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Barka 1

Sustained by our growth

ANNUAL REPORT 2022

POWER AND WATER FOR OMAN

HIS MAJESTY SULTAN HAITHAM BIN TARIK

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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

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.

Safety comes first

The Company successfully achieved 20 years without Lost Time Incident, testimony of putting safety first!

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

SHAREHOLDERS

ACWA Power
Barka Project LLC: 58%

Civil Services
Pension Fund: 14.10%

Ministry of Defence
Pension Fund: 9.56%

Others: 18.34%

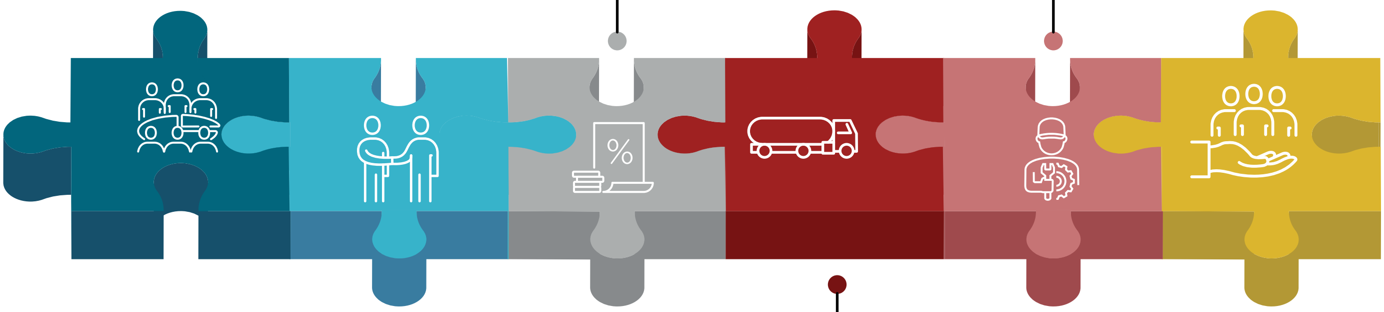
LENDERS

Bank Muscat

National Bank of Oman

CONTRACTOR

First National Company for Operation and Maintenance Services LLC (NOMAC OMAN)



CUSTOMER

Oman Power and Water Procurement Co. SAOC

FUEL SUPPLIER

Ministry of Energy & Minerals

OTHERS

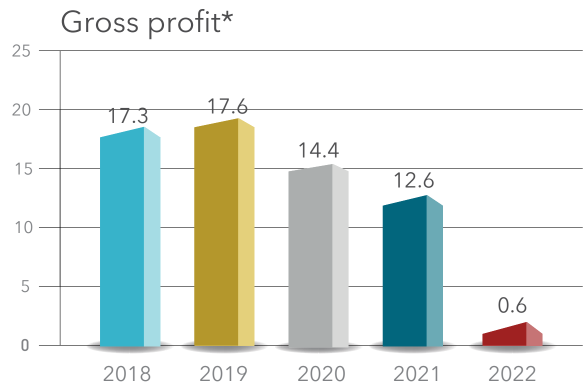
Oman Electricity Transmission Company

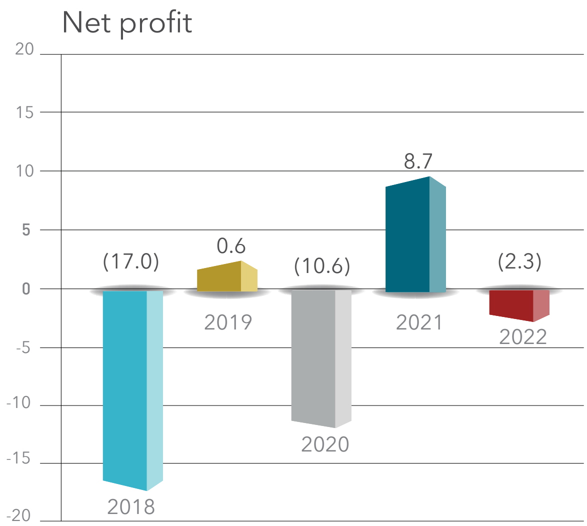
Ministry of Housing & Urban Planning

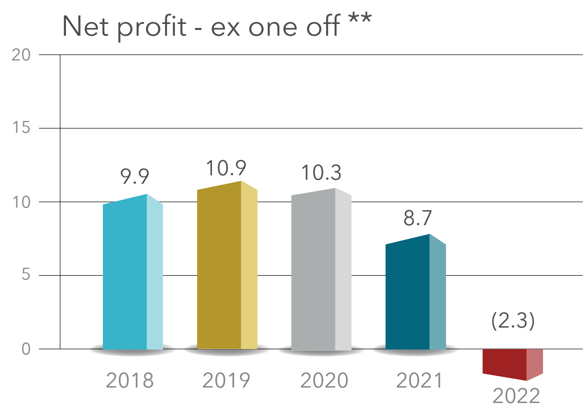
Authority for Public Services Regulation

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


Stefan Dijkers
Chairman


Mohammed Al Aghbari
Deputy Chairman


Hatem Al Sheidi
Board Member


Abdul Aziz Al Failakawi
Board Member


Ibrahim Al Jahwari
Board Member


Selim Guven
Board Member


Moayad Samman
Board 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

Ruwan Chanaka
Finance Manager

Barka Water and Power Team

ANNUAL REPORT 2022

DIRECTORS, MANAGEMENT AND GOVERNANCE REPORTS

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of Barka Water and Power Company SAOG ('Company'), I have the pleasure to present the Annual Report of the Company for the year ended 31 December 2022.

Highlights of the year

Our proudest achievement remains our safety record of 20 years without a Lost Time Incident on 2 May 2022. 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. 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 term of the Power and Water Purchase Agreement (PWPA) and the two Water Purchase Agreements (WPA) were coterminous and had an expiry on 31 December 2021, however this term was extended due to certain force majeure related events resulting in expiry of PWPA and WPAs on 9 February 2022.

The Company submitted a competitive tariff proposal to OPWP in 2021 related to WPAs based on which an award notification for extension was successfully issued in early February 2022. Accordingly, WPAs were extended till 31 March 2024. The overall extension is for a period of 23 months 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 during the year.

Power and Water Purchase Agreement (PWPA) was not extended beyond 9 February 2022.

The Company has carefully monitored the recently implemented spot market in the sector and believe that operating its power units under the spot market at this stage is not economically viable. Based on this, the Company has decided to put its power units in preservation mode. The units will be available to operate as soon as demand for power increases and there is an economic justification to operate in the spot market.

The Company continued exploring the market for a potential Bilateral Agreement with industrial consumers. As a result of this, under the approval of the Board of Directors of the Company and its lenders, the Company entered into a short-term agreement with OQ Plastics LLC to sell electricity ranging from 85MWh to 110MWh starting from 13 September 2022 to 30 September 2022. The utilized capacity is 25% of total capacity available and this trial arrangement was able to generate revenue which was adequate to cover the operating costs of the contract period.

This short-term contract is a result of an initiative by the Authority for Public Services Regulation to cater for direct sales framework policy.

The Company held its Annual General Meeting (AGM) for 2021 on 23 March 2022. All agenda items were approved by the shareholders.

In addition, the Company has also received a request from OPWP to submit a proposal for the Power (including water) 2024 procurement process. The Company is in the process of submitting a bid.

The MSFE Water Desalination Plant has been fully depreciated and the Company is in consultation with its Board of Directors and Project Lenders for the most viable option including sale or disposal of this asset.

During the year, the Company entered into certain agreements related to the Operations and Maintenance of the plants with NOMAC Oman to allow for the continued operation and maintenance of SWRO Plants. In addition, the Company entered into a separate maintenance and mothballing agreement relating to the Main Plant with NOMAC Oman. These agreements were approved by the shareholders at the Ordinary General Meeting held on 7 December 2022, based on the recommendation of the board of directors.

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.

In parallel to the extension of WPAs for a short term, the loan repayment schedule was rescheduled after consultation with the project Lenders. The long-term loan installment due on 28 April 2022 was not paid and the Company obtained a lender consent to defer the repayment till 2 June 2022, 23 June 2022 and 30 June 2022. During the deferral period, the Company engaged with its Lenders with the aim of agreeing a loan restructuring plan to avoid default on its repayments and the Company was successful in restructuring the Loan. The Company and the Lenders executed the Amendment Agreement to Loan Agreement on 30 June 2022.

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 2022 financial statement of the Company.

The Company held its Annual General Meeting (AGM) for 2021 on 23 March 2022. 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 Power Plant was operated only up to 20 February 2022 under the Power and Water Purchase Agreement it was also operated for 17 days during summer period to supply electricity under the bilateral agreement with one customer.

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

Occupational Health, Safety, and environment

The landmark achievement during the year was the achievement of 20 years without a Lost Time Accident on 2 May 2022. 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.

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 0.6m (2021: RO 12.9m) for the year 2022. The significant reduction in the operational performance of the Company affected by expiry of PWPA and forced outages of SWRO plants. The Company is reporting a net loss after tax of RO 2.3m (2021: profiy after tax of RO 8.7m) which corresponds to loss per share of RO 0.014 (2021: profit per share RO 0.054).

The debt service payments for 2022 under the Amended Loan Agreement were due on 30 June 2022 and 29 December 2022. The Company successfully served both the debt service payments within the due date.

In December 2022, Tax Authority (TA) issued assessment orders for the Tax Years 2017 to 2020 with an additional tax demand of RO 7,045,616. The Company paid the additional demands subsequent to the year end and Company is in the process of filing an objection.

The Company has not declared dividends in 2022 pursuant to decision of the shareholders in the last Annual General Meeting.

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 fullest contribution to survive in the challenging time. 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.

#	Beneficiary	Amount (OMR)	Description
1	Oman Charity Organization	1,000	20% of CSR budget was paid to Oman Charitable Organisation s required under the ministerial decision No: 205/2021.
2	Trainees fee under Eidad program	2,562	Sponsored for 6 months internship for 2 trainees under the Eiddad program for 6 months.
3	Iceland oasis	1,300	Construction of shaded sitting area outside the plant.
	TOTAL	4,862	

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 performed this assessment in 2022 and the report was approved by the shareholders at the Annual General Meeting held on 23 March 2022.

Outlook for 2023

Your Company is looking forward to operating the SWRO Plants under the extended term up to end of 2024. This extended term provides some certainty to the Company in terms of business continuity.

The Company will focus on entering into Bilateral Agreements for its power units with certain industrial units during the Summer period (i.e May to September) in coming year. The short-term pilot Bilateral Agreement entered in this year will be a roadmap to be successful in this aspect in the coming year. The power units will continue to be in 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 is hopeful about the Power 2024 procurement process and it will submit the bid as soon as details are requested by OPWP.

The Company has disclosed details of these current challenges in notes to the Financial Statements. Please refer to Note 3: Going Concern Assumption. 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.

Selim Güven

Chairman Board of Directors

Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Business Framework

The principal activities of Barka Water and Power Company SAOG (the 'Company') are to develop, finance, design, construct, operate, maintain, insure, and own power generating station and water desalination plants and other related infrastructure.

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 of the Company were Power and Water Purchase Agreement ('PWPA') and Water Purchase Agreements (WPAs) with Oman Power and Water Procurement Company SAOC 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 term of the PWPA and the two WPAs were coterminous and had an expiry on 31 December 2021, however this term was extended due to certain force majeure related events resulting in expiry of PWPA and WPAs on 9 February 2022.

The Company had 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 were co-terminus with terms of PWPA/WPAs. 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 were amended during the year alongwith the extension of WPAs during the year.

The Barka Seawater Facilities Company (BSFC) was formed in 2010 as a joint venture between Barka Water and Power (Previously 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 20 years without a Lost Time Incident on 2 May 2022. 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 Barka and NOMAC Oman teams, 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 2022.

There have been zero environmental exceedances during the year and regulatory permits were maintained.

Operational & Organizational Highlights

Power Generation

During this reporting period the Power Plant was made available to grid until 9 February 2022 owing to expiry of the PWPA term immediately thereafter.

The Company has carefully monitored the recently implemented spot market in the sector and believe that operating its power units under the spot market at this stage is not economically viable. Based on this, the Company has decided to put its power units in preservation mode.

The Company continued exploring the market for a potential bilateral power contract with industrial consumers. As a result of this, the Company, under the approval of the Board of Directors of the Company and its lenders, entered into a short-term agreement with OQ Plastics LLC to sell electricity ranging from 85MWh to 110MWh starting from effective date of the agreement until 30 September 2022. Power supply to OQ Plastics LCC under this arrangement commenced at 12am on 13 Sep 2022 and it ended on 30 September 2022. The utilized capacity is 25% of total capacity available and this trial arrangement was able to generate revenue which is adequate to cover the operating costs of the contract period.

This short-term contract is a result of an initiative by the Authority for Public Services Regulation to cater for a pilot direct sales arrangement. The Authority made a public announcement allowing direct sales commencing from October 2022 and is subject to direct supply framework policy currently under validation to be issued as part of phase-2 implementation.

Water Production (MSFE Plant)

The MSFE Water Desalination Plant has been fully depreciated and the Company is in consultation with its Board of Directors and Project Lenders for the most viable option including sale or disposal of this asset. The Company does not foresee operation of its MSFE plant beyond expiry of its PWPA and evaluating best option on this front including sale or disposal of MSFE units after securing necessary approvals from its stakeholders.

Reverse Osmosis (RO) Phase I Facility

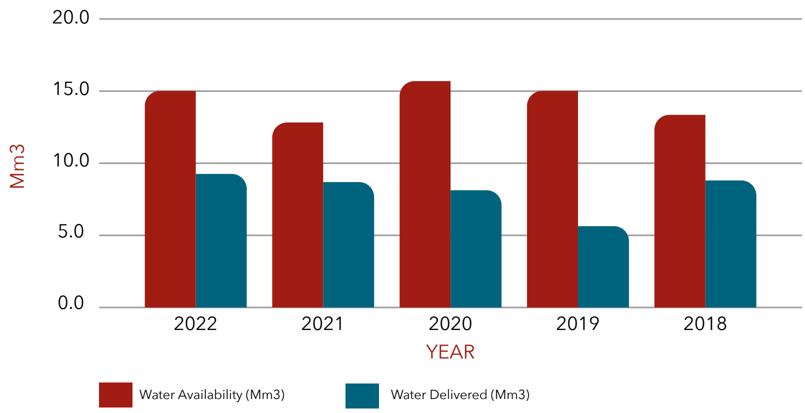
Though the original term of the RO Phase I WPA expired immediately after 9 February 2022, however, the Company was able to a secure further extension in its Term until 31 March 2024 after completing a negotiated RFO process with OPWP. The overall extension is for a period of 23 months which can be further extended for nine months in three equal tranches of three months at the discretion of OPWP. The Amendment Agreements related to this extension have been executed by the Company during the year.

The RO Phase I plant continued to face the seawater quality failures. The Company is protected against such a situation under force majeure provisions of its Water Purchase Agreement (WPA). The force majeure claims are submitted regularly and all claims upto May 2022 are approved by the Off taker.

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

Year	Water Availability (Mm3)	Water delivered (Mm3)	Export Factor (%)	Reliability Factor * (%)
2022	15.7	9.7	58.6	99.5
2021	13.9	9.3	56.3	97.8
2020	16.3	8.9	49.3	99.3
2019	15.7	6.4	41.1	99.2
2018	14.4	9.0	62.3	92.2

*excluding the impact of availability loss due to Force Majeure events owing to seawater quality failure.



Reverse Osmosis (RO) Phase II Facility

Similar to RO Phase I, the original term of the RO Phase II WPA also expired after 9 February 2022, however its Term was further extended until 31 March 2024 based on a negotiated RFO process with OPWP.

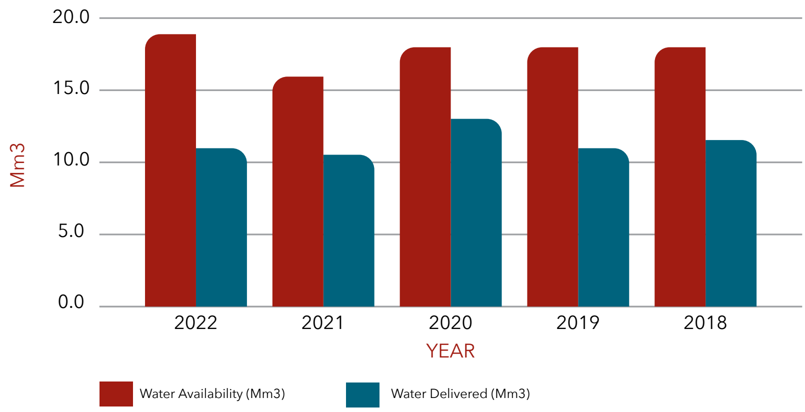
The overall extension is for a period of 23 months which can be further extended for nine months in three equal tranches of three months at the discretion of OPWP. The Amendment Agreements related to this extension have been executed by the Company during the year.

Like previous reporting period, the RO Phase II plant continued to face the seawater quality failure. The Company is protected significant exposure under force majeure provisions of its Water Purchase Agreement (WPA).

The force majeure claims are submitted regularly and all claims upto May 2022 are approved by the Off taker.

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

Year	Water Availability (Mm3)	Water delivered (Mm3)	Export Factor (%)	Reliability Factor * (%)
2022	19.6	11.5	55.2	99.3
2021	16.5	11.0	53.0	96.6
2020	18.6	13.6	60.3	97.0
2019	18.4	11.4	62.1	96.1
2018	18.5	11.7	63.1	93.7



Maintenance Highlights

The team believes in a risk-based approach towards maintenance to create a viable balance between predictive, proactive and scheduled maintenance. Therefore, to ensure the availability of the power plant and preserve it for any future operation (including Bilateral agreement), all machines, which include both gas turbines, the steam turbine and both heat recovery steam generators, have been subject to preventive maintenance.

At the same time, all required predictive, proactive, scheduled, and corrective maintenance activities were implemented in well manner to assure the operational and availability of both RO plants under the obligation of the extended WPAs.

Below are the maintenance activities undertaken by the Operator to ensure reliable operations of the plants during the year.

Power plant

- Check and inspection of Steam Turbine generator completed.
- Preventive Maintenance for Steam Turbine water leak detectors was done.
- Annual Preventive Maintenance for Gas Turbine-1 generator.
- Check and inspection of Gas Turbines 1and 2 completed.
- Inspection and cleaning of air intake pulsing system, inlet Damper and stroking for Gas Turbines 1 & 2 completed.
- Calibration for ambient humidity, temperature and pressure transmitter for Gas Turbines 1& 2 done by Third Party.
- Annual Preventive Maintenance for Blowdown Feed Pump -3 motor, and auxiliary lube oil pump completed.
- Annual Preventive Maintenance for instrument, and motor 11KV breaker completed.
- Defective batteries in Hypo switchgear 110V battery bank-1. 10 nos in bank-2 replaced with new ALCAD 145P model batteries.
- Hypo local control room FM200 cylinders refilled, fixed back, and system restored.
- Inspection and cleaning of Main plant Emergency Diesel Generator and diesel engine firefighting batteries completed.

RO Phase I

- All air leakages from Self-cleaning system arrested.
- 11KV /690 V transformer-5 was taken out for maintenance as per the NDT observation and work completed.
- Rack-1 & 2 Vessels membranes inspection conducted.
- Civil work and repair Corrosion issues related to painting rectifications work in progress.
- Preventive Maintenance for main building overhead crane work completed.
- Rack-1 Membranes removed, replaced with 4 membranes and all interconnectors fixed back.
- All damaged support of drain line in Ultra-Filtrations units from 1 To 8 replaced with new one.
- Alignment of CIP pump-2 of Ultra Filtration system completed.
- Quarterly check of control room and switchgear HVAC completed.
- Emergency Diesel Generator and diesel engine firefighting batteries inspection and cleaning completed.
- Transformer monthly checks completed.

RO Phase II

- Air Tubing leakages in Micro Filtration system arrested.
- 5S and housekeeping for Workshop inside and outside completed.
- Vessel pinhole repair with Welding completed for some DWEER vessels.
- Some of the Reverse Osmosis membranes inspected and fixed back.
- Air compressor1 radiator and cooler routine cleaning completed.
- HVAC checks in switchgear completed.
- Transformer monthly checks completed.

Performance Tests

Due to the expiry of the PWPA, there was no Annual Performance test conducted for both power and MSFE plants. However, after securing the extension of both WPAs, the Company was successful in performing the Annual Performance Tests for its two RO Plants to demonstrate their respective guaranteed water capacities.

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

Omanisation

The Company and its Operator take Omanisation as a responsibility rather than a contractual obligation.

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.

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.

Commercial Highlights

Spot Market & Bilateral Agreements

The Company has carefully monitored the recently implemented spot market in the sector and believe that operating its power units under the spot market at this stage is not economically viable. Based on this, the Company has decided to put its power units in preservation mode. The units will be available to operate as soon as demand for power increases and there is an economic justification to operate in the spot market.

The Company continued exploring the market for a potential Bilateral Agreement with industrial consumers. As a result of this, under the approval of the Board of Directors of the Company and its lenders, the Company entered into a short-term agreement with OQ Plastics LLC to sell electricity ranging from 85MWh to 110MWh starting from 13 September 2022 until 30 September 2022. The utilized capacity is 25% of total capacity available and this trial arrangement was able to generate revenue which was adequate to cover the operating costs of the contract period.

Power 2024 Procurement Process

The Company was notified by OPWP in the last quarter of the year seeking expression of interest to participate in upcoming Power 2024 procurement process. The Company has submitted its interest to participate and is expecting the formal process to commence by 2Q 2023.

Water 2024 Procurement Process

OPWP has announced in its 2021 annual report that it will be initiating the procurement process for Barka IWP 2024 with procurement process is expected to commence in 1Q 2023. The target capacity is similar to Barka V of 100,000 cubic meter per day. The Company is planning to participate by offering the combined capacity of both RO1 and RO2.

Financial Highlights

RO in Mm's					
Income Statement	**2022**	**2021**	**2020**	**2019**	**2018**
Revenue	14.7	39.5	50.8	55.7	61.5
Operating costs	14.1	26.9	36.4	38.1	44.2
Gross profit	0.6	12.6	14.4	17.6	17.3
Other costs	2.8	3.9	24.9[1]	17.1[2]	34.3[3]
Net profit/(loss) after tax (excl one off events)	(2.3)	8.7	10.3	10.9	9.9
Net (loss) / profit after tax	(2.3)	8.7	(10.6)	0.6	(17.0)
Gross profit margin	4%	31%	30%	32%	28%
Net (loss) / profit margin	(15%)	22%	(21%)	1%	(28%)
(Loss) / Earnings per share (RO)	(0.014)	0.054	(0.066)	0.003	(0.106)

[1] The 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.

Revenues

Total revenue is lower by OMR 24.8m compared to the previous year. The capacity revenue and energy revenue are lower by OMR 19.8m and OMR 5mn compared to previous year due to expiry of PWPA effective from 9 February 2022 respectively.

Operating Costs

Operating costs are lower by OMR 12.8m compared to corresponding period. O&M fee and natural gas cost are lower by OMR 4.5m and OMR 4.3m due to expiry of PWPA effective from 9 February respectively. In addition, plant depreciation is lower by OMR 3m due to MSFE plant is fully depreciated as on 31 December 2021.

Gross Profit

Decrease in gross profit OMR 12m mainly attributable to the overall lower capacity revenue as a result of expiry of PWPA.

Other Costs

Other costs for the current year are lower by OMR 1.1m primarily due to lower income tax on zero taxable profit in the current year.

Net Profit after Tax

The decrease of net profit by OMR 11m is mainly due to the lower capacity revenue and lower operational expenses as a result of expiry of PWPA partially set off with the lower income tax charge.

RO in Mm's					
Balance Sheet	**2022**	**2021**	**2020**	**2019**	**2018**
Total assets	80.6	92.4	105.0	130.8	129.3
Total equity	34.3	36.6	27.9	38.5	37.9
Paid up capital	16	16	16	16	16
Return on assets (%)	(2.8%)	9.4	(10.0)	0.5	(13.2)
Net assets per share – OMR	0.214	0.229	0.174	0.240	0.237
Return on paid up capital (%)	N/A	54	N/A	3	N/A
Debt equity ratio	64:30	60:40	56:44	56:44	62:38
Ordinary dividend (%)	-	-	-	-	-
Dividend per share – RO	-	-	-	-	-
Dividend payout ratio (%)	-	-	-	-	-

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

Debt service, CAPEX and Dividends

The Company has met its obligations to the lenders by timely debt service of (OMR 4.8m) during the year. No capital expenditure incurred during the year.

In view of the expiry of the PWPA and rescheduling of the loan agreement, 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.

- 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.

- There is likelihood The Company may not be successful in either power or/and water procurement processes, forcing the business into liquidation scenario. BWP board and management are very active in mitigating business continuity challenges and proactively pursuing new business opportunities.

Outlook

The Company is striving to maintain its safety record in future without safety or environmental incident and to remain in compliance of local regulations.

The Company will continue its maintenance preservation for the power plant and will seek industrial consumers for the direct sale during peak summer period.

The Company has completed O&M arrangements with NOMAC Oman for both RO plants and is in the process of finalizing the same for power plant O&M during peak summer period.It will actively pursue both power and water contract opportunities as per OPWP procurement process timelines.

The Company will make efforts to maintain adequate cash reserves to settle it outstanding tax liabilities. These liabilities relate to open tax years which are under the assessment process by the Tax Authorities.

History of the Project

Introduction

Barka Water and Power Company 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
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 | **Finance Manager**

AUDITORS' REPORT ON CORPORATE GOVERNANCE

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**AGREED-UPON PROCEDURES REPORT ON CODE OF CORPORATE GOVERNANCE
TO THE SHAREHOLDERS OF BARKA WATER AND POWER COMPANY SAOG (FORMERLY KNOWN AS "ACWA POWER BARKA SAOG")**

Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting Barka Water and Power Company SAOG (formerly known as "ACWA Power Barka SAOG") (the "Company") in determining whether the Company is compliant with the Code of Corporate Governance (the "Code") of the Capital Market Authority ("CMA"), as prescribed in the CMA Circular No. E/10/2016 dated 1 December 2016 and may not be suitable for another purpose.

Responsibilities of the Company

The Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Company (also the Responsible Party) is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioners' Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness or sufficiency of the agreed upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Management

We have complied with the ethical and independence requirements 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).

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and, accordingly, maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

AGREED-UPON PROCEDURES REPORT ON CODE OF CORPORATE GOVERNANCE
TO THE SHAREHOLDERS OF BARKA WATER AND POWER COMPANY SAOG (FORMERLY KNOWN AS "ACWA POWER BARKA SAOG")

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Company in the terms of our engagement letter on the compliance with the requirements of the Code and report to you the findings resulting from our work:

S. No	Procedures	Findings
(a)	We obtained the Corporate Governance Report ("the Report") issued by the Board of Directors and compared it to Annexure 3 of the Code to determine whether the Report includes as a minimum, all items suggested by the CMA in Annexure 3.	No exceptions were noted.
(b)	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 in the section "Non-Compliance and Penalties during last three years", together with the reasons for such non-compliance for the year ended 31 December 2022.	No exceptions were noted.

BDO
Muscat
20 February 2023

B. Kapur
Bipin Kapur
Partner
M. No: 043615
Institute of Chartered Accountants of India

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Sultanate of Oman
Public Accountants & Management Consultants
محاسبون قانونيون ومستشارو إدارة

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 Exchange (the "MSX") applicable to Public Joint Stock Companies issued vide Circular No. E/4/2015 dated 22 July 2015 and further amendments to CMA Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 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 Barka Water and Power Company 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 the Code of Corporate Governance
- 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 seven directors all of which are non-executive directors as of 31 December 2022.

Three of them are independent directors while other four directors represent shareholders and are non-independent directors. All the directors have excellent industry and corporate governance experience. Their experience is complimented by their academic qualifications in the field of administration, management, finance, accounting and engineering.

The Board of Directors was elected in March 2020 and is subject to re-election in March 2023. Seven meetings of the Board of Directors were held during the year on the following dates:

Meeting number	Date of the meeting
BOD meeting # 1/2022	27 Jan 2022
BOD meeting # 2/2022	21 Feb 2022
BOD meeting # 3/2022	27 Apr 2022
BOD meeting # 4/2022	29 Jun 2022
BOD meeting # 5/2022	27 Jul 2022
BOD meeting # 6/2022	27 Oct 2022
BOD meeting # 7/2022	20 Dec 2022

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							EGM 7th Mar	AGM 23rd Mar	OGM 7th Dec
		27th Jan	21st Feb	27th Apr	29th Jun	27th Jul	27th Oct	20th Dec			
Mr. Stefan Dijkers (Chairman) *	Non-Independent	√	√	-	√	√	√	√	-	√	√
Mr. Mohammed Al Aghbari (Deputy Chairman)	Independent	√	√	√	√	√	√	√	√	√	√
Mr. Abdul Aziz Al Failakawi	Independent	-	√	√	√	√	√	√	-	-	√
Mr. Yahya Al Jumaa - representing Ministry of Defence Pension Fund ^	Independent	√	√	-	√	NA	NA	NA	√	√	NA
Mr. Hatem Al Sheidi **	Independent	NA	NA	NA	NA	√	√	√	NA	NA	√
Mr. Ibrahim Hamed Said Al Jahwari – representing Civil Services Pension Fund	Non-Independent	√	√	√	√	√	√	√	√	√	√
Mr. Selim Guven ***	Non-Independent	NA	NA	NA	NA	NA	√	√	NA	NA	√
Mr. Moayad Al Samman ***	Non-Independent	NA	NA	NA	NA	NA	√	√	NA	NA	√
Mr. Kashif Rana ^^	Non-Independent	√	√	√	√	√	NA	NA	-	-	NA
Mr. Zeeshan Hyder ^^	Non-Independent	√	√	√	√	-	NA	NA	√	√	NA

Legend: √ = Present - = Apologies NA = Not applicable

* Appointed on 16 January 2022 ** Appointed on 18 July 2022 *** Appointed on 21 September 2022
^ Resigned on 18 July 2022 ^^ Resigned on 21 September 2022

The Board of Directors appointed Mr. Stefan Dijkers as the Chairman on 27 October 2022 upon the resignation of Mr. Kashif Rana on 21 September 2022.

The Company held its Annual General Meeting ("AGM") of shareholders on 23 March 2022 for the year ended 31 December 2021.

No dividend was approved by the Board during 2022.

No director is holding directorship/chairmanship in other public joint stock companies in Oman as of 31 December 2022.

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	NRC Meeting held and attended during 2021			
		8th Feb	25th Apr	26th Jul	27th Oct
Mr. Abdul Aziz Al Failakawi (Chairman)	Independent	√	√	√	√
Mr. Mohammed Al Aghbari	Independent	√	√	√	√
Mr. Selim Guven *	Non - Independent	NA	NA	NA	√
Mr. Zeeshan Hyder ^	Non - Independent	√	√	√	NA

Legend: √ = Present - = Apologies NA = Not applicable

^ Resigned on 21 September 2022 * Appointed on 21 September 2022

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 8 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 2023 to the Board at the meeting held on 27 October 2022.

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

Nomination and Remuneration Committee

The Board of Directors constituted the Nomination and Remuneration Committee (NRC) 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 2022 NRC plan was approved by the Board on 27 December 2021. The Committee also submitted its plan for 2023 to the Board at the meeting held on 27 October 2022.

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	
		17thFeb	27th Oct
Mr. Zeeshan Hyder (Chairman) ^	Non - Independent	√	NA
Mr. Kashif Rana ^	Non -Independent	√	NA
Mr. Yahya Al Jumaa ^^	Independent	√	NA
Mr. Moayad Al Samman (Chairman) **	Non – Independent	NA	√
Mr. Selim Guven **	Non - Independent	NA	√
Mr. Hatem Al Sheidi *	Independent	NA	√

Legend: √ = Present - = Apologies NA = Not applicable

^ Resigned on 21 September 2022 ^^ Resigned on 17 July 2022 ** Appointed on 21 September 2022 * Appointed on 17 July 2022

Mr. Moayad Al Samman was appointed as a Chairman of NRC on 21 September 2022 by replacing Mr. Zeeshan Hyder.

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 2022 amounted to RO 25,200 for Board and its Committee meetings attended during the year. Further, the Company has paid RO 24,721 to directors as remuneration for the year 2021, as approved by shareholders at the Annual General Meeting held on 23 March 2022.

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

Key officers	Annual remuneration (RO)
Remuneration	230,581
Other Perquisites	28,697
Total	**259,278**

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

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.

One of the members of Board of Directors resigned on 14 October 2021 creating a temporary vacancy in the Board of Directors not meeting the minimum number of board members requirement under the Articles of Association. The Company subsequently filled this vacancy on 16 January 2022 with which the compliance requirements was met.

In accordance with Article 158 of the Regulations for the public joint stock companies issued by the CMA, the internal audit unit should have a minimum of 2 auditors. However, during the year, the Company had only 1 full time internal auditor who resigned from the office on 22 September 2022. There was no internal audit function during the period 22 September 2022 till 24 October 2022. After the resignation the in-house of internal auditor, the Company appointed on external independent internal audit firm w.e.f. 24 October 2022.

The Company explained the authority that Company's ability to generate a meaningful return has impeded due to the expiry of Power and Water Purchase Agreement effective from 9 February 2022 and the renewal of Water Purchase Agreement only for 2 years period. Accordingly, the Company requested an exemption for appointing an approved internal audit firm in lieu of hiring two internal auditors for the Company.

During the year, the authority has allowed the Company to outsource the internal audit function to an approved internal audit firm until 30 June 2023.

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. 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 2022, 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 2022	Barka Water and Power Co		MSM (Services Sector)	
	High	Low	High	Low
January	-	-	1,668.80	1,602.45
February	0.239	0.239	1,648.78	1,596.07
March	0.432	0.432	1,648.85	1,598.09
April	-	-	1,684.20	1,605.36
May	-	-	1,645.22	1,570.56
June	-	-	1,612.94	1,552.74
July	-	-	1,671.50	1,567.67
August	0.239	0.239	1,723.37	1,640.45
September	-	-	1,692.23	1,596.17
October	-	-	1,558.06	1,519.31
November	-	-	1,623.81	1,538.13
December	-	-	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 firm, providing industry focused Assurance, Tax and Advisory services, has over 111,000 employees working in a global network of 1,803 offices situated in 164 countries and territories.

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 14,000 towards professional services rendered to the Company for the year 2022.

Summary of Independent Quality Assurance Review of the Internal Audit Unit

The Company appointed Moore Stephens LLC for independent quality assurance review of the internal audit unit of the Company for the year 2022 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 October 2022 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.

Acknowledgement

The Board of Directors acknowledges as at 31 December 2022:

- 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

Selim Güven

Chairman Board of Directors **Director**

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BARKA WATER AND POWER COMPANY SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Barka Water and Power Company SAOG (formerly "ACWA Power Barka SAOG") ("the Company"), which comprise the statement of financial position as at 31 December 2022, 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 2022, 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, which indicates that the Company's Power and Water Purchase Agreement ("PWPA") pertaining to the Power Generation and Water Purchase Agreement ("WPA") with Oman Power and Water Procurement Company SAOC (OPWPC) expired on 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 an extension of the power plant contract period until 9 February 2022, which was not renewed.

During 2022, OPWPC launched the spot market mechanism for power generators who did not have a long-term PWPA with the off-taker. The Company, based on its internal assessment, believes that operating in the spot market at this stage is not economically viable for the Company. Further, on 28 September 2022, the Authority for Public Services Regulation ("APSR") made an announcement of the Direct Sales Regulatory and Legal Framework for the implementation of the Direct Sales mechanism in a phased manner. As part of the trial period run for the Direct Sales process, the Company was able to secure a bilateral arrangement for the supply of power for a short period of time with one of the local industrial units in Oman.

Material Uncertainty Relating to Going Concern (continued)

Accordingly, considering the annulment of the Power 2022 procurement process, initial stages of Power 2024 procurement process, uncertainties about the participation in the spot market, lack of any confirmed Direct Sales agreement under the bilateral arrangement, net loss reported in the current year and cash flow challenges, there exists a material uncertainty that may cast significant 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 2022 include the Power Generating Plant ("Power Plant"), Sea Water Reverse Osmosis Plant of 10 MIGD ("SWRO Plant-1"), and Sea Water Reverse 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 40.66 million, RO 9.62 million and RO 12.73 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 judgments 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, OPWPC launched the spot market mechanism for power generators who did not have a long-term PWPA with the off-taker. The Company, based on its internal assessment, believes that operating in the spot market at this stage is not economically viable for the Company. Further, on 28 September 2022, the Authority for Public Services Regulation (APSR) made an announcement of the Direct Sales regulatory and Legal Framework for the implementation of the Direct Sales mechanism in a phased manner. As part of the trial period run for the Direct Sales process, the Company was able to secure a bilateral arrangement for the supply of power for a short period of time with one of the local industrial units in Oman. However, considering the annulment of the Power 2022 procurement process, initial stages of Power 2024 procurement process, uncertainties about the participation in the spot market, lack of any confirmed Direct Sales agreement under the bilateral arrangement, net loss reported in the current year and cash flow challenges, the Company has identified these as impairment indicators and performed an impairment assessment, based on which the management has concluded that no additional impairment is considered necessary as the carrying amount of the cash-generating unit (i.e. the Power Plant) is marginally higher than the recoverable amount.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BARKA WATER AND POWER COMPANY SAOG (Continued)

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 2023 onwards and which have been estimated by the management considering the Oman power sector and recently contracted price for supply of power from Direct Sales Agreement;

(iii) 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 flow model;
- Assumptions made to determine the cash flows and residual values after the period covered by the contractual cashflows;
- Review 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".

Other Information included in the Company's 2022 Annual Report

Those Charged With Governance and the management of the Company are responsible for the other information. The other information comprises the Board of Director's Report, Corporate Governance Report and Management Discussion and Analysis Report which is included in the Company's 2022 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BARKA WATER AND POWER COMPANY SAOG (continued)

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 and their preparation in compliance with the applicable provisions of the Capital Market Authority, the Commercial Companies Law and Regulations of the Sultanate of Oman and for such internal control as management determines is necessary to enable the preparation of the 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.

- 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
BARKA WATER AND POWER COMPANY SAOG (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 2022, in all material respects, comply with the applicable provisions of the Commercial Companies Law and Regulations of the Sultanate of Oman and relevant disclosure requirements of the Capital Market Authority.

BDO

Muscat
20 February 2023

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

B. Kapur

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

Statement of financial position as at 31 December 2022

(Expressed in Omani Rial)

	Notes	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	7	**64,788,680**	68,400,234
Intangible assets	8	**14,103**	52,993
Right-of-use assets	9	**410,633**	432,918
Total non-current assets		**65,213,416**	68,886,145
Current assets			
Inventories	10	**4,586,405**	4,614,657
Trade and other receivables	11	**4,706,880**	13,419,722
Cash and bank balances	12	**6,090,276**	5,547,031
Total current assets		**15,383,561**	23,581,410
Total assets		**80,596,977**	92,467,555
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	**16,000,000**	16,000,000
Legal reserve	14	**5,333,333**	5,333,333
Special reserve	15	**85,555**	85,555
Retained earnings		**12,890,210**	15,152,480
Total capital and reserves		**34,309,098**	36,571,368
Non-current liabilities			
Long-term loan - non - current portion	17	**14,578,699**	11,918,094
Deferred tax liability	18	**5,547,498**	5,503,264
Provision for site restoration	19	**3,788,134**	3,571,362
Employee benefit liabilities	20	**29,084**	80,688
Lease liabilities - non - current portion	21	**744,599**	717,168
Total non-current liabilities		**24,688,014**	21,790,576
Current liabilities			
Long-term loan - current portion	17	**4,658,983**	12,027,095
Trade and other payables	22	**8,349,584**	13,057,353
Lease liabilities - current portion	21	**11,521**	8,353
Taxation	18	**8,579,777**	9,012,810
Total current liabilities		**21,599,865**	34,105,611
Total liabilities		**46,287,879**	55,896,187
Total equity and liabilities		**80,596,977**	92,467,555
Net assets per share (RO)	29.b	**0.214**	0.229

These financial statements were approved and authorised for issue in accordance with a resolution passed by the Board of Directors on 20 February 2023.

Chairman Board of Directors

Selim Güven

Director

Statement of profit or loss and other comprehensive income for the year ended 31 December 2022

(Expressed in Omani Rial)

	Notes	31 December 2022	31 December 2021
Income			
Revenue	24	**14,671,330**	39,560,459
Operating costs	25	**(14,113,797)**	(26,976,071)
Gross profit		**557,533**	12,584,388
Other income	26	**29,895**	1,236,612
		587,428	13,821,000
Expenses			
General and administrative expenses	27	**(1,140,601)**	(1,336,133)
(Loss)/profit from operations		**(553,173)**	12,484,867
Finance costs	28	**(1,682,047)**	(2,274,478)
(Loss)/profit before tax for the year		**(2,235,220)**	10,210,389
Income tax	18	**(27,050)**	(1,537,087)
Net (loss) /profit after tax and total comprehensive (loss) / income for the year		**(2,262,270)**	8,673,302
Basic and diluted (loss) / earnings per share (RO)	29.a	**(0.014)**	0.054

Statement of changes in shareholders' equity for the year ended 31 December 2022

(Expressed in Omani Rial)

	Share capital	Legal reserve	Special reserve	Retained earnings	Total
	RO	RO	RO	RO	RO
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
Net loss after tax and total comprehensive loss for the year	-	-	-	(2,262,270)	(2,262,270)
At 31 December 2022	**16,000,000**	**5,333,333**	**85,555**	**12,890,210**	**34,309,098**

Statement of cash flows for the year ended 31 December 2022

(Expressed in Omani Rial)

	Notes	31 December 2022	31 December 2021
Operating activities			
Net (loss)/profit before tax for the year		**(2,235,220)**	10,210,389
Adjustments for:			
Depreciation on property, plant and equipment	7	**3,611,554**	6,604,232
Amortisation of intangible assets	8	**38,890**	80,191
Amortisation of right-of-use assets	9	**22,285**	22,285
Amortisation of deferred financing costs	17	**133,538**	235,874
Accretion charge/ interest on provision for site restoration	19	**216,772**	204,348
Interest on lease liabilities	21	**43,501**	41,685
Provision for Employee benefit liabilities	20	**11,319**	12,724
Allowance for expected credit losses of trade and other receivables	26	**(7,600)**	(6,553)
Allowance for expected credit losses of cash and bank balances	26	**(1,874)**	(8,972)
Finance costs	28	**1,288,236**	1,792,571
Property, plant and equipment-written - off		**-**	810,421
Working capital changes:			
Inventories	10	**28,252**	169,090
Trade and other receivables	11	**8,720,450**	7,079,494
Trade and other payables	22	**(4,477,934)**	(7,317,244)
Cash generated from operating activities		**7,392,169**	19,930,535
Employee benefit liabilities paid	20	**(62,923)**	(19,147)
Income tax paid	18	**(415,849)**	(3,895,314)
Net cash generated from operating activities		**6,913,397**	16,016,074
Investing activities			
Purchase of property, plant and equipment	7	**-**	(5,304,992)
Net cash used in investing activities		**-**	(5,304,992)
Financing activities			
Finance costs paid		**(1,518,078)**	(1,922,374)
Loan arrangement fees		**(60,330)**	-
Repayment of long-term loan	17	**(4,780,716)**	(11,899,076)
Payment of lease liabilities	21	**(12,902)**	(18,143)
Net cash used in financing activities		**(6,372,026)**	(13,839,593)
Net change in cash and cash equivalents		**541,371**	(3,128,511)
Cash and cash equivalents, beginning of the year (gross)		**5,553,648**	8,682,159
Cash and cash equivalents, end of the year (gross)	12	**6,095,019**	5,553,648

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

1 LEGAL STATUS AND ACTIVITIES

Barka Water and Power Company SAOG (formerly known as "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 ("MOCIIP"). 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 Board of Directors called for an Extra-Ordinary General Meeting (EOGM) to consider and approve the change in the Company›s name from "ACWA Power Barka SAOG" to "Barka Water and Power Company SAOG" and amending the Company›s Articles of Association (AoA) to note the change in the Company›s name. These proposed resolutions were unanimously approved by the shareholders at the EOGM and the necessary formalities to amend the name of the Company with the MOCIIP, Tax Authority and MSX were completed during the year.

The registered address of ACWA Power Company (formerly known as 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, design, finance, 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.

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 commenced its commercial operations on 11 June 2003.
- Sea Water Reverse Osmosis (SWRO) Plant of 10 MIGD (Expansion – Phase I) commenced its commercial operations on 29 May 2014.
- Sea Water Reverse Osmosis (SWRO) Plant of 12.5 MIGD (Expansion – Phase II) commenced its commercial operations on 26 February 2016.

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

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 and Water Procurement Company SAOC (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.

2 SIGNIFICANT AGREEMENTS (continued)

Although, the term of the PWPA expired on 31 December 2021, this term was extended due to certain force majeure events resulting in extension of PWPA till 09 February 2022.

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.

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

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

v. 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.

vi. Shareholders› agreement with SMN Barka Power Company SAOC for establishment of Barka Seawater Facilities Company SAOC (BSFC) pursuant to the PWPA.

vii. Amendment Agreement to the PWPA with OPWPC for the extension period till 31 December 2021. However, the operation of the Power Plant is in force majeure events which was accepted by OPWPC which resulted in the extension of the Power Plant contract period up to 09 February 2022.

viii Second Amendment Agreement to the NGSA with the MEM for the purchase of natural gas for the extension period which ended on 31 December 2021.

xi. 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 (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 twenty-five 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 Project – Phase

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

viii. Second Amendment Agreement to the Phase I WPA with OPWPC on 03 February 2022 executed for extension of the SWRO plant for a period of 23 months (with OPWPC›s option to extend for an additional 9 months in three three-month tranches) upto 31 December 2023.

C) The Company has entered into following significant agreements with respect to 12.5MIGD Reverse Osmosis Water 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.

2 SIGNIFICANT AGREEMENTS (continued)

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 twenty-five 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 Project – Phase II.

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

ix. Second Amendment Agreement to the Phase II WPA with OPWPC on 03 February 2022 executed for extension of the SWRO plant for a period of 23 months (with OPWPC›s option to extend for an additional 9 months in three three-month tranches), upto 31 December 2023.

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 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 up to 09 February 2022 and, thereafter, the plant is under preventive maintenance mode. However, the Company entered into a short-term contract under bilateral arrangements, with a local industrial unit for a limited supply of Power commencing from 13 September 2022 till 30 September 2022 based on a directive approved APSR, which was applicable only till 30 September 2022. The Company is still continuously pursuing several initiatives to secure future contracts in the coming periods.

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 was 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 each, respectively), upto 31 December 2023.

The Company executed these Amendment Agreements on 03 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.

Power Plant - Spot Market

OPWPC launched 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 (i.e., OPWPC). The spot market has recently completed its trial period (wherein the Company also participated) and is functioning from January 2022 onwards. In February 2022, APSR has announced formal launch of spot market. 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.

3 GOING CONCERN ASSUMPTION (continued)

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).

The Company is expected to enter in to the spot market operations from summer of year 2023.

Power Plant - Bilateral Agreements

The Company is exploring options for entering into bilateral agreements with local industrial units. The APSR has approved to collaborate on bilateral arrangements in parallel to develop 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 half of 2022, the Company was maintained contacts with these industrial units and finally entered into a short-term arrangement under a bilateral agreement for supply of limited power capacity in the last 17 days of September 2022 which was also approved based on the directives by APSR.

Power Plant - Power 2022

In April 2020, the Company submitted a bid to OPWPC for a new long-term 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 an annulment of this process by OPWPC in the year 2021.

Power Plant - Power 2024

The Company was notified by OPWPC in the last quarter of the year seeking expression of interest to participate in upcoming Power 2024 procurement process. The Company has submitted its interest to participate and is expecting the formal process to commence by Q2 2023.

Water - 2024

OPWP has announced in its 2021 annual report that it will be initiating the procurement process for Barka IWP 2024 with procurement process is expected to commence in Q1 2023. The target capacity is similar to Barka V of 100,000 cubic meter per day. The Company is planning to participate by offering the combined capacity of both SWRO1 and SWRO2.

Restructure of loan agreement

The Company had approached the lenders for rescheduling of the outstanding loan. The Company has successfully negotiated the revised repayment plan on 30 June 2022 based on projected cash flows. As mentioned above, the existing WPA›s will expire by 31 March 2024 with an option to further extend for 9 months in 3 equal tranches of 3 months each i.e., upto 31 December 2024. Based on this, the lenders have agreed to keep a balloon payment outstanding of RO 10.40 million as at 31 December 2024. The Company's management expects to restructure this balloon payment for a further period proposed to be December 2024 based on the circumstances prevailing around December 2024.

The Company still believes that it remains as a going concern as at 31 December 2022 for the following reasons:

(i) On 03 February 2022, the Company signed the WPA Amendment Agreements with the OPWPC for the contracts for a period of 23 months (with OPWPC›s option to extend for an additional 9 months in three three-month tranches) at full capacity (22.5MIGD);

(ii) The Company is in discussions on the bilateral arrangements with certain industrial units based on the approval granted by the APSR;

3 GOING CONCERN ASSUMPTION (continued)

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

(iv) The Company is in discussions with OPWPC and the APSR to identify viable operating options in future for the CCGT/ SWRO Plants; and

(v) The revised loan repayment schedule has been agreed with the lender and Amendment to Loan Agreement signed on 29 June 2022 based on the existing cash flows. Two repayment instalments under the Amended Loan Agreement have been paid till 31 December 2022 based on the cash flow.

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. 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 International Financial Reporting Standards (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 of the Company.

(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 and Regulations 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 for the public joint stock companies issued by the CMA, the internal audit unit should have a minimum of 2 auditors. However, during the year, the Company had only 1 full time internal auditor appointed who resigned from the office on 22 September 2022. There was no internal audit function during the period 22 September 2022 to 23 October 2022. After the resignation the in-house of internal auditor, the Company appointed on external independent internal audit firm w.e.f. 23 October 2022. Further, the CMA has allowed the Company to outsource the internal audit function until 30 June 2023.

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 an even number of Board Members as at 31 December 2021. The aforesaid deficiency in the composition of the Board of Directors was complied with during the year by appointment of director on 16 January 2022.

4 BASIS OF PREPARATION (continued)

(c) Standards, amendments and interpretations effective and adopted during the year 2022

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these financial statements.

Standard or Interpretation	Title	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

The application of above revised standards has no impact on the amount reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

Amendments to IAS 37: Onerous Contracts: Cost of Fulfilling a Contract

An onerous contract is a contract under which the unavoidable cost of meeting the obligations under the contract costs (i.e., the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments to IAS 37.68A clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract- e.g. direct labour and material; and
- An allocation of other costs that relate directly to fulfilling contracts: e.g. Allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

This amendment had no impact on the financial statements of the Company as there were no onerous contracts.

Amendments to IAS 16: Property, Plant and Equipment: Proceeds Before Intended Use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in the profit or loss.

These amendments had no impact on the financial statements of the Company as there were no sales of items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Annual Improvements to IFRS Standards 2018-2020

- Amendments to IFRS 1: Subsidiary as a First-time Adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
- IAS 41 Agriculture – Taxation in Fair Value Measurements

These amendments had no impact on the financial statements of the Company.

Amendments to IFRS 3: References to Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

4 BASIS OF PREPARATION (continued)

(d) Standards, amendments and interpretations neither effective and not adopted during the year 2022

This amendment had no impact on the financial statements of the Company.

Standard or Interpretation	Title	Effective for annual years beginning on or after
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
Amendments to IFRS 16	Leases: Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024

The Company is currently assessing the impact of these new accounting standards and amendments. The Company does not expect these amendments and standards issued but not yet effective, to have a material impact on the financial statements of the Company.

5 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 part of 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.

[A] Financial assets

Initial recognition and measurement

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); 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 SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Impairment of financial assets

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-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 receivables and the economic environment.

[B] 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 long term loan.

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 profit or loss.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

[C] 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; and
- 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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and therefore is not 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 profit or loss except to the extent that it relates to items recognised in the other 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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRIC 4 deals with the identification of services and take-or-pay sales or purchasing contracts that do not take the legal form of a lease but convey the rights to customers/suppliers to use an asset or a group of assets in return for a payment or a series of fixed payments. Contracts meeting these criteria should be identified as either operating leases or finance leases. On adoption of IFRIC 4 "Determining whether an arrangement contains a lease" the management concluded that its PWPA for existing plant and WPAs for Expansion Project – 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.

(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 a Joint Operation, 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 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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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 CMA, 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

The Company's business is to supply power and water to its sole customer (OPWPC) under long- term PWPA and WPAs. Revenue from OPWPC 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 a 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 delivery.

(n) Provisions

General

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

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

(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.

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 profit or loss as finance costs.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Employee 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 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) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

(s) Net assets per share

The Company presents net assets per share for its ordinary shares. Net assets per share is calculated by dividing the net assets as at the year-end by the number of shares outstanding at the year-end.

(t) 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).

(u) 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.

6 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.

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) Impairment of trade receivables

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

(iii) Net realisable value 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 values. 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 aging or obsolescence, based on historical selling prices.

(iv) 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 in Note 3, these financial statements continue to be prepared on the going concern basis.

(v) 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 future years.

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

(vi) 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, has 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 Operation 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.

(vii) 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-rates used in the calculation are based on management's best estimates.

(viii) 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.

(ix) 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.

(x) Implications of COVID-19

Now in the third year of the COVID-19 pandemic, the Sultanate of Oman similar to other jurisdictions around the world has experienced an improved economic outlook, as the number of COVID-19 cases have declined significantly.

The operations of the Company have returned to business-as-usual, although the crisis did test the commercial, operational, financial and organisational resilience of the Company highlighting the risks and resilience gaps, as the effects of the pandemic continue to impact the global supply chains.

7 PROPERTY, PLANT AND EQUIPMENT

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

31 December 2022	Plant and machinery	Tools	Furniture, fixtures and office equipment	Motor vehicles	Capital spares	Capital work-in-progress	Total
	RO	RO	RO	RO	RO	RO	RO
Cost							
At 1 January 2022	220,041,648	110,063	700,941	138,483	3,894,083	-	224,885,218
Disposals	-	-	-	(7,400)	-	-	(7,400)
At 31 December 2022	220,041,648	110,063	700,941	131,083	3,894,083	-	224,877,818
Accumulated depreciation and impairment							
At 1 January 2022	153,050,298	110,063	682,701	130,087	2,511,835	-	156,484,984
Charge for the year (g)	3,556,512	-	12,002	4,800	38,240	-	3,611,554
Disposals	-	-	-	(7,400)	-	-	(7,400)
At 31 December 2022	156,606,810	110,063	694,703	127,487	2,550,075	-	160,089,138
Net book amount							
At 31 December 2022	63,434,838	-	6,238	3,596	1,344,008	-	64,788,680

7 PROPERTY, PLANT AND EQUIPMENT (continued)

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

31 December 2021	Plant and machinery	Tools	Furniture, fixtures 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 (h)	**(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**
Charge for the year (g)	**6,540,527**	-	**18,930**	**6,535**	**38,240**	-	**6,604,232**
Write-offs (h)	**(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**

(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(vi)]. 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 plant is established on a leased land from the Ministry of Housing for an initial term of twenty-five years from their effective date and is renewable for another term of twenty-five years.

(e) During the year 2021, the Company capitalised RO 5,304,992 as capital work-in-progress (CWIP) relating to Gas Turbine (2) Life Extension Activity.

(f) In the year 2021, the Company transferred OMR 5,795,994 related to GT (2) 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.

7 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Year ended 31 December 2022	Year ended 31 December 2021
	RO	RO
Operating costs (Note 25)	**3,594,752**	6,578,767
Administrative expenses (Note 27)	**16,802**	25,465
	3,611,554	6,604,232

(h) In the year 2021, 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 has completed their technical useful life which necessitated the write-off.

(i) Depreciation charge for property, plant and equipment includes depreciation of RO 9,933 (2021: RO 8,732) related to the additional assets of BSFC and RO 8,415 (2021: RO 8,415) 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.

8 INTANGIBLE ASSETS

31 December 2022	Computer software
Cost	
At 1 January 2022 and	**432,976**
at 31 December 2022	**432,976**
Accumulated amortisation	
At 1 January 2022	**379,983**
Charge for the year (Note 25)	**38,890**
At 31 December 2022	**418,873**
Net book amount	
At 31 December 2022	**14,103**
31 December 2021	
Cost	
At 1 January 2021 and	432,976
at 31 December 2021	432,976
Accumulated amortisation	
At 1 January 2021	299,792
Charge for the year (Note 25)	80,191
At 31 December 2021	379,983
Net book amount	
At 31 December 2021	52,993

During the years 2022 and 2021, the Company did not internally generate or acquire any new intangible assets.

9 RIGHT-OF-USE ASSETS

31 December 2022	Leasehold land
Cost	
At 1 January 2022 and	**654,977**
At 31 December 2022	**654,977**
Accumulated amortisation	
At 1st January 2022	**222,059**
Amortisation charge for the year (Note 25)	**22,285**
At 31 December 2022	**244,344**
Net carrying amount	
At 31 December 2022	**410,633**

31 December 2021	
Cost	
At 1 January 2021 and	654,977
at 31 December 2021	654,977
Accumulated amortisation	
At 1 January 2021	199,774
Amortisation charge for the year (Note 25)	22,285
At 31 December 2021	222,059
Net carrying amount	
at 31 December 2021	432,918

(a) The amortisation has been charged to operating costs (Note 25).

(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 an 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 assets 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 (2021: RO 48,087) and RO 7,694 (2021: RO 5,770), respectively.

(e) Depreciation charge for the period includes RO 1,923 (2021: RO 1,923) accounted as Joint Operator's share of BSFC.

10 INVENTORIES

	31 December 2022	31 December 2021
Consumable spare parts	**3,870,445**	3,890,377
Fuel oil	**674,595**	674,595
Chemicals	**41,365**	49,685
	4,586,405	4,614,657

Management carries out an annual assessment of Inventories at every year-end and whenever provision is required for obsolescence/slow-moving, it is considered to bring the assets to its lower of cost or net realisable value. Currently, no provision has been considered for the year ended 31 December 2022 (31 December 2021: RO Nil).

11 TRADE AND OTHER RECEIVABLES

	31 December 2022	31 December 2021
Trade receivables	**1,940,889**	8,058,239
Material Adverse Claim (MAC) receivable from OPWPC (Note 24 (a))	**2,357,435**	2,364,094
Other receivables	**280,717**	2,565,961
Advances and deposits to suppliers	**12,082**	2,000
Due from related parties (Note 23)	**18,938**	3,264
Staff advances	**-**	629
Financial assets assessed for ECL (gross)	**4,610,061**	12,994,187
Less: Loss allowance (e)	**(6,825)**	(14,433)
Financial assets assessed for ECL (net)	**4,603,236**	12,979,754
Prepayments	**103,644**	439,968
	4,706,880	13,419,722

(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 include receivables from OPWPC and one other customer amounting to RO 1,288,956 (31 December 2021: RO 8,058,239) and RO 651,933 (31 December 2021: RO Nil), respectively.

(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 loss allowance 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 receivables 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.

11 TRADE AND OTHER RECEIVABLES (continued)

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

	31 December	31 December
	2022	2021
Opening balance	14,433	20,986
Reversal during the year (Note 26)	(7,600)	(6,553)
Closing balance	6,833	14,433

(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 2022	**1,940,889**	**1,898,988**	**1,945**	**39,956**
31 December 2021	8,058,239	3,181,761	4,028,266	848,212

(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 MAC 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 as a receivable.

12 CASH AND BANK BALANCES

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

	31 December	31 December
	2022	2021
Cash on hand	1,356	1,301
Current account with banks	6,093,663	5,552,347
Cash and bank balances (gross)	6,095,019	5,553,648
Less: loss allowance (a)	(4,743)	(6,617)
Cash and bank balances (net)	6,090,276	5,547,031

(a) Bank balances are placed with reputed financial institutions. Loss allowance of ECL recognised on bank balances as at 31 December 2022 is RO 4,743 (2021: RO 6,617). The movement in the loss allowance for ECL of cash and bank balances is as follows:

	31 December	31 December
	2022	2021
Opening balance	6,617	15,589
Reversal during the year (Note 26)	(1,874)	(8,972)
Closing balance	4,743	6,617

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

13 SHARE CAPITAL

Authorised share capital

	31 December 2022	31 December 2021
Ordinary shares of RO 0.100 (2021: RO 0.100) each	**1,000,000,000**	1,000,000,000
Issued and fully paid-up share capital		
Ordinary shares of RO 0.100 (2021: RO 0.100) each	**160,000,000**	160,000,000

A break-down of the share capital as at 31 December 2022 and 31 December 2021 is as follows:

Name of the members	31 December 2022 Percentage shareholdin	31 December 2022 Amount	31 December 2021 Percentage shareholding	31 December 2021 Amount
	RO	**RO**	RO	RO
ACWA Power Barka Project LLC, Oman	**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**	9.6	1,536,000
Others	**18.3**	**2,928,000**	18.3	2,928,000
	100.0	**16,000,000**	100.0	16,000,000

14 LEGAL RESERVE

In accordance with Article 132 of the Commercial Companies Law and Regulations 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 2022, no transfer has been made, as the legal reserve has already reached the statutory minimum limit of one-third of the share capital (2021: RO Nil).

15 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.

16 DIVIDENDS

During the year, no dividend was proposed to the shareholders (2021: RO Nil).

17 LONG-TERM LOAN

	31 December 2022	31 December 2021
Loan from banks	**19,351,025**	24,131,741
Less: unamortised transaction costs	**(113,343)**	(186,552)
	19,237,682	23,945,189
Current portion	**4,658,983**	12,027,095
Non-current portion	**14,578,699**	11,918,094
	19,237,682	23,945,189

17 LONG-TERM LOAN (continued)

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

	31 December 2022	31 December 2021
Opening balance	**24,131,741**	36,030,817
Repaid during the year	**(4,780,716)**	(11,899,076)
Closing balance	**19,351,025**	24,131,741

(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
A1	RO	62,539,208	5.50% fixed until 30 June 2023 and thereafter rate to be reset annually.	31 December 2024
A2	US$	28,000,000	LIBOR + 3.25% (repaid on 31 October 2020)	30 October 2020
B	RO	16,600,000	5.50% fixed until 30 June 2023 and thereafter rate to be reset annually.	31 December 2024
C	RO	24,921,292	6.25% fixed until 30 June 2022, 5.5% from 1 July 2022 to 30 June 2023 and thereafter rate to be reset annually.	31 December 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 2022	31 December 2021
Payable within one year	**4,658,983**	12,027,095
Payable between 1 and 2 years	**14,692,042**	4,654,864
Payable between 2 and 5 years	**-**	7,449,782
	19,351,025	24,131,741

(d) The loan is secured by a charge on all projects, and Expansion Project – 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 2022	31 December 2021
Opening balance	**186,552**	422,426
Amortised during the year (Note 28)	**(133,538)**	(235,874)
Paid during the year	**60,330**	-
Closing balance	**113,344**	186,552

18 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	31 December 2022	31 December 2021
Tax charge (net)	**(17,184)**	1,948,015
Deferred tax	**44,234**	(410,928)
	27,050	1,537,087
Statement of financial position		
Non-current liabilities:		
Deferred tax		
Closing balance	**5,547,498**	5,503,264
Current liabilities:		
Current year	**(17,184)**	1,948,015
Prior year	**8,596,961**	7,064,795
At the reporting date	**8,579,777**	9,012,810
Deferred tax liabilities:		
Opening balance	**5,503,264**	5,914,192
Movement for the year	**44,234**	(410,928)
Closing balance	**5,547,498**	5,503,264
Provision for income tax		
Opening balance	**9,012,810**	10,960,109
Charge for the year	**(17,184)**	1,948,015
Payments during the year	**(415,849)**	(3,895,314)
Closing balance	**8,579,777**	9,012,810

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

Net (loss)/profit before tax for the year	**(2,235,220)**	10,210,389
Tax at statutory tax rate of 15% (2021: @15%)	**(335,283)**	1,531,558
Tax effect of items non-deductible for tax purposes	**362,333**	5,529
Income tax expense for the year	**27,050**	1,537,087

18 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% (2021 – 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 2022	Charge / (reversal) to statement of profit or loss	At 31 December 2022
Assets			
Provision for site restoration expenses	(535,702)	(29,901)	(565,603)
ECL allowance	(3,157)	1,421	(1,736)
Income tax losses available for carry forward	(17)	17	-
Right-of-use assets	(108,828)	(3,995)	(112,823)
Liabilities			
Property, plant and equipment	5,679,367	100,843	5,780,210
Right-of-use assets	64,938	(3,054)	61,884
Decommissioning/ site restoration asset	406,663	(21,097)	385,566
	5,503,264	44,234	5,547,498

	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 allowance	(5,486)	2,329	(3,157)
Income tax losses available for carry forward	(4,406)	4,389	(17)
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

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.

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.

18 TAXATION (continued)

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 completed assessments of 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 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 was 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 year 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. The Company has paid additional tax liability of RO 415,849 for tax year 2013 on 15 March 2022 and has submitted Grievance letter to the Tax Grievance Committee on 22 March 2022.

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 upon 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). "

18 TAXATION (continued)

c.5 Tax years 2017 – 2020

In December 2022, TA issued assessment orders for the tax years 2017 to 2020 and raised a demand of RO 7,045,616 which is due to be settled by the Company before 25 January 2023. The Company already had provided for this liability in its financial statements. The Company has 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]. Subsequent to the year-end, the Company has paid RO 7,045,616 against the provision made in earlier years.

c.6 Tax Year 2021

The Company has already submitted assessment response for the tax year 2021 and the assessment is pending to be closed.

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

19 PROVISION FOR SITE RESTORATION

	31 December 2022	31 December 2021
Opening balance	**3,571,362**	3,367,014
Accretion charge/ interest for the period (Note 28)	**216,772**	204,348
Closing balance	**3,788,134**	3,571,362

Plants are constructed on leasehold lands, (including seawater facility – Joint Operation) taken from the 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.

(a) The accretion charges for the year includes 50% share of BSFC amounting to RO 17,433 (31 December 2021: RO 16,292).

20 EMPLOYEE BENEFIT LIABILITIES

	31 December 2022	31 December 2021
Opening balance	**80,688**	87,111
Provision for the year (Note 27)	**11,319**	12,724
Transfer adjustment	**19,823**	-
Payments made during the year	**(82,746)**	(19,147)
Closing balance	**29,084**	80,688
Number of employees	**2**	2

21 LEASE LIABILITIES

	31 December 2022	31 December 2021
Opening balance	**725,521**	701,979
Interest expense (Note 28)	**43,501**	41,685
Lease payments	**(12,902)**	(18,143)
Closing balance	**756,120**	725,521

Operating lease payments under the Usufruct Agreements are as follows:

Within 1 year	**11,521**	8,353
Within 2 - 5 years	**171,558**	109,684
More than 5 years	**1,178,703**	1,256,647
	1,361,782	1,374,684
Less: implicit finance costs	**(605,662)**	(649,163)
Present value of lease payments	**756,120**	725,521

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

Current portion	**11,521**	8,353
Non-current portion	**744,599**	717,168
	756,120	725,521

Lease liability as at the statement of financial position date include 50% share of the lease liability of BSFC which amounts to RO 60,657 (2021: RO 56,689). The component of interest expense recognised for the year in relation to BSFC is RO 3,968 (2021: RO 3,741). The Company's share of the lease payment for the period amounts to RO 1,000 (2021: RO NIL).

22 TRADE AND OTHER PAYABLES

	31 December 2022	31 December 2021
Trade payables	**884,178**	5,603,480
Amounts due to related parties (Note 23)	**6,840,182**	6,529,129
Accrued and other expenses	**625,224**	924,744
	8,349,584	13,057,353

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

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

23 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 (IAS) 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 2022		31 December 2021	
	Services rendered	Services received	Services rendered	Services received
Related parties	19,250	7,280,549	102,788	18,778,441

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

Due to related parties:	Nature of relationship	31 December 2022	31 December 2021
ACWA Power Barka Services 1 (Mauritius) Limited	Group entity	1,271,263	244,909
ACWA Power Barka Services 2 (Mauritius) Limited	Group entity	1,271,263	244,909
ACWA Power Oman LLC, Oman	Group entity	-	4,372
ACWA Power Global Services LLC, Oman	Joint Operation	1,677	-
Barka Seawater Facilities Company SAOC, Oman	Group entity	148,097	90,080
Dhofar Desalination Company SAOC, Oman	Group entity	-	23
ACWA Power Company - Riyadh	Group entity	-	37,392
First National Company for Operation and Maintenance Services LLC, Oman		4,147,882	5,907,444
		6,840,182	6,529,129
Due from related parties:			
ACWA Power Oman LLC, Oman	Group entity	4,055	-
ACWA Power Barka Project LLC, Oman (a)	Group entity	3,143	2,478
ACWA Power Global Services LLC, Oman	Group entity	-	786
ACWA Power Company - Riyadh	Group entity	11,740	-
		18,938	3,264

As required by Article 272 of the Commercial Companies Law and Regulations of Sultanate of Oman, the Shareholders are prohibited from obtaining loan from the company. However, as at 31st December there are debit balances of RO 3,143 lying in the books of account representing monies due for certain past transactions which are entered by the Shareholders in the normal course of business.

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

23 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel

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

	31 December 2022	31 December 2021
Short-term benefits	230,581	292,956
Employee benefit liabilities	28,697	20,198
	259,278	313,154
Directors' sitting fees	25,200	20,400
Directors' remuneration	-	28,721

24 REVENUE

	31 December 2022	31 December 2021
Revenue from contracts with customers		
Capacity charges – electricity	792,886	6,984,269
Capacity charges – water	3,233,156	6,998,222
Energy charge – electricity	533,151	5,533,641
Output charge – water	2,614,990	2,230,601
MAC event revenue (a)	-	446,821
	7,174,183	22,193,554
Revenue from lease contracts		
Capacity charges – electricity	1,352,626	11,181,743
Capacity charges – water	6,144,521	6,185,162
	7,497,147	17,366,905
Total	14,671,330	39,560,459

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 MAC 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 11).

The future minimum lease receipts under non-cancellable operating leases in the aggregate and for each of the following years is as follows:

	31 December 2022	31 December 2021
Operating lease arrangement - lessor		
Future minimum lease payments:	7,813,865	-
Within one year	1,926,706	-
After one year but not more than five years	9,740,571	-

25 OPERATING COSTS

	31 December 2022	31 December 2021
Operation and maintenance fee – NOMAC Oman (a)	**4,956,122**	9,472,236
Depreciation property, plant and equipment (Note 7-g)	**3,594,752**	6,578,767
Electricity back-up maintenance	**2,069,609**	2,336,179
Operating and technical services fee	**1,888,342**	1,865,087
Insurance	**745,462**	718,526
Natural gas	**519,500**	4,806,232
Repairs and maintenance	**278,835**	215,101
Amortisation of intangible assets (Note 8)	**38,890**	80,191
Amortisation of right of-use-assets (Note 9)	**22,285**	22,285
Write-off of property, plant and equipment (Note 7-i)	**-**	810,421
Fuel oil	**-**	71,046
	14,113,797	26,976,071

(a) The Company had entered into an agreement with NOMAC Oman for the services to operate and maintain its Power and SWRO plants. Under this agreement, 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 terms of the PWPA /WPAs. During the year, the Company has not incurred any expenses in relation to the termination of the PWPA/WPAs of nil (31 December 2021: RO 825,269). NOMAC Oman is an affiliate of the Company.

(b) The Amended Agreement with NOMAC is approved by the shareholders at the OGM held on 7 December 2022 and it is currently under execution.

26 OTHER INCOME

	31 December 2022	31 December 2021
Interest income	**18,921**	45,644
Reversal of ECL on trade receivables (Note 11)	**7,600**	6,553
Gain on disposal of property plant and equipment	**1,500**	-
Reversal of ECL on bank balances (Note 12)	**1,874**	8,972
Insurance claims (a)	**-**	1,175,443
	29,895	1,236,612

The Company recognised an insurance claim of RO 1,175,443 during previous year for the business interruption due to technical failures which occurred on 18 June 2020 in Gas Turbine Generator of its Power Plant.

27 GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2022	31 December 2021
Salaries and allowances	**688,219**	721,188
Legal and professional fees	**190,868**	305,462
Fees and subscription	**119,826**	120,430
Directors' remuneration and sitting fees (Note 23)	**25,200**	49,121
Communication	**34,942**	36,419
Security and agency fees	**19,255**	19,255
Depreciation on property, plant and equipment (Note 7-g)	**16,802**	25,465
Contribution to social insurance	**11,648**	17,616
Employee benefit liabilities (Note 20)	**11,319**	12,724
Events and office supplies	**5,544**	405
Corporate Social Responsibility expenses	**4,862**	7,787
Travel	**2,988**	923
Training	**2,884**	2,936
Repairs and maintenance	**947**	6,884
Loss on exchange(net)	**344**	2,558
Advertisement	**-**	500
Miscellaneous expenses	**4,953**	6,460
Total	**1,140,601**	1,336,133

28 FINANCE COSTS

	31 December 2022	31 December 2021
Interest on long-term loan	**1,288,236**	1,791,373
Accretion charge/ interest on provision for site restoration (Note 19)	**216,772**	204,348
Amortisation of finance costs (Note 17)	**133,538**	235,874
Interest on lease liabilities (Note 21)	**43,501**	41,685
Commitments/administration fees	**-**	1,198
	1,682,047	2,274,478

29.a BASIC AND DILUTED EARNINGS PER SHARE

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

	31 December 2022	31 December 2021
Net (loss)/profit for the year	**(2,262,270)**	8,673,302
Weighted average number of ordinary shares issued and outstanding during the period (number)	**160,000,000**	160,000,000
Basic and diluted (loss) / earnings per share (RO)	**(0.014)**	0.054

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

29.b NET ASSETS PER SHARE

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

	31 December 2022	31 December 2021
Shareholders' funds (RO)	**34,309,098**	36,571,368
Weighted average number of ordinary shares issued and outstanding during the year (number)	**160,000,000**	160,000,000
Net assets per share (RO)	**0.214**	0.229

30 IMPAIRMENT ASSESSEMENT 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 year 2021, the Company has received formal confirmation from OPWPC 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 resulted into a contract extension to on or around until 07 February 2022. Further, during the year 2022 OPWPC has launched the spot market mechanism, which was announced in February 2022. The Company has participated in the trial period and is willing to participate in the spot market. Additionally, Company also entered a bilateral arrangement with OQ Plastics in the month of September 2022 for 17 days as a trial run whereby power plant supplied 25% of its total capacity. However, considering the annulment of Power 2022 procurement process and uncertainties about the participation in spot market and lack of bilateral arrangement as of yet, 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. Independents consultant approach and results have been summarised in their report.

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

Based on Independent consultant's report, the management has estimated the recoverable amount of the Power Plant and concluded that no need for the additional impairment as at 31 December 2022 the carrying amount of the cash-generating unit (i.e. main Power Plant) does not exceed the recoverable amount. Total carrying value of Power Plant is RO 42.04 million compared with its recoverable value of RO 42.48 million. Further, considering the conservative approach as well as initial stages of Power 2024 procurement process, uncertainties about the participation in the spot market and lack of any confirmed Direct Sales agreement under the bilateral arrangement, management has not reversed the impairment of RO 0.44 million. Further, the reassessment of the main power plant and SWRO plants will performed again by end of the financial year 2023, wherein detailed information will be available to revalidate / revisit the assumptions used for the impairment assessment.

(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 SWRO 2 in the year ended 31 December 2020.

On 03 February 2022, the Company signed the WPA Amendment Agreements with the OPWPC for the contracts for a period of 23 months (with OPWPC's option to extend for an additional 9 months in three three-month tranches) at full capacity (22.5MIGD). 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 9.96 million for SWRO -1 plant and RO 13.21 million for SWRO -2 and the recoverable value is RO 10.77 million for SWRO -1 and RO 13.42 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 1.02 million for SWRO -1 and RO 0.21 million for SWRO -2.

(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 7.78% (2021: 7.57%) 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.

(d) Based on the conditions and the assessment, as explained in point (a), (b) and (c) above, the Company has not recognised any impairment in the financial statements as at 31 December 2022.

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

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

	31 December 2022	31 December 2021
Recoverable value		
Power Plant	**42,486,448**	47,290,524
RO1 Water Plant	**10,766,442**	11,209,415
RO2 Water Plant	**13,424,376**	14,011,769
Total	**66,677,266**	72,511,708
Carrying value		
Power Plant	**42,040,343**	45,233,898
RO1 Water Plant	**9,959,208**	10,402,181
RO2 Water Plant	**13,214,148**	13,801,541
Total	**65,213,699**	69,437,620

31 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 2022, the Company is organised into two main operating segments:

Base Plant

Base Plant segment comprises of power production and Multi-Stage Flash Distillation (MSFD) facilities which commenced its commercial operations on 11 June 2003. MSFD was impaired in the year 2018 and has not been operational thereafter.

Expansion Plants

Expansion Plants segment comprises of two SWRO 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.

31 OPERATING SEGMENTS (continued)

Segment revenues and results	Base Plant	Expansion Plants	Total
Year ended 31 December 2022			
Revenue	**2,949,180**	**11,722,150**	**14,671,330**
Natural gas	**519,500**	**-**	**519,500**
Operation and maintenance fees – NOMAC Oman	**1,376,174**	**3,579,948**	**4,956,122**
Depreciation on property, plant and equipment	**2,570,176**	**1,024,576**	**3,594,752**
Interest on long-term loan	**385,895**	**902,341**	**1,288,236**
Operating costs	**4,851,745**	**5,506,865**	**10,358,610**
Segment (loss) / profit before income tax	**(5,416,015)**	**3,180,795**	**(2,235,220)**

Segment revenues and results	Base Plant	Expansion Plants	Total
Year ended 31 December 2021			
Revenue	29,316,815	10,243,644	39,560,459
Natural gas	4,609,973	196,259	4,806,232
Operation and maintenance fee – 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
Segment profit before income tax	7,096,594	3,113,795	10,210,389

32 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 2022 and 2021.

33 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.

33 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (continued)

(c) Capital management

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

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

	31 December 2022	31 December 2021
Long-term loan	19,237,682	23,945,189
Lease liabilities	756,120	725,521
Total debt	19,993,802	24,670,710
Share capital	16,000,000	16,000,000
Legal reserve	5,333,333	5,333,333
Special reserve	85,555	85,555
Retained earnings	12,890,210	15,152,480
Total capital employed	34,309,098	36,571,368
Total capital and net debt	54,302,900	61,242,078
Gearing ratio	37%	40%

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.

(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 currencies, 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 2022	31 December 2021
Financial liabilities - long-term loans	19,237,682	23,945,189
	19,237,682	23,945,189

33 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (continued)

(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 2022 (31 December 2021: 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.

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

	31 December 2022	31 December 2021
Trade receivables (net)	**1,934,064**	8,043,806
Other receivables	**2,650,234**	4,932,684
Due from related parties	**18,938**	3,264
Bank balances (net)	**6,088,920**	5,545,730
	10,692,156	18,525,484

(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.

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

33 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (continued)

As at 31 December 2022	Carrying value	Less than 1 year	1 - 2 years	More than 2 years	Total
Term loan	19,237,682	4,545,640	14,692,042	-	19,237,682
Trade payables	884,178	884,178	-	-	884,178
Lease liabilities	756,120	11,521	171,558	573,041	756,120
Due to related parties	6,840,182	6,840,182	-	-	6,840,182
Other payables	625,224	625,224	-	-	625,224
	28,343,386	12,906,745	14,863,600	573,041	28,343,386

As at 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	5,381,051	23,945,189
Trade payables	5,603,480	5,603,480	-	-	5,603,480
Lease liabilities	725,521	11,939	12,217	701,365	725,521
Due to related parties	6,529,129	6,529,129	-	-	6,529,129
Other payables	924,744	924,744	-	-	924,744
	37,728,063	26,318,804	5,326,843	6,082,416	37,728,063

34 SUBSEQUENT EVENTS

There were no events occurring subsequent to 31 December 2022 and before the date of report that are expected to have a significant impact on these financial statements.

35 COMPARATIVE FIGURES

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

36 NOTES SUPPORTING THE STATEMENT OF CASH FLOWS

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

Year ended 31 December 2022

Particulars	1 January 2022	Cash inflows/ (outflows)	Non-cash changes	31 December 2022
Long-term loan	23,945,189	(4,841,046)	133,538	19,237,681
Lease liabilities	725,521	(12,902)	43,501	756,120

Year ended 31 December 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