completed upto the year 2009 and there are no pending matters for these years with the Tax Authority or commercial courts.

Tax Years 2010 to 2012

The Company has filed an Appeal with the Income tax Committee to claim indefinite carry forward of tax losses incurred during the exemption period i.e. tax years 2003 to 2008 and the levy of additional tax for the Tax Years 2011 and 2012. The decision is awaited. This matter is further explained in detailed below:

17 TAXATION (continued)

Status of tax assessments (continued)

Tax Years 2010 to 2012 (continued)

(a) Tax losses incurred during the exempt period

In accordance with Royal Decree No. 54/2000 ("RD 54/2000"), the Company was exempted from income tax for a period of five years with effect from commencement of commercial operations. The tax exemption was granted for a period of five years commencing from 11 June 2003 and expiring on 10 June 2008 (the Tax Holiday Period). At the time of issuance of RD 54/2000, the Company was eligible to carry forward its tax losses indefinitely under Article 14 of the applicable Income Tax Law.

Amongst others, the Tax Authority ("TA"), in the completed assessments for the tax years 2006 to 2009 had not allowed to carry forward and set-off of tax losses incurred during the exemption period. The issue of tax losses was litigated before the commercial courts. In the year 2018, the Supreme Court issued its judgment for Appeal filed by the TA against the Appeal Court judgment and ruled against the Company in respect of carry forward of tax losses. The Company believed that the position taken by TA that led to an incentive given under the RD 54/2000 became a disincentive. The impact of this ruling was an increase in income tax liability of the Company by RO 4,704,964 and had been incorporated in the financial statements for the year ended 31 December 2017 since it was considered as an adjusting event under IAS 10: "Events After the Reporting Period".

Consequent to the judgment of the Supreme Court for the tax years 2006 to 2009, the TA, in the year 2019, had issued the assessment orders under Article 148 of the Income Tax Law for the tax years 2010 to 2012 to give consequential effect of the judgment. The Company has paid tax liability of RO 2,204,624 for the tax years 2011 and 2012 based on the assessment orders.

In the year 2019, the Supreme Court issued its judgment in the case of Al Kamil Power Company SAOG (exempt from income tax under the same RD 54/2000) and allowed indefinite carry-forward of tax losses incurred during the exemption period. The Company believes that the Supreme Court judgment issued in case of Al Kamil Power Company SAOG reflects the correct and final interpretation of the law and should be applied in its case as well.

(b) Additional tax

The Company has, under protest and without prejudice, paid an additional tax of RO 526,850 for the Tax Years 2011 and 2012 against a demand notice issued by the TA. In the Company's view, the demand raised by the TA is not payable because it had not given a consequential effect arising from a favourable ruling of the Appeal Court (for certain other tax years). The TA had issued demand notice earlier, which was considered as cancelled basis the favourable ruling of the Appeal Court. The Company's position is that tax liability for the subject years were payable only once the order giving effects to the Supreme Court judgment (for certain other tax years) was issued, which reversed the ruling of the Appeal Court and not from the date of original orders. The Company believes that it has complied with the tax laws on a timely basis.

Tax Year 2013

At the end of the 2019, the Company has received an assessment order for the Tax Year 2013 assessing an additional tax payment of RO 372,716. It has informed in writing to TA, subsequent to statement of financial position date, that it is in the process of filing an objection together with a letter for keeping the tax demand raised in the order in abeyance.

No tax related matters are outstanding in Commercial Courts as of the financial statements approval date.

18 PROVISION FOR SITE RESTORATION

	2019	2018
	RO	RO
Balance as at 1 January	2,468,867	-
Recognised during the year	-	2,468,867
Accretion charge/ interest for the year	150,042	-
Balance as at 31 December	2,618,909	2,468,867

The annual reassessment carried out during the year 2018 revealed that there is a need to recognise provision for site restoration stemming from the Usufruct Agreements that the Company and its joint operation BSFC have with the Ministry of Housing. This is due to the changes taken place in the industry and resulting modifications to the assumptions that based the assessment. Accordingly, the Company and BSFC recognised site restoration provision as at 31 December 2018 which is the reassessment date.

Due to the long-term nature of the liability, there is significant uncertainty surrounding cost estimates that will be incurred. It has been assumed that the decommissioning and restoration activity will be undertaken in an organised and controlled manner using technology and material that are currently available. The provision has been calculated using a discount rate in the range of 6% - 7%.

To assess the site restoration provision required as at 31 December 2018, the Company and BSFC engaged an international expert who has extensive experience in similar exercises. Based on the values provided, the discounted present value was recognised as additions to plant and machinery. The initial provision recognised includes a component relating to the BSFC amounting to RO 191,563 whereas the balance relates to the Company. The Component of additional charge recognised for the year in relation to BSFC is RO 13,410 (2018: RO Nil).

19 EMPLOYEES' BENEFIT LIABILITIES

	2019	2018
	RO	RO
As at 1 January	62,961	51,797
Provision for the year (Note 26)	12,428	11,164
At 31 December	75,389	62,961
Number of employees	2	2

20 LEASE LIABILITIES

	2019	2018
	RO	RO
At 1 January 2019	758,229	-
Additions	-	-
Interest expense	45,300	-
Lease payments	(15,091)	-
At 31 December 2019	788,438	-

20 LEASE LIABILITIES (continued)

Operating lease payments under Usufruct Agreements are as follows:

	2019	2018
	RO	RO
Within 1 year	7,447	-
Within 2 - 5 years	48,329	-
More than 5 years	1,759,614	-
	1,815,390	-
Less: implicit finance cost	(1,026,952)	-
Present value of lease payments	788,438	-
Lease liabilities as at the reporting date is classified as follows:		
Current portion	7,447	-
Non-current portion	780,991	-
	788,438	-

(a) The Company's initially recognised lease liability include its 50% share of the lease liability of BSFC which amounts to RO 48,087. The Component of interest expense recognised for the year in relation to BSFC is RO 3,331. The Joint operator's share of the lease payment for the year amounts to RO 500.

21 TRADE AND OTHER PAYABLES

	2019	2018
	RO	RO
Trade payables	15,937,913	1,685,103
Amounts due to related parties (Note 22)	3,882,833	3,338,267
Accrued and other expenses	1,378,227	2,185,081
	21,198,973	7,208,451

Trade payables are generally settled within 30 to 60 days of the suppliers' invoice date.

The contractual maturity date for trade payables is due within 12 months from the statement of financial position date.

22 RELATED PARTY TRANSACTIONS AND BALANCES

The Company, in the ordinary course of business, deals with parties, which fall within the definition of 'related parties' as contained in International Accounting Standard Number 24. The management believes that such transactions are not materially different from those that could be obtained from unrelated parties.

During the year, the Company entered into the following transactions with related parties:

	2019		2018	
	Services rendered	Services received	Services rendered	Services received
	RO	RO	RO	RO
Related parties	100,596	13,810,532	142,870	12,622,558

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

	Nature of relationship	31 December 2019	31 December 2018
Due to related parties:			
ACWA Power Barka Services 1 (Mauritius) Limited	Group entity	137,368	111,936
ACWA Power Barka Services 2 (Mauritius) Limited	Group entity	137,368	111,936
ACWA Power Global Services LLC	Group entity	-	2,065
Barka Seawater Facilities Company SAOC	Joint Operation	33,931	9,805
International Company for Water and Power Projects - (Dubai)	Group entity	-	4,979
First National Company for Operation and Maintenance Services LLC	Group entity	3,574,166	3,097,546
		3,882,833	3,338,267
Due from related parties:			
ACWA Power Barka Electric LLC	Group entity	10,439	-
ACWA Power Global Services LLC	Group entity	608	-
		11,047	-

Outstanding balances at the year-end arise in the normal course of business. Outstanding balances at the reporting date are unsecured and settlement occurs in cash.

22 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2019	2018
	RO	RO
Short-term benefits	273,518	264,144
Employees' benefit liabilities	20,709	25,068
	294,227	289,212
Directors' sitting fees	16,800	13,200
Directors' remuneration	52,786	-

Directors' remuneration comprises of remuneration of RO 27,072 for the year 2018 paid and recorded subsequent to the approval from shareholders in the AGM held in March 2019 and accrued remuneration of RO 25,714 for the year 2019 to the extent permitted by the Commercial Companies Law of the Sultanate of Oman and CMA Administrative Decision.

23 REVENUE

	2019	2018
	RO	RO
Revenue from contracts with customers		
Capacity charges – electricity	7,240,397	5,564,346
Capacity charges – water	7,231,817	6,037,393
Energy charge – electricity	20,534,230	24,088,104
Output charge – water	1,465,604	4,441,996
Material adverse change event revenue (a)	536,580	407,724
	37,008,628	40,539,563
Revenue from lease contracts		
Capacity charges – electricity	12,312,018	10,961,235
Capacity charges – water	6,402,917	9,485,680
Deferred revenue adjustment for straight-line basis recognition:		
Capacity charges – electricity	-	278,692
Capacity charges – water	-	266,917
	18,714,935	20,992,524
Total	55,723,563	61,532,087

(a) On 20 February 2017, through Royal Decree 9/2017, income tax rate applicable on the Company has been increased from 12% to 15%. This increase falls under the provisions of material adverse change under the off-take agreements of the Company. The Company is entitled to recover this incremental tax from the off-taker and accordingly this has been claimed and recorded as a receivable.

23 REVENUE (continued)

(b) Technical failures occurred in Gas Turbine Generator 1 (GTG1) and Gas Turbine Generator 2 (GTG2) of the Main Plant which resulted in loss of capacity revenue for the year 2019 is amounted to RO 543,438 (2018: RO 2,171,167).

(c) The future minimum lease receipts under non-cancellable operating lease in the aggregate and for each of the following periods is as follows:

	2019	2018
	RO	RO
Operating lease arrangement - lessor		
Future minimum lease payments:		
Within one year	19,100,346	18,408,913
After one year but not more than five years	19,217,430	38,317,776
	38,317,776	56,726,689

24 OPERATING COSTS

	2019	2018
	RO	RO
Natural gas	19,757,221	26,735,657
Operation and maintenance fee – NOMAC Oman (a)	9,076,621	8,775,655
Depreciation of property, plant and equipment (Note 6-d)	6,547,481	5,709,478
Operating and technical services fee	1,572,413	1,851,059
Repairs and maintenance (b)	89,378	414,512
Electricity back-up maintenance	349,236	219,235
Fuel oil	46,380	57,865
Start-up costs	-	5,375
Amortisation of right of-use-assets (Note 8)	29,576	-
	37,468,306	43,768,836

(a) The Company has contracted the services of NOMAC Oman to operate and maintain its plants. Under these agreements, the Company pays monthly fixed and variable fees to NOMAC Oman in consideration of its undertaking of all planned and unplanned operating and maintenance activities over the remaining terms of the PWPA / WPAs. NOMAC Oman is an affiliate of the Company.

(b) During the year 2018, the Company has recognised maintenance expense amounting to RO 310,857 on account of the Gas Turbine Generator (GTG) failure which occurred in its power plant.

25 OTHER INCOME

	2019	2018
	RO	RO
Gain on sale of property, plant and equipment	-	6,500
Interest income	11,459	868
Other income (a)	637,614	71,668
	649,073	79,036

(a) The Company has recognised the insurance claim of RO 637,614 for the business interruption due to technical failures which occurred in Gas Turbine Generator 1 (GTG1) of its power plant.

26 GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
	RO	RO
Salaries and allowances	580,217	583,699
Tax on delayed payment under protest (Note 17-c)	526,850	-
Insurance	546,670	447,935
Legal and professional charges	206,384	508,191
Fees and subscription	114,346	173,743
Amortisation of intangible assets (Note 7)	84,877	28,565
Directors' remuneration and sitting fees	69,586	13,200
Communication	46,107	45,814
Depreciation of property, plant and equipment (Note 6-d)	29,424	29,404
Corporate social responsibility expenses	20,000	15,700
Security and agency fees	19,255	23,102
Provision for ECL on trade receivables (Note 10)	18,105	7,602
Contribution to social insurance	15,610	15,010
Employees' benefits liabilities (Note 19)	12,428	11,164
Events and office supplies	10,551	16,298
Travel	3,866	6,189
Training	3,661	4,630
Advertisement	3,443	6,919
Printing and stationery	595	201
Loss on exchange	493	3,685
Land rent (usufruct payment)	-	9,652
Write-off of property, plant and equipment (Note 6-i)	-	165,907
Withholding tax expenses	-	(2,351)
Miscellaneous expenses	3,951	5,322
	2,316,419	2,119,581

27 FINANCE COSTS

	2019 RO	2018 RO
Interest on long-term loan	3,019,979	3,586,636
Amortisation of financing costs (Note 16)	485,911	469,507
Interest on working capital finance	-	27,716
Accretion charge/ interest on provision for site restoration (Note 18)	150,042	-
Interest on lease liability - right of use assets (Note 20)	45,300	-
Commitments/administration fees	15,633	10,803
	3,716,865	4,094,662

28 IMPAIRMENT CHARGE FOR PLANT AND MACHINERY

	2019 RO	2018 RO
Impairment charge of MSF water plant	-	31,592,836
Impairment charge of RO1 water plant	3,931,132	-
Impairment charge of RO2 water plant	8,183,953	-
	12,115,085	31,592,836

(a) The Company recognised impairment charge as at 31 December 2019 on its plant and machinery. The Company was part of the request for offer (RFO) process in which it was unsuccessful in securing extension of its WPAs for the two RO plants. The Company's existing contracts for these plants are expiring on 31 December 2021.Considering the uncertainty around contract renewals at this stage and due to the fact that benchmark tariffs acceptable to the off-taker under the above schemes are very aggressive, there was a need to make impairment assessment under IAS 36: "Impairment of Assets" to test if future discounted cashflows related to these plants are higher or lower than their book values. Based on the assessment, the Company has created the provision for impairment of RO 12,115,085.

(b) OPWP is currently managing the Power 2022 Procurement Process to offer existing Power Generators long-term contracts whose current Power and Water Purchase Agreement (PWPA) are expiring either in or around 2021. The benchmark tariff stipulated by the off-taker is lower than the current tariff which necessitated carrying out an impairment assessment for the Power Plant. However, assessment did not result in any impairment being recognized since the carrying value is lower than recoverable value of the Power Plant.

(c) The Company recognised an impairment charge as at 31 December 2018 on its MSF water plant with 20 MIGD capacity. This was primarily because the Company will be unable to assume operations of the MSF Water Desalination Plant from 2022 onwards under the Power 2022 Procurement Process as it is not allowed to do so pursuant to the outcome of the RFO bidding process for the two RO Plants. This impact was therefore taken to the profit and loss of the year 2018 as required by IAS 36: "Impairment of Assets".

28 IMPAIRMENT CHARGE FOR PLANT AND MACHINERY (continued)

A summary of the impairment assessment of RO Plants is disclosed below:

	2019	2018
	RO	RO
Recoverable value	31,250,572	8,034,822
Carrying value	(43,365,657)	(39,627,658)
Impairment charge	(12,115,085)	(31,592,836)

Recoverable value was estimated based on value-in-use method as it reflects more accurately the manner in which the economic benefits embodied in the asset expected to be realised by the Company. All future cash flows were based on management's best estimate about the future course of action that the Company would endeavour to carry out. The Company used a post-tax discount rate of 7.3% (2018: 6.6%) in assessing the Net Present Value (NPV) of future cash flows.

29 (A) BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit/ (loss) for the year with the weighted average number of shares issued and outstanding during the year.

	2019	2018
	RO	RO
Net profit/ (loss) for the year	559,296	(16,964,176)
Weighted average number of ordinary shares outstanding during the year	160,000,000	160,000,000
Basic earnings per share (RO)	0.003	(0.106)

No figure for diluted earnings per share has been presented because the Company has not issued any instruments which would have an impact on earnings per share when exercised.

29 (B) NET ASSETS PER SHARE

Net assets per share is calculated by dividing the shareholders' funds at the end of the reporting period by the number of shares outstanding as follows:

	2019	2018
	RO	RO
Shareholders' funds	38,450,860	37,891,564
Number of issued and fully paid-up shares outstanding at the reporting date (number)	160,000,000	160,000,000
Net assets per share	0.240	0.237

30 OPERATING SEGMENTS

Information regarding the Company's operating segments is set out below in accordance with IFRS 8 - "Operating segments". IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the senior management and the Board of Directors in order to allocate resources to the segment and to assess its performance. There has not been any change in segment reporting compared to the previous period.

Reportable segments

At 31 December 2019, the Company is organised into two main operating segments:

Base Plant

Base Plant segment comprises of power production and Multi-Stage Flash Distillation (MSF) facilities which commenced its commercial operations on 11 June 2003.

Expansion Plants

Expansion Plants segment comprises of two Reverse Osmosis based water production facilities which commenced their commercial operations on 29 May 2014 and 26 February 2016, respectively. In view of similar operating and economic characteristics, these two plants have been aggregated as one reportable segment in line with the requirements of IFRS 8.

Segment revenues and results Year ended 31 December 2019	Base Plant	Expansion Plants	Total
	RO	RO	RO
Revenue	45,506,437	10,217,126	55,723,563
Natural gas	18,797,169	960,052	19,757,221
Operation and maintenance fee – NOMAC Oman	6,040,655	3,035,966	9,076,621
Depreciation of property, plant and equipment	4,909,271	1,638,210	6,547,481
Interest on long term loan	1,583,371	1,436,608	3,019,979
Impairment charge on plant and machinery	-	12,115,085	12,115,085
	31,330,466	19,185,921	50,516,387
Segment profit/ (loss) before income tax	10,349,992	(9,594,031)	755,961

Segment revenues and results Year ended 31 December 2018	Base Plant	Expansion Plants	Total
	RO	RO	RO
Revenue	51,398,314	10,133,773	61,532,087
Natural gas	25,784,785	950,872	26,735,657
Operation and maintenance fee – NOMAC Oman	5,820,204	2,955,451	8,775,655
Depreciation of property, plant and equipment	4,107,819	1,601,659	5,709,478
Interest on long term loan	1,994,438	1,592,198	3,586,636
Impairment charge on plant and machinery	31,592,836	-	31,592,836
	69,300,082	7,100,180	76,400,262
Segment (loss)/ profit before income tax	(22,515,773)	2,550,981	(19,964,792)

31 CAPITAL RISK MANAGEMENT

The capital is managed by the Company in a way that it is able to continue to operate as a going concern while maximising returns to the shareholders.

The capital structure of the Company consists of share capital, reserves and retained earnings. The Company manages its capital by making adjustments in dividend payments and bringing in additional capital in light of changes in business conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2019 and 31 December 2018.

32 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT

(a) Financial assets and liabilities

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, trade and other receivables, other financial assets, lease liabilities, trade and other payables and long-term loans. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(b) Risk management

Risk management is carried out by the Finance Department of the Company under the guidance of the senior management and the Board of Directors. The senior management and the Board of Directors provide significant guidance for overall risk management covering specific areas such as credit risk, interest rate risk, foreign exchange risk and investment of excess liquidity.

(c) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Current and non-current components of long-term loan and trade and other payables comprise of debt while capital includes share capital, reserves and retained earnings.

	2019	2018
	RO	RO
Long-term loan - non-current portion	35,383,636	48,112,599
Long-term loan - current portion	13,214,874	12,483,303
Trade and other payables	21,198,973	7,208,451
Total debt	69,797,483	67,804,353
Share capital	16,000,000	16,000,000
Legal reserve	5,333,333	5,333,333
Special reserve	85,555	85,555
Retained earnings	17,031,972	16,472,676
Total capital employed	38,450,860	37,891,564
Total capital and net debt	108,248,343	105,695,917
Gearing ratio	64%	64%

In addition, the Company's activities expose it to a variety of financial risks: market risk (including currency rate risk, interest rate risk and price risk), credit risk and liquidity risk.

32 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (continued)

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's functional and presentation currency is RO and the Company's performance is substantially independent of changes in foreign currency rates. The Company has transactional currency exposures. There are no significant financial instruments denominated in foreign currency and consequently foreign currency is risk is not significant.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Company is exposed to interest-rate-risk on its long-term loan facility obtained based on LIBOR. Therefore, the management had entered into interest-rate swap agreements. However, after the expiry of interest-rate swap on 30 April 2017, the management has not entered in to new contracts as the Company has been able to obtain current lower LIBOR rate benefit. Further, the Company has short-term bank deposits with fixed interest-rate and are therefore not exposed to interest-rate risk. The Company adopts a policy of ensuring that major portion of its borrowings are on a fixed-rate basis.

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

	2019	2018
	RO	RO
Fixed rate instruments		
Financial assets – call deposit accounts	6,012,500	4,011,909
Financial liabilities - long-term loans	(47,576,081)	(58,520,354)
	(41,563,581)	(54,508,445)
Variable rate instruments		
Financial liabilities - long-term loans	(1,669,609)	(3,208,638)

32 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (continued)

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on variable rate financial instruments. With all other variables held constant, the Company's net profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/ decrease in basis points	Effect on net profit for the year
		RO
2019	+/-100	**16,696**
2018	+/-100	32,086

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest-rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As the Company has no exposure to investments, it does not have the risk of fluctuation in prices.

(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.

The Company provides services to OPWP, a Government customer in the Sultanate of Oman. This customer accounts for 100% of outstanding trade receivables at 31 December 2019 (2018: 100%).

With respect to credit risk arising from the other financial assets of the Company, including cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Management believes that the Company's other financial assets are not susceptible to significant credit risk.

The maximum exposure to credit risk at the reporting date was on account of:

	2019	2018
	RO	RO
Trade receivables	**19,648,109**	5,189,683
Other receivables	**1,600,039**	951,098
Due from related parties	**11,047**	-
Bank balances	**7,904,839**	4,548,877
	29,164,034	10,689,658

32 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (continued)

(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 maintains sufficient bank balances and cash to meet the Company's obligations as they fall due for payment.

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

The tables below summarise the maturities of the Company's undiscounted financial liabilities at 31 December based on contractual payment dates and current market interest rates:

Year ended 31 December 2019	Carrying value	Less than 1 year	1 - 2 years	More than 2 years	Total
	RO	RO	RO	RO	RO
Term loan	48,598,510	15,851,347	13,804,096	26,396,162	56,051,605
Trade payables	15,937,913	15,937,913	-	-	15,937,913
Due to related parties	3,882,833	3,882,833	-	-	3,882,833
Other payables	1,378,227	1,378,227	-	-	1,378,227
	69,797,483	37,050,320	13,804,096	26,396,162	77,250,578

Year ended 31 December 2018	Carrying value	Less than 1 year	1 - 2 years	More than 2 years	Total
	RO	RO	RO	RO	RO
Term loan	60,595,902	15,533,252	15,608,933	39,660,473	70,802,658
Trade payables	1,685,103	1,685,103	-	-	1,685,103
Due to related parties	3,338,267	3,338,267	-	-	3,338,267
Other payables	2,185,081	2,185,081	-	-	2,185,081
	67,804,353	22,741,703	15,608,933	39,660,473	78,011,109

33 CAPITAL COMMITMENTS

	2019	2018
	RO	RO
Payable within one year	8,899,932	5,460,285
Payable between 1 and 2 years	1,505,735	2,003,494
Payable between 2 and 3 years	-	5,290,422
	10,405,667	12,754,201

33 CAPITAL COMMITMENTS (continued)

(a) Pursuant to the Amendment Agreement to the O&M Agreement with NOMAC Oman, which is effective until 31 December 2021, the Company has committed to sponsor an amount of RO 10,405,667 (2018: RO 11,553,000) for performance of Life Time Extension (LTE) activities of two Gas Turbines of the power plant. LTE activities for GT1 and GT2 are expected to fall in March 2020 and March 2021, respectively. The Company however will continue to assess the need to undertake such activities based on business requirements.

34 SUBSEQUENT EVENTS

There were no events occurring subsequent to 31 December 2019 and before the date of the report that are expected to have a significant impact on these financial statements.

35 COMPARATIVE FIGURES

Certain comparative figures of the previous year have been either regrouped or reclassified, wherever necessary, in order to conform with the presentation adopted in the current years' financial statements. Such regrouping or reclassifications did not affect previously reported net profit or shareholders' equity.

36 NOTES SUPPORTING THE STATEMENT OF CASH FLOWS

Transactions from financing activities shown in the reconciliation of liabilities from financing transactions is as follows:

Particulars	1 January 2019	Cash inflows/ (outflows)	Non-cash changes	31 December 2019
Finance costs paid	-	(3,082,620)	-	-
Long-term loan	60,595,902	(12,483,302)	485,911	48,598,511
Lease liabilities	-	(15,091)	803,529	788,438