ACWA POWER
كوا باور
Barka برکاء

ADAPTING TO MARKET DYNAMICS

ANNUAL REPORT 2021

POWER & WATER FOR OMAN


His Majesty Sultan Haitham bin Tarik

CONTENTS

OVERVIEW AND HIGHLIGHTS

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

Safety comes first

The Company successfully achieved 19 years without Lost Time Incident, testimony of putting safety first!

Business Continuity

Focus on ongoing, reliable water distribution and Grasp business opportunities in the Spot market or through Bilateral agreements after the regulations are issued by the Public Services Regulatory Authority.

Operational Challenge

Achieving highest reliability for the SWRO plants and preserving power plant capacity to produce when opportunities arises.

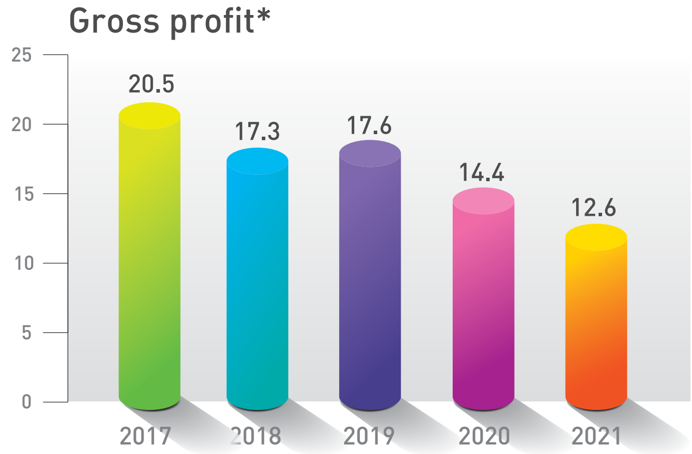
Developing People

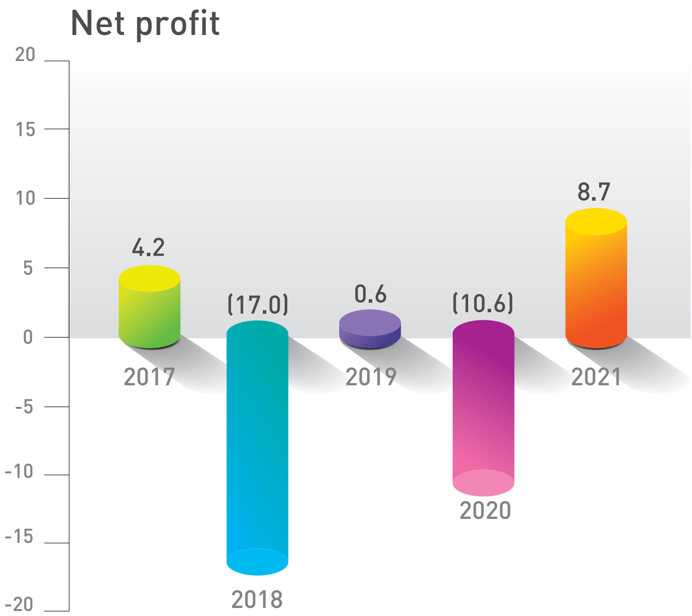
Developing leadership within the local talent pool.

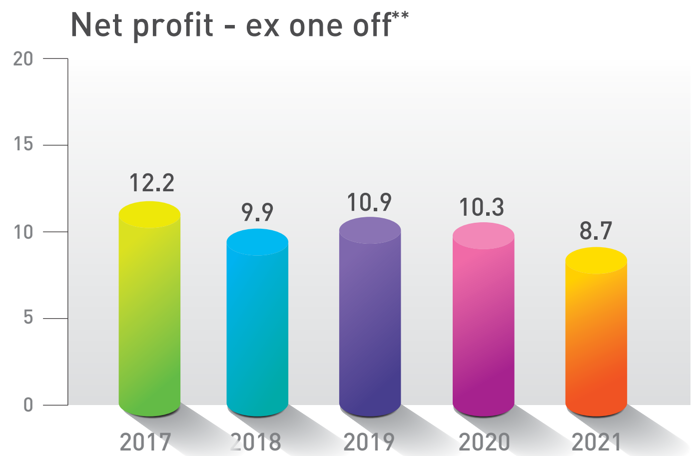
Stakeholders

Financial, Operational & Safety Highlights

Historical highlights (in million Omani Rials)







* Adjusted for current year classification.
** Excluding impacts of impairment, increase in income tax rate and supreme court decision.

Board of Directors

Kashif Rana
Chairman

Mohammed Al Aghbari
Deputy Chairman

Yahya Al Jumaa
Member

Abdul Aziz Al Failakawi
Member

Ibrahim Al Jahwari
Member

Zeeshan Hyder
Member

Management Team

Salim Al Sibani
Chief Executive Officer

Usman Anwar
Deputy Chief
Executive Officer

Zafar Yasin
Chief Technical Officer

Mohammed Al Balushi
Technical Manager

Saad Suleman
Acting Finance Manager

ACWA Power Barka Team

DIRECTORS, MANAGEMENT & GOVERNANCE REPORTS

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 2021.

Highlights of the year

Our proudest achievement remains our safety record of 19 years without a Lost Time Incident. A safe working environment is our topmost priority. In line with government directives to mitigate COVID-19 impact, The Company and its Operator (NOMAC Oman) established special HSE and operational procedures ensuring safe operation during the peak pandemic period. The credit of this remarkable milestone goes to the entire Barka team who all played a critical role in building an environment in which the approach of safety is much more beyond policies and procedures.

The Water Purchase Agreements for the two Seawater Reverse Osmosis Plants ("SWRO Plants") were expiring on or around February 2022, subject to force majeure extension. To preserve business continuity and ensure future revenue generation stream, the Company entered into a Request for Offer (RFO) process during the year with Oman Power & Water Procurement Company (OPWP) to secure extension of its two WPAs. The Company submitted a competitive tariff proposal to OPWP during the last quarter of the year based on which an award notification for extension was successfully issued in early February 2022. The overall extension is for a period of two years which can be further extended for nine months in three equal tranches of three months. The Amendment Agreements related to this extension have been executed by the Company.

The Company successfully participated in the Spot Market trials during the year. Upon completion of trials, the Spot Market went live from early 2022 and provides

The landmark achievement during the year was the achievement of 19 years without a Lost Time Accident on 2 May 2021.

an alternate energy market to the Generators whose contracts are expiring. The Company has made an assessment that operating its power units in the spot market is not economically viable at this stage. The Company believes that pursuing the bilateral power agreements with certain industrial units in future could provide a economically viable option. Based on this assessment, the Company has decided to put its power units into the preservation mode until a bilateral agreements regulatory framework is released by the Regulator and a bilateral agreement is entered. The Company has approached the Regulator to secure its approval on this approach without any impact on the Generation license of the Company.

The Company was part of the Power 2022 Procurement Process from last few years and submitted a competitive bid with aim to secure a long-term power contract. Unfortunately, this process faced considerable delays and was ultimately annulled by OPWP towards end of the year.

The MSFE Water Desalination Plant has been fully depreciated at end of 2021 and has been retired from service with expiry of the PWPA of the Company. The Company will consider, in consultation with its

The Company and its Operator (NOMAC Oman) established special HSE and operational procedures ensuring safe operation during the peak pandemic period.

Board of Directors and Project Lenders, the most viable option including sale or disposal of this asset.

From Operation perspective, the Company undertook Life-Time Extension activities on its gas turbine 2. The gas turbine completed almost 19 years of operation successfully and required replacement of certain components in line with recommendation of the Original Equipment Manufacturer (OEM). The activity was performed in first half of the year by Operator under a Long-Term Service Agreement (LTSA) with NOMAC Maintenance Energy Services O.P.C LLC (NMES). This critical activity resulted in enhancement and reliability of the power plant. The Company held an Ordinary General Meeting (OGM) on 14 February 2021 to approve the related party transaction with its Operator to carry out this activity.

The Company faced a unique challenge where generator of the Steam Turbine failed in first half of the year due to electrical fault. This resulted in shut down of the Steam Turbine. The Company along with its Operator proved its mettle by successfully overcoming this difficult challenge and completed the repair works including full rewind of the rotor, replacement of the rotor ring and trim balancing of the rotor in the least possible time. This is exceptional considering the logistical challenges that were posed by the Covid19 pandemic. The Steam Turbine was put back in service successfully on 6 August 2021. The Company remained engaged with Loss Adjusters and Insurers for the related insurance claim and successfully secured their approval.

The performance of the two SWRO Plants was affected throughout the year due to changes in the seawater quality. The Company was adequately protected under force majeure provisions of the project agreements for such events. The term of the contracts was successfully extended accordingly.

While Company has been able to extend its WPAs for short term, there is still considerable uncertainty in terms of operation of its power units. This uncertainty could result in business continuity issues and pose a challenge to generate enough cash flows to discharge material outstanding obligations of the Company unless power units secures a bilateral agreements in time. The Company is entering into discussion with its Project Lenders and Service Providers to assess the best way forward for such outstanding liabilities.

The Company under International Financial Reporting Standards (IFRS) is required to make an internal assessment of future discounted cash flows from its assets and then compare it with the respective book values. The Company believes that there is a significant economic value remaining on its assets which it will be able to recover in future. This assessment is also supported by an independent third-party report. Based on this no impairment is recognized in the 2021 financial statement of the Company.

The Company held its Annual General Meeting (AGM) for 2020 on 24 March 2021. All agenda items were approved by the shareholders.

Strategic positioning

The Company holds a 4% share in the power sector and 14% share in the water sector in the Country. OPWP is the sole procurer of the power and water in Omani market and the primary fuel supplier is Ministry of Energy & Minerals (previously Ministry of Oil & Gas). The operations and maintenance of the plants is performed by NOMAC Oman which is wholly owned by 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 Steam Turbine was affected during the year due to generator failure that happened in first half of 2021. The repair work was completed, and

steam turbine was successfully brought back into service in shortest possible time to minimize the commercial impact. The steam turbine has operated reliably from that point onwards without any issues.

The Lifetime extension activity of gas turbine 2 was completed first half of 2021. LTE activities were recommended by the Original Equipment Manufacturer (OEM) on completion of mandatory Equivalent Operating Hours (EOH) and will ensure machine continues to be operated reliably in the future. The Company has made adequate arrangement with NOMAC Oman in terms of payment plan for this activity which will be based on available internal cash flows of the Company. The strategic decision to perform the LTE of Gas Turbine 2 will go a long way in ensuring reliable operation of the plant and meeting the contractual commitments towards the stakeholders.

The Company faced certain challenges on its SWRO Plants that affected their performance during the year. The Company worked with its Operator and replaced certain pressure vessels to enhance the reliability of these plants.

The Company successfully demonstrated the Guaranteed Net Contracted Power and Water Capacity for the Contract Year 2021-22 in the Annual Plant Performance Test for natural gas and diesel oil both without and with steam turbine. The test without steam turbine was performed in April/May 2021 and in Aug 2021 once steam turbine was back in operation. These tests were performed in both Call On and Call Off mode and were part of obligations of the Company under the PWPA.

Occupational Health, Safety, and environment

The landmark achievement during the year was the achievement of 19 years without a Lost Time Accident on 2 May 2021. This safety record is not merely a statistic but represents a lot of effort by all the individuals working at the plant. The Barka team strives to improve its work practice based on both internal and external reviews on its safety culture.

Safety remains your Company's topmost priority. The Operator has completed all maintenance activities including the repair work related to generator failures without any accident, which is a remarkable achievement considering the hazards involved with such activities. 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.

The Company with help of its Operator remained vigilant and handled the pandemic with utmost care. Several initiatives were introduced at the plant site to ensure safety of everyone. The Company continued to comply with requirements and guidance issued by the relevant government authorities.

Financial performance

Your Company strongly believes in an open, transparent environment where integrity and sound ethics are imperative to success. The Company maintains the highest level of financial controls and reporting standards. Your Company continues to achieve these standards, and this is periodically confirmed by timely, accurate reporting as well as rigorous internal and external auditing processes and procedures. Your Company remains in compliance with the Code of Corporate Governance of the Capital Market Authority.

The Company recorded a gross profit of RO 12.6m (2020: RO 14.4m) for the year 2021 which reflects the operational performance of the Company affected by generator failure of the Steam Turbine. The Company is reporting a net profit after tax of RO 8.7m (2020: loss after tax of RO 10.6m) which corresponds to profit per share of RO 0.054 (2020: loss per share RO 0.066). During the year 2020, the Company recognized an impairment (non-cash impact) of RO 22.6m.

The Company has recognized a claim receivable from insurers as at end of 2021. The proceeds are expected to be recovered during first half of 2022.

The Company has not declared dividends in 2021 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.

The Company remains in compliance with the revised Code of Corporate Governance of the Capital Market Authority applicable from July 2016.

People

The success of any business is driven by its people, the real assets, and their motivation.

The directors of your Company are a set of diversified individuals with vast financial, operational, technical, and market-oriented experience. They have successfully guided the business during the challenging times. The Management of the Company, under the guidance of the Board, have worked diligently and creatively to implement the vision of the Board and to bring excellence to the business. The directors and Management of your Company have demonstrated their business acumen and strategy of looking after all shareholders' interests and generating value for everyone.

I, along with the Board, would like to extend my gratitude to the team, which includes the operations and maintenance people of the Operator, who have given their all to achieve the results of 2021. We reaffirm our commitment to develop and garner Omani talent.

The board recognizes the importance of nurturing local talent in line with the national vision, and is fully committed to developing the local skill set.

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.

The Company has also sponsored the National program for internship for young Omani students and provided them internship opportunities with the Company.

External Assessment of the Board of Directors

The Shareholders in the Annual General Meeting held on 24 March 2020 resolved that assessment of the Board of Directors to be carried out once during the three-year term. The Company has planned this assessment in 2022 which is the third year of current term.

Outlook for 2022

Your Company is looking forward to operating the SWRO Plants under the extended term up to end of two years. The Company may undertake certain capex activities required to facilitate the operations of these plants during the extension term. This extended term provides some certainty to the Company in terms of business continuity.

The Company will focus on entering into a Bilateral Agreements for its power units with certain industrial units as soon as the related regulatory framework are put in place. The power units will likely be put in to preservation mode until such agreements are entered into. The Company does not feel it is viable to operate its power units in the recently implemented spot market however it will be ready to participate should the economic assessment changes.

The Company will engage with its Project Lenders and Service Providers to assess the best way forward for the outstanding liabilities of the Company.

The Company is under discussion with its Operator to negotiate and finalize the future O&M arrangements for its plants. These arrangements will ensure that all plants are operated and maintained at the highest international standards.

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

The Company has disclosed details of these current challenges in notes to the Financial Statements. Please refer to Note 3: Going Concern Assumption. The funding of the projects undertaken by the Company were based on non-recourse-based project finance and any default situation would result in business continuity issues and appropriate way forward will need to be carefully considered in consultation with Project Lenders of the Company as projects assets are securitized in favor of Lenders under the Financing Agreements.

The Company is not considering any dividend distribution for 2022.

Acknowledgements

The Company would like to take this opportunity to express its respect and gratitude to all our stakeholders especially Oman Power and Water Procurement Company, Ministry of Energy & Minerals, the Authority for Public Services Regulation, and the Capital Market Authority.

Finally, on behalf of the Board of Directors, I would like to take the opportunity to express our gratitude to His Majesty Sultan Haitham bin Tarik and His Government for their vision, guidance, wisdom, and continued support. We would also like to acknowledge the progressive and enlightened vision of His Majesty Sultan Qaboos bin Said which continues to be a model for others 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 PWPA / WPAs are expiring on around early February 2020 due to extension related to force majeure events approved by OPWP. The Company has a fuel supply agreement with the Ministry of Energy and Minerals ("MEM") (formerly Ministry of Oil and Gas - "MOG") and an O&M Agreement both of which are co-terminus with terms of PWPA/WPAs. The Company is engaged with its Operator to extend the O&M arrangements for future period.

The Company has been granted a Generation and Desalination License by the Authority for Public Services Regulation ("APSR") (formerly Authority for Electricity Regulation – "AER") 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. NOMAC Oman is an Omani company wholly owned by ACWA Power. The term of the O&M Agreements is co-terminus with the term of the PWPA / WPAs. The existing O&M Agreements will continue until they are further amended by both parties after seeking relevant approvals.

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 its O&M Agreement with BSFC.

Safety & Environment

The Company achieved landmark milestone of achieving 19 years without a Lost Time Incident on 2 May 2021. Being the first of the Core values of the Company, Safety is always at the forefront. Through concerted efforts and continued focus on Safety by both ACWA Power Barka and NOMAC Oman, we have been able to achieve this result. To ensure this is a self-sustaining achievement, safety has been imparted as part of the culture which everyone feels proud to be part of.

The Company celebrated the Safety & Environment Day on 15 June 2021.

There have been zero environmental exceedances during the year and regulatory permits were maintained or were in the process of periodic renewal.

Operational & Organizational Highlights

The Company and its Operator has once again proven its exemplary operations and maintenance track record during the year. The Company faced certain operational and maintenance challenges when its steam turbine generator encountered an electric failure. The most important objective was to complete the repair work in the least possible time to keep the commercial impact at the minimum and to meet commitments during the summer period.

The Company achieved this goal by proactively engaging with its Operator and LTSA provider to carry out the necessary inspections of the generator and by starting repair work on top priority basis. A team of experts were mobilized by the LTSA provider who with the untiring efforts of the entire team were able to rectify the problem and brought back steam turbine online at the earliest possible time.

This classic example of the teamwork allowed your Company to achieve a reliability of almost 100% post generator repair works while on full year basis the commercial availability remained at 91.4% for the power block while it stood at 99.6% for the water block.

The Company has demonstrated its operational efficiency and excellence by achieving an excellent heat rate for the year.

The Gas Turbine 2 underwent Lifetime Extension Activities (LTE) during the first quarter of 2021. The turbines operated successfully for 19 years and required replacement of certain key components as recommended by the OEM. This will result in reliable operation of the power plant in future.

The Company remained focus on enhancing the reliability of its two RO plants and by performing certain capex activities. The Plants however remained subject to seawater quality failure throughout the year. Such a condition is adequately covered within the force majeure provisions of the WPAs.

The underlying success of any organization is its people, and the Company and its Operator has recognized this fact by focusing on the on-going development of its people. Specialized training has been provided from various departments. The Company remains committed to Omanization and sees it as a national responsibility.

Power Generation

During the year, your Company maintained a reliability factor of 91.4% on its power facility. This drop in reliability factor is the result of a high impact low probability (HILP) event of steam turbine generator failure. The entire team including Operator once again showed their resilience against such a challenge and brought back the steam turbine online at shortest possible time despite challenges posed by ongoing Covid19 pandemic.

The power plant exported 429 GWh during the year and cumulatively has exported 44,113 GWh since commencement of commercial operations in June 2003. The average hourly net power exported during the year was 49 MW (2020: 171 MW). The load factor was 12.6% for 2021 (2020: 44.1%) which is dependent on the demand for power by the national grid and has no impact on the business performance.

Water Production (MSFE Plant)

In the current term of the PWPA, the Off-taker had the right to operate the plant either in Call-On mode (MSF in service) or Call-Off mode (MSF standby). During the year, the Plant operated primarily in Call Off mode other than few days during Annual Performance Test. The focus remained on preserving the MSFE units and keep them ready for any dispatch requirement from the Off-taker or for the Annual Performance Test. The MSFE plant achieved very high reliability factor of 99.6% during the year.

Insignificant quantity of water was exported by the Plant during the year due to operation in Call On mode for few days in May and August during the Annual Performance Tests.

The Company does not foresee operation of its MSFE plant beyond expiry of its PWPA.

Water Production (RO Phase I)

The RO Phase achieved a reliability factor of 97.8% (2020: 99.3%). The RO Phase 1 plant continued to face the seawater quality failure. The Company is protected against such a situation under force majeure provisions of its Water Purchase Agreement (WPA). The force majeure claims were submitted and approved by the Off taker.

Water Production (RO Phase II)

The Company replaced certain pressure vessels of its DWEER energy recovery system to enhance the reliability factor of the RO Phase II Plant which stood at 96.6% (2020: 97.0%).

The RO Phase II plant also faced a similar seawater quality failure throughout the year due to severe algae bloom.

Maintenance Highlights

The power plant 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.

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.

The Company performed LTE activities on its gas turbine 2. Key components were replaced by expert team of the Operator. This replacement was due after 19 years of operation as recommended by the OEM. The Company, as mandated by its Board and shareholders, engaged NOMAC Oman to perform these activities who successfully made necessary arrangements including appointment of specialists and completed the LTE activities ahead of the schedule.

The Company and its Operator had faced a challenge when generator of the Steam Turbine failed due to electrical fault. The team was up to the task and quicky mobilized the team of experts to assess the extent of failure. Based on this assessment, the full rewind of rotor was carried out, retaining ring was replaced and extensive effort was made to perform the complex and sensitive trim balancing work on the rotor allowing for the steam

turbine to get back to operation in the shortest possible time. The machine since then has operated reliably and in safe manner.

The maintenance activities undertaken by the Operator ensured reliable operations of the plant during the year.

Performance Tests

The Company was successful in performing the Annual Performance Tests for its Power and MSFE Plants during the year both in Call On and Call Off mode respectively. Due to failure of steam turbine generator these tests were performed twice. Firstly, without steam turbine during the months of April/May and secondly in August once steam turbine was back in operation. The Company also successfully performed the Annual Performance of its two RO Plants to demonstrate their respective guaranteed water capacity.

These tests were required under the PWPA and WPAs. The results of these tests were in full compliance with the contractual obligations and ensured a steady stream of cash flows.

Omanization

The Company and its Operator take Omanisation as a responsibility rather than a contractual obligation. Recruiting young Omani engineers and developing them to be the future leaders is an integral part of Company's philosophy.

The Company and its Operator continued to remain in compliance with their contractual obligations. The Operator continued the practice of recruiting newly qualified graduates and developing them through numerous in-house and external training programs.

This policy of the Company and its Operator has resulted in recruitment of experienced local talent at senior leadership positions. The focus on Omanisation will continue to be the top most priority in future.

Social responsibility

The Company firmly believes in the importance of social responsibility and supported certain educational training programs by providing internship opportunities to young Omani talent under the Eiddad program implemented by the Government.

Commercial & Legal Highlights

Reverse Osmosis Water Plants

The Company was part of the Request for Offer (RFO) process during the year with an aim of securing extension to its two WPAs. The Company was able to submit a very competitive tariff proposal to OPWP for a short-term extension of two years with an option to extend further by another nine months in three equal tranches of three months. The Company was notified in early February 2022 about award of this extension by OPWP. The Company executed Amendment Agreements to this extension after securing approval from its Board of Directors and Project Lenders. The Company believes that this extension was the result of persistent hard work of the team and strategic guidance provided by the Board of Directors throughout the RFO process. The extension is expected to bring reasonable certainty to the business continuity and will help the Company to operate in future as a going concern.

Spot Market & Bilateral Agreements

The Company successfully participated in the trial period of the recently implemented Spot Market. The Company believes that its power units have a significant remaining economic value which it will be able to realize in future. However, operating the power units in the Spot Market at this stage would not be economically viable. The Company considers that entering into Bilateral Agreement with industrial units could provide a viable option in the future. The power units of the Company therefore would be put into a preservation mode until such a bilateral arrangement is realized. The Company remained engaged with OPWP and APSR on this matter

Power 2022 Procurement Process

The Company was notified by OPWP in the last quarter of the year that it has Annulled the Power 2022 Procurement Process. The Company believes that this unfortunate outcome has put the participating Generators in a challenging situation.

Financial Highlights

OMR in MM's

Income Statement	Notes	2021	2020	2019	2018	2017
Revenue		**39.5**	50.8	55.7	61.5	71.7
Operating costs	Note 1	**26.9**	36.4	38.1	44.2	51.2
Gross profit		**12.6**	14.4	17.6	17.3	20.5
Other costs	Note 1	**3.9**	24.9[1]	17.1[2]	34.3[3]	16.3[4]
Net profit after tax – excluding one off items		**8.7**	10.3	10.9	9.9	12.2
Net profit / (loss) after tax		**8.7**	(10.6)	0.6	(17.0)	4.2
Gross profit margin		**31%**	30%	32%	28%	29%
Net profit / (loss) margin		**22%**	(21%)	1%	(28%)	6%
Earnings per share (RO)		**0.054**	(0.066)	0.003	(0.106)	0.027

1 During the year, Company has recognized an impairment loss of OMR 15.1m (net of tax) on its Power Plant and OMR 4.1m (net of tax) on SWRO Water Plants.
2 The Company had recognized an impairment loss of OMR 10.3m (net of tax) on its SWRO Water Plants.
3 The Company had recognized an impairment loss of OMR 26.9m (net of tax) on its MSFE Water Plant.
4 The Company had recognized OMR 3.3m one-off deferred tax liability on account of revision in income tax rate from 12% to 15% and 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.

Note-1
Write-off of Property plant and equipment have been reclassified from other costs to Operating costs for the current and prior years.

Revenues

The revenues on overall basis have decreased by (OMR 11.27m) compared to previous year. The primary driver of this decrease is lower power output revenue (OMR 10.23m) slightly compensated by higher water output revenue (OMR 0.29m).

Capacity revenue is lower by (OMR 1.27m) compared to the previous year mainly due to loss of availability payments due to Steam Turbine Generator failure by (OMR 1.91m). This was partially offset by higher power capacity revenue recognized in the year based on downtime available to the Company in the winter period (OMR 0.90m). The Company previously was recognizing similar winter period capacity revenue based on actual availability basis.

Operating Costs

The decrease of (OMR 9.5m) in operating costs compared to corresponding year was mainly due to lower net gas and imported electricity consumption (OMR 9.0m) due to lower dispatch during the year and lower depreciation (OMR 1.3m) owing to impairment of the plants and their residual valuation partial offset by higher contingencies cost resulting from main-plant contract expiry (OMR 0.8m).

Gross Profit

Decrease in gross profit (OMR 1.8m) mainly attributable to overall lower capacity revenue, higher contingencies cost offset by lower depreciation.

Other Costs

Other costs for the current year are lower by (OMR 21m) primarily due to absence of impairment loss (net of tax) for current year (OMR 19.2m), lower finance cost on account of repayment of loan principal amounts to the lenders (OMR 0.7m) and lower current tax due to lower taxable profits and increase in insurance claim income of (OMR 1.2m).

Net Profit after Tax

The increase of (OMR 19.3m) in net profit is mainly due to the lower impairment loss, lower depreciation and lower finance costs offset by lower capacity revenue due to STG failure, higher contingencies cost and income tax expense.

OMR in MM's

Balance Sheet	2021	2020	2019	2018	2017
Total assets	**92.4**	105.0	130.8	129.3	164.3
Total equity	**36.6**	27.9	38.5	37.9	54.8
Paid up capital	**16**	16	16	16	16
Return on assets (%)	**9.4**	(10.0)	0.5	(13.2)	2.5
Net assets per share – OMR	**0.229**	0.174	0.240	0.237	0.342
Return on paid up capital (%)	**54**	N/A	3	N/A	26
Debt equity ratio	**40:60**	56:44	56:44	62:38	57:43
Ordinary dividend (%)	**-**	-	-	-	45
Dividend per share – RO	**-**	-	-	-	0.045
Dividend payout ratio (%)	**-**	-	-	-	166[5]

N/A – Not Applicable since no meaningful return ratio is computable.
5 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.

Debt service, CAPEX and Dividends

The Company has met its obligations to the lenders by timely debt service of (OMR 13.8m) during the year. The Company incurred (OMR 5.3m) in capital expenditure for undertaking Gas Turbine 2 Lifetime Extension Activity (GT2 LTE).

In view of the capital expenditure incurred in Lifetime Extension activity of GT2 of the power plant and income tax liabilities outstanding, the Company did not pay any dividends during the year.

Risks faced by the Company

The primary risks associated with the Company are:

- OPWP has implemented the Spot Market from early 2022. The Company however has made an assessment that operating its power units in this Spot Market is not economically viable and it may not be able to recover its fixed costs. Absence of any reasonable revenue from power units may result in liquidity issues for the Company.
- Considering this situation where the Company is not earning any revenues from power plant, it will not be able to settle certain liabilities related to power plant long term loan and other third-party service providers unless the power plant secures a bilateral contract in time. Since the Company has already secured a two years WPA extension on its two RO Plants, it will engage with its Project Lenders and service providers to assess the best way forward for the outstanding liabilities.
- The Company has significant outstanding tax liabilities on its balance sheet. The Company is disputing certain tax positions with the Tax Authority. The unfavorable outcome of these disputes will result in settlement of these tax liability putting pressure on the cash flows of the Company.
- The increase in forced outages of the two RO plants due to continued severe seawater quality beyond design/ Technical limits of the pretreatment units. The seawater has experienced this phenomenon for major part of the year. The WPAs of these plants

provide adequate protection to the Company in the form of force majeure claims on OPWP however it still puts the Company in a challenging situation due to recovery of this capacity cash flows in future period.

- Cybersecurity related attacks are a real risk to industrial infrastructure around the world. The Company continued to implement a robust cybersecurity framework at its plants in line with requirements of the Authority to mitigate such risks.

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 always 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. Enel power 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 Off taker:	OPWP
Gas Supplier:	MEM (previously MOG)
O&M arrangements:	NOMAC Oman with technical support agreements with ACWA Power
EPC contractor(s)	Enel power S.p.A. of Italy (Power) and Hitachi Zosen Corporation of Japan (MSFE) ABEINSA (RO Phase I) Osmoflo (RO Phase II)

Chief Executive Officer

AUDITORS' REPORT ON CORPORATE GOVERNANCE

Tel: +968 2495 5100
Fax: +968 2464 9030
www.bdo.com.om

Suite No. 601 & 602
Pent House, Beach One Bldg
Way No. 2601, Shatti Al Qurum
PO Box 1176, Ruwi, PC 112
Sultanate of Oman

REPORT OF FACTUAL FINDINGS
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 2021, and its application of the Corporate Governance practices in accordance with amendments to the CMA's Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively referred to as "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 2021. The areas of non-compliance with the Code, as identified by the Company's Board of Directors, are disclosed under the section of "Non-Compliance and Penalties during last three years" 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 2021 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
21 February 2022

بي دي او ش.م.م
BDO LLC
P.O.Box: 1176
PC: 112, Ruwi
Sultanate of Oman
Public Accountants & Management Consultants
محاسبون قانونيون ومستشارون إداريون

B. Kapur
Bipin Kapur
Partner
Membership no: 043615
Institute of Chartered Accountants of India

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 and Decision No. 27/2021 dated 25 February 2021 (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. The Company was listed on the Muscat Securities Market on 12 January 2005.

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

Board of Directors

The Company encourages representation of non-executive and independent directors on its Board of Directors. The Board consists of six directors all of which are non-executive directors as at 31 December 2021. Three of them are independent directors while other three directors represent shareholders and are non-independent directors. Clarifications in the context of Article 179 of RD 18/2019 to explain even number of members on the Board for very brief interim periods due to timing difference between effective dates of resignations and replacements members joining the Board have been explained in the section summarising the Board meetings held during the financial year ended 31 December, 2021. The Company subsequently appointed a a non-independent board member on 16th January 2022 resulting in seven directors. All the directors have excellent industry and corporate governance experience. Their experience is complimented by their academic qualifications in the field of administration, management, finance, accounting and engineering.

The Board of Directors was elected in March 2020 and will be subject to re-election in March 2023.

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

Meeting number	Date of the meeting
BOD meeting # 1/2021	21 February 2021
BOD meeting # 2/2021	27 April 2021
BOD meeting # 3/2021	27 July 2021
BOD meeting # 4/2021	28 September 2021
BOD meeting # 5/2021	27 October 2021

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.

Details of composition and category of directors and their attendance at the meetings of the Board of Directors, Annual General Meeting and Ordinary General Meeting are given as under:

Name of Director	Category	Board Meetings held during 2021					AGM 24th Mar 21	OGM 14th Feb 21
		21st Feb	27th Apr	28th Jul	27th Sep	28th Oct		
Mr. Kashif Rana (Chairman)	Non-Independent	✓	✓	✓	-	✓	-	✓
Mr. Mohammed Al Aghbari (Deputy Chairman)	Independent	✓	✓	✓	✓	✓	✓	✓
Mr. Ahmed Al Subhi – representing ACWA Power Barka Project LLC *	Non-Independent	✓	✓	✓	✓	NA	✓	✓
Mr. Abdul Aziz Al Failakawi ^	Independent	NA	NA	✓	✓	✓	NA	NA
Mr. Ganesh Subramanian **	Independent	✓	✓	NA	NA	NA	✓	✓
Mr. Yahya Al Jumaa - representing Ministry of Defence Pension Fund	Independent	✓	✓	✓	✓	✓	-	✓
Mr. Ahmed Al Sinani – representing Civil Services Pension Fund ***	Non-Independent	✓	NA	NA	NA	NA	NA	NA
Mr. Ibrahim Hamed Said Al Jahwari – representing Civil Services Pension Fund ^^	Non-Independent	NA	✓	✓	✓	✓	✓	NA
Mr. Zeeshan Hyder	Non-Independent	✓	✓	✓	✓	✓	✓	✓

Legend: ✓: Present –: Apologies NA: Not applicable
* Resigned on 14 October 2021 ** Resigned on 14 July 2021 *** Retired on 1 March 2021 ^ Appointed on 14 July 2021 ^^ Appointed on 1 March 2021

The Board of Directors appointed Mr. Kashif Rana as the Chairman on 27 October 2021 upon the resignation of Mr. Ahmed Al Subhi on 14 October 2021.

The Company held its Annual General Meeting ("AGM") of shareholders on 24 March 2021 for the year ended 31 December 2020.

No dividend was approved by the Board during 2021.

No director is holding directorship/chairmanship in other public joint stock companies in Oman as of 31 December 2021.

Board committees

Audit Committee

The Board of Directors reconstituted the Audit Committee on 16 March 2020 by appointing three directors as Audit Committee members two of which are independent. The Chairman of the Audit Committee is an independent director. These members have required knowledge and experience of accounting, international financial reporting standards and commercial law that enable them to perform their functions. The Committee supports the Board in fulfilling its oversight and review function. The Committee reviews the Company's adherence to policies, procedures, practices and compliance with laws and regulations.

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

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

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 during 2021			
		21st Feb	27th Apr	27th Jul	27th Oct
Mr. Abdul Aziz Al Failakawi (Chairman)^	Independent	NA	NA	✓	✓
Mr. Kashif Rana	Non-Independent	✓	✓	✓	✓
Mr. Mohammed Al Aghbari	Independent	✓	✓	✓	✓
Mr. Ganesh Subramanian *	Independent	✓	✓	NA	NA
Mr. Zeeshan Hyder^^	Non-Independent	NA	NA	NA	NA

Legend: ✓: Present –: Apologies NA: Not applicable
* Resigned on 30 June 2021 ^ Appointed on 14 July 2021 ^^ Appointed 30 November 2021

The Audit Committee heard the views of the external auditors before forwarding the financial statements for the year 2021 to the Board of Directors in their meeting held on 21 February 2022. 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. The Audit Committee reviewed and approved the Internal Audit plan for 2022. The Audit Committee also submitted its plan for 2022 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.

Mr. Zeeshan Hyder was appointed as a member of BAC on 30 November 2021 by replacing Mr. Kashif Rana.

Nomination and Remuneration Committee

The Board of Directors constituted the Nomination and Remuneration Committee on 16 March 2020 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.

On a yearly basis, the NRC defines it working plan for the coming year which is presented to the Board. The 2021 NRC plan was approved by the Board on 30 December 2020.

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

Name of Director	Category	NRC Meeting held and attended during 2021	
		18thFeb	14thDec
Mr. Zeeshan Hyder (Chairman)	Non-Independent	✓	✓
Mr. Kashif Rana	Non-Independent	✓	✓
Mr. Yahya Al Jumaa	Independent	✓	✓

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

Mr. Zeeshan Hyder was appointed as a Chairman of NRC on 14 December 2021 by replacing Mr. Kashif Rana.

Process of nomination of directors

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

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

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 2021 amounted to RO 20,400 for Board and its Committee meetings attended during the year. Further, the Company has paid RO 23,300 to directors as remuneration for the year 2020, as approved by shareholders at the Annual General Meeting 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	292,956
Travel	-
Other Perquisites	-
Total	**292,956**

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 during last three years

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.

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 subsequently appointed a member to the Audit Committee in February 2020 and member to the Nomination and Remuneration Committee in March 2020 from which point Company again met with the compliance requirements of the Code of Corporate Governance.

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 September 2019. 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 are waiting for the hearing to start.

The Ministry of Environment and Climate Affairs (MECA) imposed a fine of OMR 100 for late submission of renewal license of climate affairs and of OMR 1,700 for the late submission of MECA Report which were paid in 2021.

Article 158 of the Decision No. 27/2021 provides that the Internal Audit unit must consist of two internal auditors. Due to the limited commercial activity of the Company, coupled with the fact that it has only one supplier for gas, one buyer and one operator, the Company is operated by a small team, hiring two internal auditors is a major burden on the Company. The Company is of the opinion that one full time internal auditor will be sufficient to carry out the required objectives of the internal auditor as set out in the Executive Regulations and in compliance with the Internal Standards on Internal Auditing. The Company requested the CMA to grant an exemption from the requirement of appointing two full time internal auditors and/or allow the Company to appoint a CMA approved internal Audit Firm. The Company has received response from CMA in which they denied the request.

The Chairman of the Company resigned on14 October 2021creating a temporary vacancy in the Board. The Deputy Chairman was appointed as new Chairman of the Company effective from 27 October 2021. The Company subsequently appointed a member to the Board on 16 January 2022 from which point the Company again met with the compliance requirementsof the Code of Corporate Governance and the Commercial Companies Law.

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 MSX 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 the MSX after being approved by the Board of Directors. The Annual Report for the year ended 31 December 2021 includes the Board of Directors' Report and the Management Discussion and Analysis Report.

Distribution of Shareholdings

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

Shareholders by type	Shareholding
Omani	98.16%
GCC Nationals	1.51%
Foreigners	0.33%

Major Shareholders	Shareholding
ACWA Power Barka Project LLC	58.00%
Civil Service Employees 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 2021	ACWA Power Barka		MSM (Services Sector)	
	High	Low	High	Low
January	0.4320	0.4320	1,602.68	1,593.29
February	0.4320	0.4320	1,549.89	1,547.45
March	0.4320	0.4320	1,547.96	1,542.39
April	0.4320	0.4320	1,588.43	1,581.35
May	0.4320	0.2390	1,625.59	1,620.53
June	0.4300	0.4300	1,722.96	1,715.15
July	0.2390	0.2390	1,715.28	1,703.89
August	0.2390	0.2390	1,715.92	1,704.36
September	0.2390	0.2390	1,704.49	1,697.29
October	0.2390	0.2390	1,675.73	1,666.11
November	0.2390	0.2390	1,633.75	1,614.83
December	0.2390	0.2390	1,629.33	1,620.87

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, one of the leading professional services firms providing industry focused Assurance, Tax and Advisory services, has over 91,000 employees working in a global network of over 1,650 offices situated in 167 countries.

BDO LLC is accredited by the Capital Market Authority to audit publicly listed joint stock companies (SAOGs) in Oman. BDO LLC billed an amount of RO 15,500 towards professional services rendered to the Company for the year 2021 (RO 15,500 for audit).

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 was 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.

Areas for improvement were addressed and approved by the Audit Committee and the Board during the FY 2019.

Acknowledgement

The Board of Directors acknowledges as at 31 December 2021:

Its' responsibility for the preparation of financial statements in accordance with the applicable standards and rules.

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

FINANCIAL STATEMENTS

Tel: +968 2495 5100
Fax: +968 2464 9030
www.bdo.com.om

Suite No. 601 & 602
Pent House, Beach One Bldg
Way No. 2601, Shatti Al Qurum
PO Box 1176, Ruwi, PC 112
Sultanate of Oman

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 financial statements of ACWA Power Barka SAOG ("the Company"), which comprise the statement of financial position as at 31 December 2021, 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 to the financial statements, comprising a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Relating to Going Concern

We draw attention to Note 3 in the financial statements relating to the assessment of the going concern assumption. The Company's Power and Water Purchase Agreement (PWPA) pertaining to the Power Generation and Water Purchase Agreement (WPA) with Oman Power Water Procurement Company SAOC (OPWPC) expired on 31 December 2021.

The Company has been informed by OPWPC on 02 February 2022 of the extension of WPA for the SWRO plants for a period of 23 months at 100% capacity (22.5 MIGD). The WPA Amendment Agreements with OPWPC for the SWRO Plants were signed on 03 February 2022.

However, during the year, the Company has received formal confirmation from OPWPC through a letter dated 21 October 2021 relating to the Annulment of the Power 2022 procurement process for the Company. OPWPC is currently working on spot market mechanism which is anticipated to become operational in the year 2022. Further, based on the projected cash flows for the year 2022, the Company may need to either avail funding or loan deferments of approximately RO 10 million to continue its operations for which the Company is in discussion with the bankers.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
ACWA POWER BARKA SAOG (continued)

Material Uncertainty Relating to Going Concern (continued)

Accordingly, considering the Annulment of the Power 2022 procurement process, uncertainties about the outcome of spot market, and expected cash flow challenges, there exists a material uncertainty that may cast doubt on the Company's ability to continue to operate as a going concern and, therefore, there is a possibility that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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.

Impairment assessment on property, plant and equipment

Property, plant and equipment as at 31 December 2021 include the 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") stated at a carrying value amounting to RO 45.23 million, RO 10.4 million and RO 13.8 million, respectively.

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.

Power Plant

Based on the outcome of the Request for Offer bidding process (which commenced in the year 2020), the Company was not able to secure extension of its Power Purchase Agreement ('PPA") for its Power Plant beyond December 2021. Accordingly, the management had identified this as an impairment indicator for its Power Plant and, accordingly, during the year ended 31 December 2020, the Company had recognised an impairment charge amounting to RO 17.7 million on the main Power Plant.

In the current year, the Company has received formal confirmation from OPWPC through a letter dated 21 October 2021 relating to the Annulment of Power 2022 procurement process and, currently, the operation of this plant is subject to certain force majeure events which were accepted by OPWPC and accordingly, it has resulted in a contract extension up to 09 February 2022. Further, OPWPC has launched the spot market mechanism, which is anticipated to go live from February 2022 onwards. The Company has participated in the trial period and is willing to participate in the spot market. However, considering the Annulment of Power 2022 procurement process and uncertainties about the outcome of the spot market, the Company has identified these as impairment indicators and performed an impairment assessment. Accordingly, the management engaged an independent international reputed consultancy firm to assess the Oman power market situation and provide an estimate of the net book value of the main Power Plant. Based on the consultant's report, the management concluded that no additional impairment is considered necessary as the carrying amount of the cash-generating unit (i.e. the Power Plant) is marginally lower than the recoverable amount.

Key Audit Matters (continued)

SWRO 1 and SWRO 2 Plants

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. Accordingly, the management had identified this as an impairment indicator for its SWRO Plants in the year 2020 and recognised an impairment charge amounting to RO 1.7 million on SWRO Plant 1 and RO 3.1 million on SWRO Plant 2 in the year ended 31 December 2020.

The Company has been informed by OPWPC on 02 February 2022 that an extension of SWRO Plants for a period of 23 months (including option to extend further by 9 months in three tranches of three months respectively) has been awarded. The Company has already finalised the WPA Amendment Agreements with OPWPC which have been executed in February 2022. Therefore, considering the above facts, management has performed an impairment assessment and internally estimated the recoverable amount for SWRO Plant-1 and SWRO Plant-2 based on value-in-use computation and, concluded that, no additional impairment is required as the carrying amount of each cash-generating unit (SWRO Plant 1 and SWRO Plant 2) is marginally lower than its recoverable amount.

Our response

We have performed the following procedures:

(i) Reviewed the process for assessing impairment indicators and performing the impairment assessment;

(ii) Estimated cashflows for the Power Plant have been verified based on the cashflows for the year 2022 onwards and which have been calculated by an external independent consultant based on the tariff rate formulae for Best New Entrant (BNE) which is issued by the Authority for Public Services Regulation (APSR).

(iii) Value-in-use for the SWRO Plants for the years 2022 and 2023 has been verified based on the tariff rates agreed with OPWPC based on the letter awarded by OPWPC on 02 February 2022 for the extension of SWRO Plants for period of 23 months. Further, subsequent to the year 2023, as a new competitor is expected to be operational, it appears difficult for the Company to get further extension with the same tariff rates. Hence, tariff rates have been verified based on the Barka V proposal for the years from 2024 until 2043.

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

- 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 accuracy 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 the impairment test models and assessment of impairment triggers for financial forecasts approved by the management of the Company; and
- 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".

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
ACWA POWER BARKA SAOG (continued)

Other Information included in the Company's 2021 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 2021 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law and Regulations of the Sultanate of Oman, and for such internal control as the 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 has 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.

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)

- 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.

- 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, except for the matters disclosed in Note 4(b), the financial statements of the Company as at, and for the year ended, 31 December 2021, in all material respects, comply with the applicable provisions of the Commercial Companies Law and Regulations of the Sultanate of Oman and Rules and the Guidelines on disclosure issued by the Capital Market Authority.

BDO

Muscat
21 February 2022

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

Bipin Kapur
Partner
Membership no: 043615
Institute of Chartered Accountants of India

Statement of financial position as at 31 December 2021

(Expressed in Omani Rial)

	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	8	**68,400,234**	70,509,895
Intangible assets	9	**52,993**	133,184
Right-of-use assets	10	**432,918**	455,203
Total non-current assets		**68,886,145**	71,098,282
Current assets			
Inventories	11	**4,614,657**	4,783,747
Trade and other receivables	12	**13,419,722**	20,492,747
Cash and bank balances	13	**5,547,031**	8,666,570
Total current assets		**23,581,410**	33,943,064
Total assets		**92,467,555**	105,041,346
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	**16,000,000**	16,000,000
Legal reserve	15	**5,333,333**	5,333,333
Special reserve	16	**85,555**	85,555
Retained earnings		**15,152,480**	6,479,178
Total capital and reserves		**36,571,368**	27,898,066
Non-current liabilities			
Long-term loan-non-current portion	18	**11,918,094**	23,709,315
Deferred tax liability	19	**5,503,264**	5,914,192
Provision for site restoration	20	**3,571,362**	3,367,014
Employees' benefit liabilities	21	**80,688**	87,111
Lease liabilities-non-current portion	22	**717,168**	686,635
Total non-current liabilities		**21,790,576**	33,764,267
Current liabilities			
Long-term loan - current portion	18	**12,027,095**	11,899,076
Trade and other payables	23	**13,057,353**	20,504,484
Lease liabilities - current portion	22	**8,353**	15,344
Taxation	19	**9,012,810**	10,960,109
Total current liabilities		**34,105,611**	43,379,013
Total liabilities		**55,896,187**	77,143,280
Total equity and liabilities		**92,467,555**	105,041,346
Net assets per share (RO)	31 (b)	**0.229**	0.174

The financial statements were authorised for issue in accordance with a resolution passed by the Board of Directors on 21 February 2022.

Chairman Board of Directors

Director

The attached notes 1 to 38 form part of these financial statements.

Statement of profit or loss and other comprehensive income for the year ended 31 December 2021

(Expressed in Omani Rial)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Income			
Revenue	25	**39,560,459**	50,767,782
Operating costs	26	**(26,976,071)**	(36,384,283)
Gross profit		**12,584,388**	14,383,499
Other income	27	**1,236,612**	67,838
		13,821,000	14,451,337
Expenses			
General and administrative expenses	28	**(1,336,133)**	(1,283,709)
Impairment charge on property, plant and equipment	30	**-**	(22,629,603)
Profit /(Loss) from operations		**12,484,867**	(9,461,975)
Finance costs	29	**(2,274,478)**	(2,947,223)
Profit /(loss) before tax for the year		**10,210,389**	(12,409,198)
Income tax	19	**(1,537,087)**	1,856,404
Net profit /(loss) after tax and total comprehensive income /(loss) for the year		**8,673,302**	(10,552,794)
Basic and diluted earnings/(loss) per share (RO)	31 (a)	**0.054**	(0.066)

The attached notes 1 to 38 form part of these financial statements.

Statement of changes in shareholders' equity for the year ended 31 December 2021

(Expressed in Omani Rial)

	Share capital	Legal reserve	Special reserve	Retained earnings	Total
	RO	RO	RO	RO	RO
At 31 December 2019	16,000,000	5,333,333	85,555	17,031,972	38,450,860
Net loss after tax and total comprehensive loss for the year	-	-	-	(10,552,794)	(10,552,794)
At 31 December 2020	16,000,000	5,333,333	85,555	6,479,178	27,898,066
Net profit after tax and total comprehensive income for the year	**-**	**-**	**-**	**8,673,302**	**8,673,302**
At 31 December 2021	**16,000,000**	**5,333,333**	**85,555**	**15,152,480**	**36,571,368**

The attached notes 1 to 38 form part of these financial statements.

Statement of cash flows for the year ended 31 December 2021

(Expressed in Omani Rial)

	Notes	**Year ended 31 December 2021**	Year ended 31 December 2020
Operating activities			
Net profit/(loss) before tax for the year		**10,210,389**	(12,409,198)
Adjustments for:			
Depreciation	8	**6,604,232**	7,521,624
Amortisation of intangible assets	9	**80,191**	119,414
Amortisation of right-of-use assets	10	**22,285**	29,576
Amortisation of deferred financing costs	18	**235,874**	224,753
Accretion charge/ interest on provision for site restoration	20	**204,348**	159,185
Interest on lease liability	22	**41,685**	47,361
Provision for employees' benefit liabilities	21	**12,724**	11,722
Allowance for expected credit losses of cash and bank balances	27,28	**(8,972)**	15,589
Allowance for expected credit losses of trade and other receivables	27	**(6,553)**	(4,481)
Finance costs	29	**1,792,571**	2,515,924
Gain on right-of-use lease liability remeasurement	27	**-**	(27,569)
Written of property, plant and equipment	26	**810,421**	875,271
Impairment charge for property, plant and equipment	30	**-**	22,629,603
Working capital changes:			
Inventories	11	**169,090**	127,290
Trade and other receivables	12	**7,079,494**	858,788
Trade and other payables	23	**(7,317,244)**	(579,250)
Cash generated from operating activities		**19,930,535**	22,115,602
Payment of employee's benefit liabilities	21	**(19,147)**	-
Payment of income tax	19	**(3,895,314)**	(372,716)
Net cash generated from operating activities		**16,016,074**	21,742,886
Investing activities			
Purchase of property, plant and equipment	8	**(5,304,992)**	(5,117,244)
Net cash used in investing activities		**(5,304,992)**	(5,117,244)
Financing activities			
Finance costs paid		**(1,922,374)**	(2,631,163)
Repayment of long-term loan	18	**(11,899,076)**	(13,214,872)
Payment of lease liabilities	22	**(18,143)**	(3,000)
Net cash used in financing activities		**(13,839,593)**	(15,849,035)
Net (decrease)/ increase in cash and cash equivalents		**(3,128,511)**	776,607
Cash and cash equivalents, beginning of the year (gross)		**8,682,159**	7,905,552
Cash and cash equivalents, end of the year (gross)	13	**5,553,648**	8,682,159

Disclosure as required by IAS 7, "Statement of Cash Flows" has been shown in Note 38 to the 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, Industry and Investment Promotion. 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, through 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 Stock Exchange (MSX). The shares were listed on the MSX 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, Riyadh, 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 inter-connection facilities and other relevant infrastructure. The Company commenced its commercial operations from 11 June 2003.

The Board of Director have called for an Extra Ordinary General Meeting (EOGM) on 07 March 2022 to consider and approve to ammendment to the Company's name from "ACWA Power Barka SAOG" to "Barka Water and Power Company SAOG" and ammending the Company's Article of Association (AOA) to note the change to the Company's name.

Below are the major plants operated by the Company and their dates of commencement 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 with 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 Oman Power have been novated to Oman Power Water Procurement Company (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 Public Services Regulation ("APSR") (formerly Authority for Electricity Regulation - AER), Oman for a period of twenty-five years.

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

2 SIGNIFICANT AGREEMENTS (continued)

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

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

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 SAOC (BSFC) pursuant to the PWPA.

viii. Amendment Agreement to the PWPA with OPWPC for the extension period till 31 December 2021. The operation of the Power plant is in force majeure events which are accepted by the OPWPC. These events have resulted in the extension of the Power Plant contract period up to 09 February 2022.

ix. Second Amendment Agreement to the NGSA with the MEM 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.The Company is in the process of discussing and agreeing counter agreements based on ongoing discussion with OPWPC and potential bilateral agreement discussion and spot market scenarios.

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 Project Phase I and subsequent agreements thereon.

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

vi. Effective 16 September 2013, the APSR, Oman issued the modified existing generation and desalination license 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 2023. The Company is being informed by OPWPC on 02 February 2022 about the extension of SWRO's plant for a period of 23 months (including option to extend further by 9 months in three tranches of three months respectively). The Company is in the process of finalising the new/extension of this agreement for additional period for which the Company has received extension upto December 2023.

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):

i. WPA with OPWPC granting the Company the right to desalinate water in the 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.

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 APSR, 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 GOING CONCERN ASSUMPTION

The term of Power and Water Purchase Agreements (PWPA) in the Omani IWPP (IPP) market is typically 15 years. The Company signed its PWPA in November 2000 for a term of 15 years starting from the commercial operation date. The plant started its commercial operations in June 2003 and completed its initial 15-year term in April 2018. The Company also developed two Reverse Osmosis based SWRO plants which got operational in the years 2014 and 2016, respectively. The term of the Water Purchase Agreements (WPAs) for these two SWRO plants was co-terminus with expiry of the PWPA. In the year 2017, the Company entered into negotiation discussions with OPWPC and was able to secure extension of all its contracts until 31 December 2021. The operation of the power plant was subject to certain force majeure events which were accepted by OPWPC accordingly. These events resulted in extension of the power plant contract period up to 09 February 2022. However, the Company continues to pursue several initiatives to secure future contracts.

SWRO Plants - 2021 Request for Offer

The Company participated in the Request for Offer (RFO) process in the year 2021 to secure extension of its WPAs for its two Seawater Reverse Osmosis Plants and, accordingly, submitted its proposal to OPWPC. The Company has been being informed by OPWPC on 02 February 2022 that extension of its RO plants has been awarded for a period of 23 months (including an option to extend further for a period of 9 months in three tranches of three months respectively).

The Company has already agreed the form of Amendment Agreements which will be executed in February 2022. Further, the Company, based on discussions with OPWPC, also believes that it will be able to offer capacity of its SWRO plants in another procurement process which is expected to be launched by OPWPC in the year 2024 as the PWPA of another generator expires at that point in time.

3 GOING CONCERN ASSUMPTION (continued)

Power Plant - Spot Market

OPWPC aimed to launch the spot market with a view to further liberalise the Oman power sector and encourage further private participation. Alongside the contracted capacity market, the spot market presents an alternative option for the generators to supply power to the market, particularly for generators who do not have a long-term PPA with the off-taker. The spot market has recently completed its trial period (wherein the Company has also participated) and is functioning from January 2022 onwards. In February 2022, APSR has announced formal launch of spot market which is awaiting the regulations/guidelines as on date. The participants in the spot market are required to bid their variable costs, which will earn a scarcity payment which is a function of the supply-demand gap for capacity at any time.

The spot market price will comprise of two components:

(i) system marginal price paid per MWh according to the scheduled output in the market schedule; and

(ii) scarcity price paid per MWh available (even if the plant was not scheduled to run in the market schedule).

Power Plant - Bilateral Agreements / Ancillary Services

The Company is exploring options for entering into bilateral agreements with local industrial units. The APSR (Authority) has also indicated its willingness to collaborate on bilateral arrangements and is working on developing the formal framework to regulate such arrangements. These contracts are expected to enable the Company to provide the requisite electricity to industrial units at a lower cost than what those units are already paying. Over the last few months, the Company has maintained contact with these industrial units and has already discussed technical criteria. It is envisaged that once the Authority releases the legal framework in June 2022, the Company will be able to promptly negotiate commercial terms and engage into formal bilateral agreements.

OPWPC has stated that its intention to procure further power capacity starting in the year 2024. In the meantime, based on the discussions with the grid operator (OETC), there may be a need for ancillary services, or even dependable capacity as soon as spring/summer of 2022 starts, depending on the number of plants with an expiring PPA and who may participate in the spot market. The Company understands that there are certain system constraints based on which power units of plant continue to be dispatched. This demonstrates that the Company could be a preference for OETC to enter into ancillary services arrangements accordingly.

Power Plant - Power 2022

In April 2020, the Company submitted a bid to OPWPC for a new long-term Power Purchase Agreement (PPA) as part of the Power 2022 Procurement Process. There were three other power generation companies who also participated in this competitive bidding process. Unfortunately, the demand for power was adversely affected over last two years due to prevailing pandemic situation in the country, thereby, resulting in annulment of this process by OPWPC in the year 2021.

The Company still believes that it remains as a going concern as at 31 December 2021 for the following reasons:

i. On 02 February 2022, OPWPC informed the Company of the extension of the SWRO plant's contracts for a period of 23 months (with OPWPC's option to extend for an additional 9 months in three three-month tranches) has been awarded at full capacity (22.5MIGD). In February 2022, the WPA Amendment Agreements with OPWPC is executed on 03 February 2022;

ii. The Company has an option to operate its power units under recently implemented spot market;

iii. The Company is in discussions on the bilateral arrangements with certain industrial customers and is ready to finalise the agreements as soon as the regulatory framework is put in place by the Authority;

3 GOING CONCERN ASSUMPTION (continued)

iv. The SWRO Plants have a long remaining technical life and can be made available for any future contracted capacity requirements of the off-taker;

v. The Company is in on-going discussions with OPWPC and the Authority to identify viable operating options in future for the CCGT/ SWRO Plants; and

vi. The Company is confident that expected cash flows from above options will allow for negotiating a viable restructuring plan on its long term loan obligation prior to the next repayment date in April 2022.

The Company has successfully secured extension of its two WPAs and is also expected to generate revenues from its power plant in near future which reflects the going concern status of the Company. However, due to uncertainty in the power market, the level of cash generation may not be sufficient enough to cover the debt service payments in full. Considering this, the Company continues to engage with its lenders and, expects that, in the event the Company is not able to meet its upcoming debt payments, an agreement can be reached with the lenders to restructure its existing debt. In case no agreement is reached on such debt restructuring with the lenders and the Company is unable to obtain funding from other alternate sources, the existing lending agreements would allow the lenders to step in and take control of the project. Accordingly, the Company will continue to operate as going concern.

4 BASIS OF PREPARATION

(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 certain financial assets and liabilities. 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).

In accordance with Article 158 of the Regulations issued by the CMA, the internal audit unit should have a minimum of 2 auditors. At present the Company has only 1 full time internal auditor. The Company is in the process of appointing one more auditor.

In accordance with Article 179 of the Commercial Companies Law, the number of the members of the Board shall be comprised of an uneven number, however the Company had even number of board of directors as at 31 December 2021. The even number of members on the Board was for a very brief interim periods mainly due to timing difference between effective dates of resignations and replacements members joining the Board.

4 BASIS OF PREPARATION (continued)

(c) Adoption of new and revised IFRS / IAS 2020-2021 cycle

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 2021

The following new standards, amendments to existing standards or interpretations to published standards are mandatory for the first-time and have been adopted in the preparation of the financial statements for the year ended 31 December 2020:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
Amendments to IFRS 4, 7, 9 and 16	Interest Rate Benchmark Reform	1 January 2021
Amendments to IFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021	1 January 2021

Interest Rate Benchmark Reform (Amendments to IFRS 4, 7, 9 and 16)

The amendments provide temporary relief which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

a. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b. The reduction in lease payments affects only payments originally due on or before 30 June 2021; and

c. There are no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

4 BASIS OF PREPARATION (continued)

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic was continuing, as at 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. The Company has currently not received any COVID-19 related rent concessions, but intends to apply the practical expedient if it becomes applicable within allowed period of application.

Standards, amendments and interpretations issued but not yet effective in the year 2021

The following new/amended accounting standards and interpretations have been issued, but are not mandatory and have not been adopted in preparing the financial statements for the year ended 31 December 2021:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
Amendments to IAS 37	Onerous Contracts: Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 1, 9, 16 and IAS 41	Annual Improvements to IFRS 2018-2020	1 January 2022
Amendments to IFRS 3	References to Conceptual Framework	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The Company does not expect these standards issued by the IASB, but not yet effective, to have a material impact on the financial statements of the Company.

Early adoption of amendments or standards in the year 2021

The Company did not early-adopt any new or amended standards in the year ended 31 December 2021.

5 Implications of Covid 19

COVID-19 has interrupted the movement of people and goods throughout the world, as well as affecting the profitability and viability of many entities. Its effect may vary from one entity to another. Following is the assessment of impact of COVID 19 on the financial statements of the Company:

- The Company is protected against force majeure events and, accordingly, any impact to the business due to COVID-19 would be reimbursed from the off-taker. There was no material impact to the revenue stream of the Company as a result of the pandemic. However, certain delays in bringing either spare parts or relevant personnel necessary for urgent repairs, etc. occurred for which the Company has lodged claims and whihc are under review with the off-taker.
- There is no significant change in the Company's credit risk.

6 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 equivalents 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;
- 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, respectively.

(a) 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.

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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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); and
- 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.

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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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-months 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 provisioning matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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 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 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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

(b) 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 shareholders' 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 substantively 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.

(c) 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:

Particulars	**Number of Years**
Plant and machinery	30 – 35 Years
Tools	5 Years
Furniture, fixtures and office equipment	5 Years
Motor vehicles	5 Years
Capital spares	8 – 16 Years

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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 gains or losses 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 depreciation methods are reviewed, and adjusted prospectively, if appropriate, at each financial year-end.

(d) Intangible Asset

Intangible asset consists of computer software and it is stated at historical cost less accumulated amortisation and, any identified impairment loss. Amortisation is calculated on a straight-line basis over its estimated useful life which is expected to be five years.

(e) 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.

(f) 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.

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.

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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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.

(h) 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.

(i) 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.

(j) 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).

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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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. Where necessary, provision is made for obsolete, slow-moving and defective inventories.

(l) 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 in the year to which it relates.

(m) Revenue Policy

The Company's business is to supply power and water to its sole customer Oman Power and Water Procurement Company SAOC (OPWP) under long term Power and Water Purchase Agreement (PWPA) and Water Purchase Agreements (WPAs). Revenue from OPWP comprises of the following:

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

(a) Capacity charges

The PWPA and WPAs of the Company are operating lease arrangements and investment charge has been treated as containing a lease which conveys the right to use the underlying assets for a period of time in exchange of consideration. This component of revenue is recognised on straight line basis over the lease term to the extent that capacity has been made available based on contractual terms of PWPA/ WPAs.

(b) Output charges

Output charges are recognised as revenue upon delivery of electricity and water to the national grid which accrue over time when the customer accepts deliveries and there is no unfulfilled performance obligation that could affect the customer's acceptance of the product.

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.

(n) Provisions

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.

(o) 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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(p) Employees' benefit 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 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.

(q) 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.

(r) Foreign currency transaction

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).

(s) 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 fixed deposits with a maturity of less than three months from the date of placement, less bank overdrafts, to be part of cash and cash equivalents.

7 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES 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.

7 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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

(i) 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 values, 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 managements best estimates.

(ii) 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.

(iii) 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. Known material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern has been disclosed in Note 3 to the financial statements. Based on the reasons identified financial statements continue to be prepared on the going concern basis.

(iv) 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 continues to generate taxable profits from operations. Further, the Company assumes certain position in relation to the business in computing deferred tax. Changes in interpretations or business prospects may lead to adjustment in the financial statements in later years.

(v) 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 which 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 the Joint Operation.

7 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(vi) Provision for site restoration

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

(vii) 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.

(viii) 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.

8 PROPERTY, PLANT AND EQUIPMENT

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

31 December 2021	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 2021	215,803,496	110,063	700,941	138,483	3,894,083	491,002	221,138,068
Additions (e)	-	-	-	-	-	5,304,992	5,304,992
Transferred from capital work-in-progress (f)	5,795,994	-	-	-	-	(5,795,994)	-
Write-offs (i)	(1,557,842)	-	-	-	-	-	(1,557,842)
At 31 December 2021	220,041,648	110,063	700,941	138,483	3,894,083	-	224,885,218
Accumulated Depreciation and impairment							
At 1 January 2021	147,257,192	110,063	663,771	123,552	2,473,595	-	150,628,173
Depreciation charge for the year (j)	6,540,527	-	18,930	6,535	38,240	-	6,604,232
Write-offs (i)	(747,421)	-	-	-	-	-	(747,421)
At 31 December 2021	153,050,298	110,063	682,701	130,087	2,511,835	-	156,484,984
Net book amount							
At 31 December 2021	66,991,350	-	18,240	8,396	1,382,248	-	68,400,234

8 PROPERTY, PLANT AND EQUIPMENT (continued)

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

2020	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 2020	212,171,042	110,063	698,787	138,483	2,724,037	1,147,333	216,989,745
Additions	-	-	2,154	-	-	5,115,090	5,117,244
Transferred from capital work-in-progress	5,771,421	-	-	-	-	(5,771,421)	-
Transfer to capital spares (g)	(1,170,046)	-	-	-	1,170,046	-	-
Cost adjustment (h)	588,921	-	-	-	-	-	588,921
Write offs (i)	(1,557,842)	-	-	-	-	-	(1,557,842)
At 31 December 2020	215,803,496	110,063	700,941	138,483	3,894,083	491,002	221,138,068
Accumulated Depreciation and impairment							
At 1 January 2020	118,597,807	110,063	644,072	115,313	1,888,449	-	121,355,704
Impairment charge for the year	22,433,416	-	-	-	-	-	22,433,416
Depreciation charge for the year	7,411,411	-	19,699	8,239	82,275	-	7,521,624
Transferred to capital spares (g)	(502,871)	-	-	-	502,871	-	-
Write-offs (i)	(682,571)	-	-	-	-	-	(682,571)
At 31 December 2020	147,257,192	110,063	663,771	123,552	2,473,595	-	150,628,173
Net book amount							
At 31 December 2020	68,546,304	-	37,170	14,931	1,420,488	491,002	70,509,895

(c) In accordance with the terms of its PWPA, the Company had transferred its sea water intake / outfall facilities to BSFC under a joint operating 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 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.

(e) During the year, the Company capitalised RO 5,304,992 as capital work-in-progress (CWIP) relating to Gas Turbine (2) Life Extension Activity. Capitalisation during 2020 amounting to RO 5,115,090 related to Gas Turbine (1) Life Extension Activity and GT (2) Stator Repair Activity

8 PROPERTY, PLANT AND EQUIPMENT (continued)

(f) The Company transferred 2021: 5,795,994 (2020: RO 5,771,421) related to GT (1) from CWIP to plant and machinery after completion of Gas Turbine 2 Life Extension Activity. The activity was completed, tested and turbine was back in service since 31 March 2021. Useful life of the Extension Activity is estimated to be 17 years.

(g) Transfer to capital spares related to machinery parts that were replaced during Gas Turbine 1 Life Extension Activity the year during 2020. These parts after refurbishment would be used in the future and, therefore, re-classified as capital spares.

(h) The Company reassessed site restoration liability (Note 20) as at 31 December 2021 and the difference between the carrying value of liability and revised liability were incorporated as an adjustment to the carrying value of the asset as required under IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. Increase in the asset value was RO 588,921 which included the Company's share of Joint Operation asset (RO 13,421).

(i) Carrying value of the machinery parts that were replaced as part of the Gas Turbine 2 Lifetime Extension Activity amounting to RO 810,421 have been written-off. These assets have completed their technical useful life which necessitated the write-off. Similar write-off in relation to Gas Turbine 1 Lifetime Extension Activity took place in the year 2020 and amounted to RO 875,271.

(j) The depreciation charge has been allocated in the statement of profit or loss as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
	RO	RO
Operating costs (Note 26)	**6,578,767**	7,493,686
Administrative expenses (Note 28)	**25,465**	27,938
	6,604,232	7,521,624

(k) The Company recognised an accelerated depreciation of RO 2,054,519 for the year 2020 due to change in residual value and lifetime of the plants as described below:

(i) Residual value reassessment

The Company engaged an independent international expert to reassess the Residual Values (RV) of its plants and changes to the RVs incorporated as required by IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. Reassessment resulted in an increase in RV of certain assets although decreased the same of other assets.

(ii) Lifetime reassessment

During the year 2020, the Company reassessed the lifetime of its different plants based on an internal technical and economic review. This study reveals, based on latest economic realities, that though plants have higher technical life, their economic life is getting shorter with the introduction of new technology for the same category of assets and also entrant of more cost and energy efficient alternatives to the market. Accordingly, the Power Plant life was changed from 40 years to 35 years. Other plants did not require change to their lifetime.

(iii) Impact of lifetime change has been incorporated as required by IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors in the year 2020.

(l) Depreciation charge for property, plant and equipment includes depreciation of RO 8,732 (2020: RO 7,051) related to the additional assets of BSFC and RO 8,415 (2020: RO 7,819) related to site restoration asset of BSFC both of which are accounted as Joint Operator's share of BSFC and within the category of operating costs.

9 INTANGIBLE ASSETS

31 December 2021	Computer software
Cost	
At 1 January 2021 and 31 December 2021	**432,976**
Accumulated amortisation	
At 1 January 2021	**299,792**
Charge for the year (Note 26)	**80,191**
At 31 December 2021	**379,983**
Net book amount	
At 31 December 2021	**52,993**

During the year, the Company did not internally generate or acquire any new intangible assets.

31 December 2020	
Cost	
At 1 January 2020 and 31 December 2020	432,976
Accumulated amortisation	
At 1 January 2020	124,813
Charge for the year (Note 26)	119,414
Impairment (Note 30)	55,565
At 31 December 2020	299,792
Net book amount	
At 31 December 2020	133,184

10 RIGHT-OF-USE ASSETS

31 December 2021	Leasehold land
Cost	
At 1 January 2021 and	
At 31 December 2021	**654,977**
Accumulated amortisation	
At 1 January 2021 and	**199,774**
Amortisation charge for the year (Note 26)	**22,285**
At 31 December 2021	**222,059**
Net carrying amount	
At 31 December 2021	**432,918**

10 RIGHT-OF-USE ASSETS (continued)

31 December 2020	Leasehold land
Cost	
At 1 January 2020	758,229
Adjustment (Note 22 (a))	(103,252)
At 31 December 2020	654,977
Accumulated amortisation	
At 1 January 2020	29,576
Amortisation charge for the year (Note 26)	29,576
Impairment (Note 30)	140,622
At 31 December 2020	199,774
Net carrying amount	
At 31 December 2020	455,203

(a) The amortisation has been charged to operating costs (Note 26).

(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 2019, the Company 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, a 3% annual escalation has been assumed 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 liabilities 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 amortisation as at the statement of financial position date amounts to RO 48,087 (2020: RO 48,087) and RO 5,770 (2020: RO 3,847), respectively.

(e) Depreciation charge for the year includes RO 1,923 (2020: RO 1,923) accounted as Joint Operator's share of the BSFC.

11 INVENTORIES

	31 December 2021	31 December 2020
Consumable spare parts	**3,890,377**	3,954,168
Fuel oil	**674,595**	745,642
Chemicals	**49,685**	83,937
	4,614,657	4,783,747
Provision for obsolescence	**-**	-
	4,614,657	4,783,747

Based on the annual assessment carried out by the management, no provision for obsolescence was considered necessary (31 December 2019: RO Nil).

12 TRADE AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
Trade receivables	**8,058,239**	18,098,721
Material adverse change claim receivable from OPWPC (Note 25 (a))	**2,364,094**	1,900,851
Other receivables	**2,565,961**	64,545
Advances and deposits to suppliers	**2,000**	3,765
Due from related parties (Note 24)	**3,264**	13,276
Staff advances	**629**	5,310
Financial assets assessed for ECL (gross)	**12,994,187**	20,086,468
Less: provision for expected credit losses (e)	**(14,433)**	(20,986)
Financial assets assessed for ECL (net)	**12,979,754**	20,065,482
Prepayments	**439,968**	427,265
	13,419,722	20,492,747

(a) The carrying values of trade and other receivables 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 8,058,239 (2020 – RO 18,098,721) are due from OPWPC, 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. 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 provisioning matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The key inputs to the measurement of ECL are the term structure of the following variables: i) Probability of Default (PD); ii) Loss Given Default (LGD) and; iii) Exposure at Default (EAD). The forward-looking information includes the elements such as macro-economic factors (e.g. unemployment, GDP growth, inflation and house prices) and economic forecasts obtained through internal and external sources.

During the year 2020, the Company secured an independent expert advice and was of the view that gas component of revenue need not be included for ECL purposes as the settlement by OPWPC and settlement to Ministry of Energy & Minerals (MEM) are back-to-back arrangements representing the same Government. In December 2020, the Company entered into a net settlement agreement between OPWPC and MEM for years 2019 and 2020 gas component where either OPWPC settled to the Company or the Company settled to MEM based on its own monthly liability position under respective PWPA/ NGSA.

Gas component as at 31 December 2021 is being settled based on this original back-to-back arrangement. Considering expert advice and above highlighted events the Company did not consider gas component of RO 4,632,898 (Note 23) while evaluating ECL provision for the year ended 31 December 2021.

12 TRADE AND OTHER RECEIVABLES (continued)

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

	31 December	31 December
	2021	2020
Opening balance	**20,986**	25,467
(Reversal)/ charge for the year (Note 27)	**(6,553)**	(4,481)
Written-off during the year	**-**	-
Closing balance	**14,433**	20,986

(g) The aging analysis of gross 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 2021	**8,058,239**	**3,181,761**	**4,028,266**	**848,212**
31 December 2020	18,098,721	6,090,850	6,963,035	5,044,836

(h) 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.

13 CASH AND BANK BALANCES

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

	31 December	31 December
	2021	2020
Cash on hand	**1,301**	127
Current account balances with banks	**5,552,347**	5,682,032
Call deposit	**-**	3,000,000
Cash and bank balances (gross)	**5,553,648**	8,682,159
Less: provision for expected credit losses (a)	**(6,617)**	(15,589)
Cash and bank balances (net)	**5,547,031**	8,666,570

(a) Bank balances are placed with reputed financial institutions. ECL provision recognised on bank balances as at 31 December 2021 is RO 6,617 (2020: RO 15,589).

(b) The current account balances with banks are non-interest bearing and are denominated in RO.

(c) The call deposit which has been placed with a commercial bank in the Sultanate of Oman is unsecured and earns interest at varying rates ranging between 1.00% and 1.25% per annum (2020: ranging between 1.00% and 1.25% per annum).

14 SHARE CAPITAL

Authorised share capital	31 December 2021	31 December 2020
Ordinary shares of RO 0.100 (2020: RO 0.100) each	**1,000,000,000**	1,000,000,000

Issued and fully paid-up share capital	31 December 2021	31 December 2020
Ordinary shares of RO 0.100 (2019: RO 0.100) each	**160,000,000**	160,000,000

A break-down of the share capital as at 31 December 2021 and 31 December 2020 is as follows:

Name of the members	Percentage shareholding 2021	Amount 2021	Percentage shareholding 2020	Amount 2020
ACWA Power Barka Project LLC	**58.0**	**9,280,000**	58.0	9,280,000
Civil Services Pension Fund, Oman	**14.1**	**2,256,000**	14.1	2,256,000
Ministry Of Defence	**9.6**	**1,536,000**	-	-
Others	**18.3**	**2,928,000**	27.9	4,464,000
	100.0	**16,000,000**	100.0	16,000,000

15 LEGAL RESERVE

In accordance with Article 132 of the Commercial Companies Law of the Sultanate of Oman, 10% of the Company's net profit 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 2021, no transfer has been made, as the legal reserve has already reached the statutory minimum limit of one-third of the share capital (2020: RO Nil).

16 SPECIAL RESERVE

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

17 DIVIDENDS

During the year, no dividend was declared to the shareholders (2020: RO Nil).

18 LONG-TERM LOAN

	31 December 2021	31 December 2021
Loan from banks	**24,131,741**	36,030,817
Less: unamortised transaction costs	**(186,552)**	(422,426)
	23,945,189	35,608,391
Current portion	**12,027,095**	11,899,076
Non-current portion	**11,918,094**	23,709,315
	23,945,189	35,608,391

18 LONG-TERM LOAN (continued)

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

	31 December 2021	31 December 2020
Opening balance	**36,030,817**	49,245,689
Repaid during the year	**(11,899,076)**	(13,214,872)
Closing balance	**24,131,741**	36,030,817

(b) 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 31 October 2021 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 31 October 2021 and to be reviewed thereafter	31 October 2024
4	RO	24,921,292	6.25% fixed until 31 October 2024	31 October 2024

Tranche A2 facility was fully repaid on 31 October 2020.

(c) The repayment schedule, before deduction of loan transaction costs, is as follows:

	31 December 2021	31 December 2020
Payable within one year	**12,027,095**	11,899,076
Payable between 1 and 2 years	**4,654,864**	12,027,096
Payable between 2 and 5 years	**7,449,782**	12,104,645
Payable after 5 years	**-**	-
	24,131,741	36,030,817

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

(e) The movement in unamortised transaction costs is as follows:

	31 December 2021	31 December 2020
Opening balance	**422,426**	647,179
Amortised during the year (note 29)	(235,874)	(224,753)
Closing balance	186,552	422,426

(f) The Company has received consent from the bank on the waiver request on certain loan covenants which need to be submitted by 10 March 2022.

19 TAXATION

(a) Current tax

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

Statement of profit or loss	Year ended 31 December 2021	Year ended 31 December 2020
Tax charge (net)	1,948,015	2,118,493
Deferred tax	(410,928)	(580,457)
Deferred tax on impairment charge of plant and equipment	-	(3,394,440)
	1,537,087	(1,856,404)

Statement of financial position	31 December 2021	31 December 2020
Non-current liabilities:		
Deferred tax		
Closing balance	5,503,264	5,914,192
Current liabilities:		
Current year	1,948,015	2,118,493
Prior year	7,064,795	8,841,616
At reporting date	9,012,810	10,960,109
Deferred tax liabilities:		
Opening balance	5,914,192	9,889,089
Movement for the year	(410,928)	(3,974,897)
Closing balance	5,503,264	5,914,192

	31 December 2021	31 December 2020
Provision for income tax		
Opening balance	10,960,109	9,214,332
Charge for the year	1,948,015	2,118,493
Payments during the year	(3,895,314)	(372,716)
Closing balance	9,012,810	10,960,109

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

	Year ended 31 December 2021	Year ended 31 December 2020
Net profit / (loss) before tax for the year	10,210,389	(12,409,198)
Tax at statutory tax rate of 15% (2020: @15%)	1,531,558	(1,861,380)
Tax effect of items non-deductible for tax purposes	5,529	4,976
Income tax (reversal) / expense for the year	1,537,087	(1,856,404)

19 TAXATION (continued)

(b) Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2020 – 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 2021	Charge / (reversal) to statement of profit or loss	At 31 December 2021
Assets			
Provision for site restoration expenses	(505,053)	(30,649)	(535,702)
ECL provision	(5,486)	2,329	(3,157)
Income tax losses available for carry forward	(4,406)	4,389	(17)
Lease liability - right-of-use assets	(105,297)	(3,531)	(108,828)
Liabilities			
Property, plant and equipment	6,037,129	(357,762)	5,679,367
Right of-use assets	68,281	(3,343)	64,938
Decommissioning/ site restoration asset	429,024	(22,361)	406,663
	5,914,192	(410,928)	5,503,264

	At 1 January 2020	Charge / (reversal) to statement of profit or loss	At 31 December 2020
Assets			
Provision for site restoration expenses	(392,836)	(112,217)	(505,053)
Expected Credit Loss provision	(3,820)	(1,666)	(5,486)
Income tax losses available for carry forward	(8,848)	4,442	(4,406)
Lease liability - right-of-use assets	(118,266)	12,969	(105,297)
Liabilities			
Property, plant and equipment	9,948,052	(3,910,923)	6,037,129
Right of-use assets	109,299	(41,018)	68,281
Decommissioning/ site restoration asset	355,508	73,516	429,024
	9,889,089	(3,974,897)	5,914,192

(i) 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 as on 31 December 2020 at BSFC of which 50% share is recognised in the Company's financial statements as on 31 December 2020.

(c) Status of tax assessments

(c.1) Prior to tax year 2009

The assessments are completed up to tax year 2009 with no pending matters with the Tax Authority or Commercial Courts.

19 TAXATION (continued)

(c) Status of tax assessments (continued)

(c.2) Tax Years 2010 to 2012

The Company has lodged an Appeal with the Income Tax Grievance Committee to claim: a) indefinite carry forward of tax losses incurred during the exemption period of five years from commercial operations date and b) reversal of additional tax levied for the Tax Years 2011 and 2012. The decision from the Committee is awaited.

(c.2) (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 on 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 believes that position taken by TA has turned an incentive given under the RD 54/2000 into a disincentive. The impact of this ruling was an increase in income tax liability of the Company by RO 4,704,964 which was recognised in the financial statements for the year ended 31 December 2017.

Consequent to the judgment of the Supreme Court for 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 and raised a tax demand of RO 2,204,624 for the tax years 2011 and 2012. The Company settled this tax demand accordingly.

In the year 2019, the Supreme Court issued its judgment issued in case of another Power Company (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 Supreme Court judgment issued in case of that Power Company subject to same Royal Decree reflects the correct and final interpretation of the Law and should be applied in its case as well.

(c.2) (b) Additional tax

During the year 2019, 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. The Company believes that 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 the demand notice earlier, which was considered as cancelled based on favourable ruling of the Appeal Court. The Company's position is that tax liability for the subject years was payable only when once the order giving effect to the Supreme Court judgment (for certain other tax years) was issued reversing the ruling of the Appeal Court and not from the date of the original order. The Company believes that it has complied with the tax laws on a timely basis.

(c.3) Tax Year 2013

At the end of 2019, the Company received an assessment order for the Tax Year 2013 assessing an additional tax payment of RO 372,716. The Company filed an objection in February 2020 along with a request to keep the tax demand raised in the order in abeyance which was rejected by the TA. Consequently, the Company settled this demand prior to lodging an Appeal against the rejection of the objection. The Company filed the Appeal on the same grounds claiming tax losses incurred during the exempt period (refer C.2 (a) above for Tax Years 2010-2012). During the year 2021, TA re-assessed tax return for year 2013 and made corrections previously highlighted by the Company in good faith. Consequently, TA demanded additional tax liability of RO 1,286,696 which was settled by the Company. As the assessment was revised, objection submitted by the Company in the year 2020 was nullified and revised objection was filed on the same grounds.

19 TAXATION (continued)

(c) Status of tax assessments (continued)

(c.4) Tax Years 2014 – 2016

In December 2020, TA issued assessment orders for the Tax Years 2014 to 2016 and raised a demand of RO 2,608,618 which was settled by the Company during the year 2021. The Company already had provided for this liability in its financial statements. The Company, with the advice of its tax consultant, filed an objection on the same grounds claiming tax losses incurred during the exempt period (refer C.2 (a) above for Tax Years 2010-2012).

(c.5) Tax Years 2017 – 2020

The Company has already submitted assessment response for the Tax Year 2017 and the assessment is pending to be closed. Further, the Company is in process of compiling the requested information for the Tax years 2018-2020.

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

20 PROVISION FOR SITE RESTORATION

	31 December 2021	31 December 2020
Opening balance	**3,367,014**	2,618,909
Remeasurement adjustments for the year	**-**	588,920
Accretion charge/ interest for the year (Note 29)	**204,348**	159,185
Closing balance	**3,571,362**	3,367,014

Plants are constructed on leasehold lands (including seawater facility – Joint Operation) taken from Ministry of Housing under the respective Usufruct Agreements which are originally given for a period of 25 years, with the Company having the right to renew for another period of 25 years. These contracts require decommissioning and restoration of land at the end of their respective contract terms.

An independent reassessment of site restoration obligation was performed as at 31 December 2020 and the difference between carrying amount and the revised liability was recognised as remeasurement adjustment for the year against the carrying value of corresponding assets. Total remeasurement impact of RO 588,920 included the Company's share of the Joint Operation (BSFC) which is RO 13,421. In line with the useful life revision performed for the Power Plant (as detailed in Note 8), the remeasurement considered revised restoration date cash flows in reassessing the liability.

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 reassess the site restoration provision required as at 31 December 2020, the Company and BSFC engaged the same international expert who previously assessed the liability and has extensive experience in performing similar exercises. Reassessment difference relates to escalation rate used (3.5% vs 3%) in projecting future expenses and in the case of Power Plant component relates to revision to the liability maturity period.

The Company has recognised accretion charge of RO 16,292 (31 December 2020: RO 14,348) in relation to BSFC site restoration liability. Above recognised balance includes Joint Operator share of the BSFC site restoration liability with a carrying value of RO 249,034 (31 December 2020: RO 232,742).

21 EMPLOYEES' BENEFIT LIABILITIES

	31 December 2021	31 December 2020
Opening balance	87,111	75,389
Provision for the year (Note 28)	12,724	11,722
Payments made during the year	(19,147)	-
Closing balance	80,688	87,111
Number of employees	2	2

22 LEASE LIABILITIES

	31 December 2021	31 December 2020
Opening balance	701,979	788,438
Additions	-	-
Remeasurement adjustment (a)	-	(130,820)
Interest expense (Note 29)	41,685	47,361
Lease payments	(18,143)	(3,000)
Closing balance	725,521	701,979

Operating lease payments under the Usufruct Agreements are as follows:

	31 December 2021	31 December 2020
Within 1 year	8,353	15,344
Within 2 - 5 years	109,684	48,329
More than 5 years	1,256,649	1,329,136
	1,374,686	1,392,809
Less: implicit finance costs	(649,165)	(690,830)
Present value of lease payments	725,521	701,979

Lease liabilities as at the reporting date is classified as follows:

	31 December 2021	31 December 2020
Current portion	8,353	15,344
Non-current portion	717,168	686,635
	725,521	701,979

(a) As at 31 December 2020, the Power Plant lease liability was remeasured due to the revision of useful life (from 40 years to 35 years) as disclosed in Note 8 to the financial statements. Correspondingly a downward revision of the remaining lease period resulted in a lower carrying value of the liability by RO 130,821 than what was recognised at the statement of financial position date. Similar revision to remaining life of the asset resulted in a derecognition of the right-of-use asset by RO 103,252. Accordingly, the difference between decrease in lease liability and decrease in carrying value of the asset amounting to RO 27,569 was recognised as a gain on remeasurement of lease liability within other income (Note 27) in the financial statements.

(b) Lease liability as at the statement of financial position date include 50% share of the lease liability of BSFC which amounts to RO 57,189 (2020: RO 53,447). The component of interest expense recognised for the year in relation to BSFC is RO 3,741 (2020: RO 3,529). The Company's share of the lease payment for the year amounts to RO Nil (2020: RO 1,000).

23 TRADE AND OTHER PAYABLES

	31 December 2021	31 December 2020
Trade payables	5,603,480	15,696,747
Amounts due to related parties (Note 24)	6,529,129	3,605,567
Accrued and other expenses	924,744	1,202,170
	13,057,353	20,504,484

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

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

In December 2020 the Company entered in to a net settlement agreement between OPWPC and MEM through which gas cost payable of RO 15,638,049 was offset against the receivable from OPWPC. A similar arrangement is expected to take place for offsetting receivable and payable amounting to RO 4,632,898 (Note 12) for the year 2021.

24 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:

	31 December 2021		31 December 2020	
	Services rendered	Services received	Services rendered	Services received
	RO	RO	RO	RO
Related parties	102,788	18,778,441	106,668	16,583,516

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

Due to related parties:	Nature of relationship	31 December 2021	31 December 2020
ACWA Power Barka Services 1 (Mauritius) Limited	Group entity	244,909	319,922
ACWA Power Barka Services 2 (Mauritius) Limited	Group entity	244,909	319,922
ACWA Power Oman LLC	Group entity	4,372	-
ACWA Power Barka Project LLC	Group entity	-	
Ad-Dhahirah Generating Company SAOC	Group entity	-	-
ACWA Power Global Services LLC		-	-
Barka Seawater Facilities Company SAOC, Oman	Joint Operation	90,080	61,916
Dhofar Desalination Company SAOC, Oman		23	-
Dhofar Generating Company SAOC		-	-
International Company for Water and Power Projects - Saudi Arabia	Group entity	37,392	31,142
International Company for Water and Power Projects - (Dubai)	Group entity	-	-
First National Company for Operation and Maintenance Services LLC, Oman	Group entity	5,907,444	2,872,665
		6,529,129	3,605,567

24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Due to related parties:	Nature of relationship	31 December 2021	31 December 2020
Due from related parties:			
ACWA Power Barka Services 1 (Mauritius) Limited		-	-
ACWA Power Barka Services 2 (Mauritius) Limited		-	-
ACWA Power Oman LLC, Oman	Group entity	-	210
ACWA Power Barka Project LLC, Oman	Group entity	2,478	10,958
Ad-Dhahirah Generating Company SAOC		-	-
ACWA Power Global Services LLC, Oman	Group entity	786	2,108
Barka Seawater Facilities Company SAOC		-	-
Dhofar Desalination Company SAOC		-	-
Dhofar Generating Company SAOC		-	-
International Company for Water and Power Projects - (Riyadh)		-	-
International Company for Water and Power Projects - (Dubai)	Group entity		
NOMAC Oman		-	-
		3,264	13,276

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.

Compensation of key management personnel

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

	Year ended 31 December 2021	Year ended 31 December 2020
Short-term benefits	292,956	282,964
Employees' benefit liabilities	20,198	20,064
	313,154	303,028
Directors' sitting fees	20,400	25,600
Directors' remuneration	28,721	-

25 REVENUE

	Year ended 31 December 2021	Year ended 31 December 2020
Revenue from contracts with customers		
Capacity charges – electricity	**6,984,269**	7,360,958
Capacity charges – water	**6,998,222**	6,889,730
Energy charge – electricity	**5,533,641**	15,768,098
Output charge – water	**2,230,601**	1,893,694
Material adverse change event revenue (a)	**446,821**	485,567
	22,193,554	32,398,047
Revenue from lease contracts		
Capacity charges – electricity	**11,181,743**	12,009,985
Capacity charges – water	**6,185,162**	6,359,750
Deferred revenue adjustment for straight-line basis recognition:		
Capacity charges – electricity	**-**	-
Capacity charges – water	**-**	-
	17,366,905	18,369,735
Total	**39,560,459**	50,767,782

(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 (Note 12).

(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 leases in the aggregate and for each of the following years is as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Operating lease arrangement - lessor		
Future minimum lease payments:		
Within one year	**-**	18,728,836
After one year but not more than five years	**-**	-
	-	18,728,836

26 OPERATING COSTS

	Year ended 31 December 2021	Year ended 31 December 2020
Operation and maintenance fee – NOMAC Oman (a)	**9,472,236**	8,922,583
Depreciation of property, plant and equipment (Note 8-j)	**6,578,767**	7,493,686
Natural gas	**4,806,232**	15,353,244
Electricity back-up maintenance	**2,336,179**	785,874
Operating and technical services fee	**1,865,087**	1,972,172
Write-off of property, plant and equipment (Note 8-i)	**810,421**	875,271
Insurance	**718,526**	700,569
Repairs and maintenance	**215,101**	118,961
Amortisation of intangible assets (Note 9)	**80,191**	119,414
Fuel oil	**71,046**	12,933
Amortisation of right of-use-assets (Note 10)	**22,285**	29,576
	26,976,071	36,384,283

(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. In addition, the Company has accrued certain expenses in relation to the termination of the PWPA / WPAs of RO 825,269 as at 31 December 2021. 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.

27 OTHER INCOME

	Year ended 31 December 2021	Year ended 31 December 2020
Interest income	**45,644**	35,788
Other income (Note 22 (a))	**-**	27,569
Reversal of ECL on trade receivables (Note 12)	**6,553**	4,481
Reversal of ECL on bank balances (Note 13)	**8,972**	-
Profit on Insurance claims (a)	**1,175,443**	-
	1,236,612	67,838

(a) The Company has recognised the insurance claim of RO 1,175,443 for the business interruption due to technical failures which occurred on 18 June 2020 in Gas Turbine Generator of its power plant.

28 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2021	Year ended 31 December 2020
Salaries and allowances	**721,188**	624,500
Legal and professional charges	**305,462**	350,457
Fees and subscription	**120,430**	119,770
Directors' remuneration and sitting fees (Note 24)	**49,121**	25,600
Communication	**36,419**	40,092
Depreciation on property, plant and equipment (Note 8-j)	**25,465**	27,938
Security and agency fees	**19,255**	19,255
Contribution to social insurance	**17,616**	16,763
Employees' benefit liabilities (Note 21)	**12,724**	11,722
Corporate social responsibility expenses	**7,787**	18,375
Repairs and maintenance	**6,884**	3,372
Miscellaneous expenses	**6,460**	2,029
Loss on exchange(net)	**2,558**	463
Training	**2,936**	4,298
Travel	**923**	1,703
Advertisement	**500**	500
Events and office supplies	**405**	1,089
Printing and stationery	**-**	194
Provision for ECL on bank balances (Note 13)	**-**	15,589
Total	**1,336,133**	1,283,709

29 FINANCE COSTS

	Year ended 31 December 2021	Year ended 31 December 2020
Interest on long-term loan	**1,791,373**	2,492,805
Amortisation of financing costs (Note 18)	**235,874**	224,753
Accretion charge/ interest on provision for site restoration (Note 20)	**204,348**	159,185
Interest on lease liability - right of use assets (Note 22)	**41,685**	47,361
Commitments/administration fees	**1,198**	14,846
Interest on working capital finance	**-**	8,273
	2,274,478	2,947,223

30 IMPAIRMENT CHARGE FOR PROPERTY, PLANT AND EQUIPMENT

(a) Power Plant

Based on the outcome of the Request for Offer bidding process, the Company was not able to secure extension of its Power Purchase Agreement ('PPA") for its Power Plant beyond December 2021. Accordingly, the management had identified this as an impairment indicator for its power plant and, accordingly, during the year ended 31 December 2020, the Company had recorded an impairment charge amounting to RO 17.7 million on the main power plant.

In the current year, the Company has received formal confirmation from OPWPC through a letter dated 21 October 2021 about the Annulment of Power 2022 procurement process and, currently, the operation of this plant is subject to certain force majeure events which were accepted by OPWPC. Accordingly, this has resulted in a contract extension up to 09 February 2022. Further, OPWPC has launched spot market mechanism, which is anticipated to go live from February 2022 onwards. The Company has participated in trial period. Accordingly, considering the annulment of Power 2022 procurement process and uncertainties about the outcome of spot market, the Company has identified it as an impairment indicator and performed an impairment assessment.

Accordingly, the management hired an International Reputed Consultancy Firm based in Madrid (Spain), to assess the Oman market situation and provide an estimate of the NBV of the Main Power Plant, which has been used for the Impairment analysis purposes. Independants consulatant approach and results have been summarised in their report.

Based on Independent consultant report, the management has estimated the recoverable amount of the Power Plant and concluded that no need for the additional impairment is not considered necessary as the carrying amount of the cash-generating unit (i.e. in the power plant) does not exceed the recoverable amount. Total carrying value of Power Plant is RO 45.23 million compared with its recoverable value of RO 47.29 million. Further, considering the conservative approach as well as uncertainties about the future outlook of Oman's spot market, management has not reversed the impairment of RO 2.06 million. However, this assessment is subject to revision and reassessment of the factual parameters used by the Company and once the spot market regulations / tariffs are published by the regulator.

(b) SWRO Plants

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. Accordingly, the management had identified this as an impairment indicator for its SWRO Plants in the year 2020 and recognised an impairment charge amounting to RO 1.7 million on SWRO1 and RO 3.1 million on SWRO2 in the year ended 31 December 2020.

The Company has been informed by OPWPC on 02 February 2022 about the extension of the SWRO's Plant's for a period of 23 months (including option to extend further by 9 months in three tranches of three months respectively) has been awarded. Therefore, considering the above facts, management has performed an impairment assessment and internally estimated the recoverable amount for SWRO Plant-1 and SWRO Plant-2 based on value-in-use computation and, concluded that,there is no need for additional impairment as the carrying amount of the cash-generating unit (SWRO1 and SWRO 2 plant) does not exceed its recoverable amount.

In the calculation of value-in-use for the years 2022 and 2023, management has considered tariff rates based on the letter awarded by OPWPC on 02 February 2022 for the extension of SWRO's Plant for the period of 23 months. Further, the management has considered discounted tariff (Barka V proposal) from the period 2024 to 2043.

Total carrying value is RO 10.40 million for SWRO -1 plant and RO 13.80 million for SWRO -2 and the recoverable value is RO 11.21 million for SWRO -1 and RO 14.01 million for SWRO -2. However, considering the conservative approach and uncertainties about the further extension of WPA agreements, management has not reversed the impairment reversal of RO 0.81 million for SWRO -1 and RO 0.21 million for SWRO -2. However, the tarriffs for the period 2024 to 2043 are subject to revision and reassessment once the final tariffs are agreed with the OPWPC.

30 IMPAIRMENT CHARGE FOR PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Power Plant and SWRO

The Company has assessed its future cashflows from each cash generating unit and carried out an impairment exercise as at 31 December 2021 as required by IAS 36 "Impairment of Assets". Future cashflows were discounted and impairment testing was performed. 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 are expected to be realised by the Company. All future cash flows were based on management's best estimate discounted at a post-tax discount rate of 7.57% (2020: 7.6%) in assessing the Net Present Value (NPV) of future cash flows.

Further, reassessment of the main power plant and SWRO plants will be carried out by end of the financial year 2022 as part of the standard annual impairment assessment process, wherein detailed information will be available to validate / revisit the assumptions used for the impairment assessment.

Based on the conditions and the assessment, as explained in point (a) and (b) above, the Company has recognised impairment of RO Nil (2020: RO 22,629,603) in the financial statements as at 31 December 2021

A summary of the impairment assessment of impaired assets is disclosed below:

	Year ended 31 December 2021	Year ended 31 December 2020
Recoverable value		
Power Plant	**47,290,524**	42,595,550
RO1 Water Plant	**11,209,415**	10,845,155
RO2 Water Plant	**14,011,769**	14,388,935
Total	**72,511,708**	67,829,640
Carrying value		
Power Plant	**45,233,898**	60,367,568
RO1 Water Plant	**10,402,181**	12,549,517
RO2 Water Plant	**13,801,541**	17,542,158
Total	**69,437,620**	90,459,243
Impairment charge		
Power Plant	**-**	17,772,018
RO1 Water Plant	**-**	1,704,362
RO2 Water Plant	**-**	3,153,223
Total impairment charge	**-**	22,629,603

Considering the uncertainties about the future outlook of Oman's spot market and uncertainties about the further extension of the WPA agreements, management has not reversed the total impairment of RO 3.07 million.

30 IMPAIRMENT CHARGE FOR PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment charge was allocated to individual non-current assets proportionate to their carrying values as below:

	Year ended 31 December 2021	Year ended 31 December 2020
Power Plant	-	17,607,023
RO1 Water Plant	-	1,700,835
RO2 Water Plant	-	3,125,558
Property Plant and Equipment (Note 8)	-	22,433,416
Intangible assets (Note 9)	-	55,565
Right-of-use assets (Note 10)	-	140,622
Impairment charge	-	22,629,603

31 (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.

	Year ended 31 December 2021	Year ended 31 December 2020
Net profit/(loss) for the year (RO)	**8,673,302**	(10,552,794)
Weighted average number of ordinary shares issued and outstanding during the year (number)	**160,000,000**	160,000,000
Basic profit / (loss) earnings per share (RO)	**0.054**	(0.066)

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.

31 (b) NET ASSETS PER SHARE

Net assets per share is calculated by dividing the shareholders' funds at the end of the year by the weighted average number of shares issued and outstanding as follows:

	31 December 2021	31 December 2020
Shareholders' funds (RO)	**36,571,368**	27,898,066
Weighted average number of ordinary shares issued and outstanding during the year (number)	**160,000,000**	160,000,000
Net assets per share (RO)	**0.229**	0.174

32 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 year.

Reportable segments

At 31 December 2021, 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 RO 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 2021	**Base Plant**	**Expansion Plants**	**Total**
Revenue	**29,316,815**	**10,243,644**	**39,560,459**
Natural gas	**4,609,973**	**196,259**	**4,806,232**
Operation and maintenance fees – NOMAC Oman	**6,429,082**	**3,043,154**	**9,472,236**
Depreciation on property, plant and equipment	**5,554,191**	**1,024,576**	**6,578,767**
Interest on long-term loan	**642,487**	**1,148,886**	**1,791,373**
Operating costs	**17,235,733**	**5,412,875**	**22,648,608**
	7,096,594	**3,113,795**	**10,210,389**

Segment profit before income tax Year ended 31 December 2020	**Base Plant**	**Expansion Plants**	**Total**
Revenue	40,760,741	10,007,041	50,767,782
Natural gas	14,731,725	621,519	15,353,244
Operation and maintenance fee – NOMAC Oman	5,995,830	2,926,753	8,922,583
Depreciation on property, plant and equipment	6,275,564	1,218,122	7,493,686
Interest on long-term loan	1,096,364	1,396,441	2,492,805
Impairment charge	17,772,018	4,857,585	22,629,603
Operating Costs	45,871,501	11,020,420	56,891,921
Segment before income tax	(10,675,383)	(1,733,815)	(12,409,198)

33 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 2021 and 31 December 2020.

34 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, 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 comprise of debt while capital includes share capital, reserves and retained earnings.

	31 December	31 December
	2021	2020
Long-term loan	**23,945,189**	35,608,391
Lease liabilities	**725,521**	701,979
Total debt	**24,670,710**	36,310,370
Share capital	**16,000,000**	16,000,000
Legal reserve	**5,333,333**	5,333,333
Special reserve	**85,555**	85,555
Retained earnings	**15,152,480**	6,479,178
Total capital employed	**36,571,368**	27,898,066
Total capital and net debt	**61,242,078**	64,208,436
Gearing ratio	**40%**	57%

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.

34 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (continued)

(d) 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 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.

As at the statement of financial position date, the Company does not have outstanding debt obligation obtained on variable interest rate. Further, the Company places short-term bank deposits with fixed interest-rates and is, 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:

Fixed rate instruments	31 December 2021	31 December 2020
Financial assets – call deposit accounts	-	3,000,000
Financial liabilities - long-term loans	(23,945,189)	(35,608,391)
	(23,945,189)	(32,608,391)

(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.

(e) 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 OPWPC, a Government entity in the Sultanate of Oman. This customer accounts for 100% of the outstanding trade receivables as at 31 December 2021 (2020: 100%).

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

34 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (continued)

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

	31 December 2021	31 December 2020
Trade receivables (net)	8,043,806	18,077,735
Other receivables	4,932,684	1,974,471
Due from related parties	3,264	13,276
Bank balances	5,545,730	8,666,443
	18,525,484	28,731,925

(f) 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 is relying on short-term facilities from banks to manage liquidity on a need basis. Currently, the Company is engaging with local banks for securing a short-term facility for its short-term cash requirements.

The tables below summarise the maturities of the Company's undiscounted financial liabilities at 31 December 2021 based on contractual payment dates and current market interest rates:

Year ended 31 December 2021	Carrying value	Less than 1 year	1 - 2 years	More than 2 years	Total
Term loan	23,945,189	13,249,512	5,314,626	7,832,024	26,396,162
Trade payables	5,603,480	5,603,480	-	-	5,603,480
Lease liabilities	725,521	11,939	12,217	1,352,537	1,376,693
Due to related parties	6,529,129	6,529,129	-	-	6,529,129
Other payables	924,744	924,744	-	-	924,744
	30,473,413	26,318,804	5,326,843	9,184,561	40,830,208

34 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (continued)

Year ended 31 December 2020	Carrying value	Less than 1 year	1 - 2 years	More than 2 years	Total
Term loan	35,608,391	13,804,096	13,249,512	13,146,651	40,200,259
Trade payables	15,696,747	15,696,747	-	-	15,696,747
Lease liabilities	701,979	11,669	11,939	1,364,754	1,388,362
Due to related parties	3,605,567	3,605,567	-	-	3,605,567
Other payables	1,202,170	1,202,170	-	-	1,202,170
	56,814,854	34,320,249	13,261,451	14,511,405	62,093,105

35 CAPITAL COMMITMENTS

	31 December 2021	31 December 2020
Payable within one year	**-**	5,396,479
Payable between 1 and 2 years	**-**	-
Payable between 2 and 3 years	**-**	-
	-	5,396,479

(a) Pursuant to the Amendment Agreement to the O&M Agreement with NOMAC Oman, which was effective until 31 December 2021, the Company had committed an amount of RO 5,396,479 (USD 15 Million) for performance of Lifetime Extension Activities (LTE) of the Gas Turbines. Gas Turbine 1 (GT1) and Gas Turbine 2 (GT2) LTE activity was completed during the year 2020 and 2021 respectively. An Ordinary General Meeting of the Shareholders was convened to confirm the shareholders approval under the current circumstances.

36 SUBSEQUENT EVENTS

There were no events occurring, except for those reported in note 1 and note 3, subsequent to 31 December 2021 and before the date of the report that are expected to have a significant impact on these financial statements.

37 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 regroupings or reclassifications did not affect previously reported net loss or shareholders' equity.

38 NOTES SUPPORTING THE STATEMENT OF CASH FLOWS

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

2021

Particulars	1 January 2021	Cash inflows/ (outflows)	Non-cash changes	31 December 2021
Long-term loan	**35,608,391**	**(11,899,076)**	**235,874**	**23,945,189**
Lease liabilities	**701,979**	**(18,143)**	**41,685**	**725,521**

2020

Particulars	1 January 2020	Cash inflows/ (outflows)	Non-cash changes	31 December 2020
Long-term loan	48,598,510	(13,214,872)	224,753	35,608,391
Lease liabilities	788,438	(3,000)	(83,459)	701,979