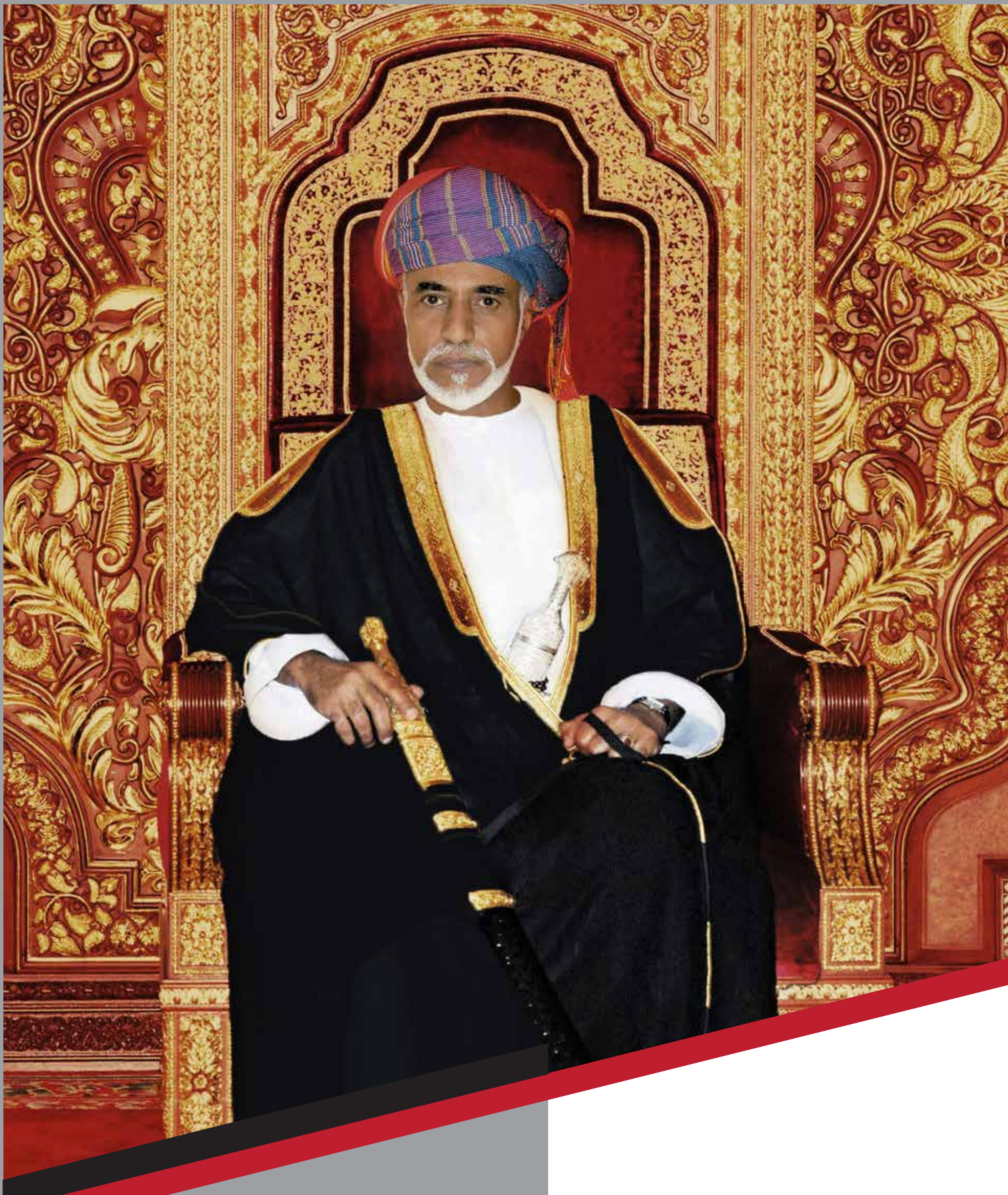
الباطنة للطاقة

AL BATINAH POWER

ANNUAL REPORT 2020

ENERGIZING OMAN'S FUTURE



HIS MAJESTY
SULTAN QABOOS BIN SAID
MAY HIS SOUL REST IN PEACE

HIS MAJESTY
SULTAN HAITHAM BIN TARIK

CONTENTS

BOARD OF DIRECTORS AND KEY EXECUTIVE OFFICERS

Board of Directors	Position	Representing
Mr. Saif Abdullah Hamood Al-Harthy	Chairperson	
Mr. Pradeep Prabhakar Navre	Deputy Chairperson	
Mr. Pascal Renaud	Director	Kahrabel FZE
Mr. Muhammad Fawad Akhtar	Director	
Mr. Ryuji Kikuchi	Director	Sojitz Global Investment B.V.
Mr. Shabib Abdullah Mohamed Al-Busaidi	Director	Public Authority for Social Insurance
Mr. Pradeep Asrani	Director	
Mr. Mohamed Amur Mohamed Al-Mamari	Director	Civil Service Employees Pension Fund
Mr. Mohammad Ribhi Izzat AlHusseini	Director	Ministry of Defence Pension Fund
Mr. Kazuichi Ikeda	Director	SEP International Netherlands B.V.
Mr. Yasser Ramadan Mahamad Kheir	Director	

Key Executive Officers	Position
Mr. Mohammed Ali Salim Ali Al Rawahi	Chief Executive Officer
Mr. Yusuke Koseki	Chief Financial Officer

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of Al Batinah Power Company SAOG (the "Company"), I have the pleasure to present the Directors' Report of the Company for the year ended 31 December 2020.

Operational Highlights

The 2020 was a challenging year due to the global COVID-19 pandemic which posed different restrictions on normal routine life and businesses continuity. Despite this fact, the Company had ended the 2020 successfully and had achieved the excellent operational and financial results. The Company maintained its excellent record of zero lost time accidents, thereby clocking 3,466 lost time accident free days or 977,111 man-hours since inception, which is reflective of our continued focus on health, safety, security and environment ("HSSE").

The plant operated with a reliability of 99.83% and delivered 1,586 GWh to the grid. The plant load for the period was 24.51% compared to 21.53% in the corresponding period of 2019.

Financial Results

	2020 RO'000s Audited	2019 RO'000s Audited	Percentage change
Revenues	**50,627**	49,206	2.9%
Direct costs	**(29,026)**	(27,728)	
Gross profit	**21,601**	21,478	0.6%
Other income	**-**	52	
General and administrative expenses	**(823)**	(800)	
Profit before interest and tax	**20,778**	20,730	0.2%
Finance costs (net)	**(8,446)**	(9,320)	
Profit before tax	**12,332**	11,410	8.1%
Tax	**(1,716)**	(1,665)	
Net profit for the period	**10,616**	9,745	8.9%

Higher revenues and direct costs as compared to the previous year were attributed mainly to higher plant load factor and the contractual increase in the gas price. The variability of the plant load influences the fuel and energy charges received from the Oman Power & Water Procurement Company SAOC ("OPWP"). However, these charges are passed through to the gas supplier and the O&M service provider and hence have no material impact on the Company's profitability. The excellent plant operations enabled the Company to achieve a relatively higher gross profit compared to the previous year. Higher gross profit was attributed mainly to the lower maintenance cost. Furthermore, the steady reduction in the finance costs positively contributed to the better profit before tax. As a result, the net profit was 8.9% better than the previous year.

The Company distributed a cash dividend of 2.8 baizas per share in June 2020 and 3.1 baizas per share in December 2020.

The share price was 50 Baizas at the end of December 2020.

Corporate Social Responsibility

Striving to ensure that the Company has a positive impact on people and the country, the Company allocated 35,000 OMR for the CSR initiatives for the year 2020. After the successful Photo-voltage solar CSR projects in schools in Barka and Liwa which were sponsored by four power companies, the Company had joined the same group of companies to sponsor a similar project in Qutaiba bin Muslim School in AL Khamil Walayat. The project involved building around 148KW PV system on top of a steel structure shed. The total cost is around 60,000 OMR (15,000 OMR by the Company). The project embeds the importance of the renewable energy sources in the community and the school students. In addition to that, the Company contributed amount of 20,000 OMR to the COVID-19 special account that has been opened by the Ministry of Health to support the country efforts to limit the spread of the virus and mitigate its impact.

Medium term Outlook

All reasonable measures were taken by the management to maintain high availability levels in 2020. Any change in the power supply and demand landscape in the Sultanate has substantially no impact on the financial performance of the Company since its net profit is mainly derived from its plant availability.

The unprecedented COVID-19 pandemic situation had no material impact on the Company's business and the plant had invoked its business continuity plan to cope up with the crisis.

There is no planned major inspection during the winter period (October 2020 – March 2021). Minor inspections for gas turbines no. 11&12 were rescheduled due to low plant dispatch.

The Company continues to take actions to close the gaps identified in the DCS/SCADA cyber security audit report issued by the Authority for Public Services Regulation ("APSR"). APSR is being updated on regular basis on the actions taken by the Company to ensure due compliance to the cyber security standards.

The Company has been closely monitoring the financial market conditions for any opportunities to avoid the cash sweep that is scheduled from April 2023 as agreed in the Finance Documents. However, the current COVID-19 pandemic creates more challenges in the global and local financial markets which limit the opportunities to achieve this goal.

The spot market implementation plan is going on with Q2 2021 and Q4 2021 are planned for the trial period and go live respectively. The Company's Power Purchase Agreement ("PPA") with OPWP expires in 2028 and accordingly the spot market will have no impact on the revenue streams of our Company until the expiry of the PPA.

Acknowledgement

I would like to extend my personal thanks to all personnel associated with the operation of the power plant and the staff of the Company for their hard work and dedication, as well as to those others such as our contractors, whose expertise has assisted us in achieving these excellent results.

Finally, on behalf of the Board of Directors, I would like to extend our deep appreciation and gratitude to His Majesty Sultan Haitham Bin Tariq and His Government for their continued support and encouragement to the private sector by creating an environment that allows us to participate effectively in the growth of the Sultanate's economy and to dedicate our achievements to the building of a strong nation.

Saif Al Harthy
Chairperson of the Board

PROFILE OF MAJOR SHAREHOLDERS

Kahrabel FZE

Kahrabel FZE oversees and manages the development, construction and operation of the electricity and water production business of ENGIE group in MENA region. It is an entity 100% owned by International Power S.A., which is ultimately owned indirectly by ENGIE group. Engie is a global reference in low-carbon energy and services, aiming to be the world leader in the zero carbon transition "as a service" for its customers. As of 2019, Engie had 171,100 employees, and revenues of 60 billion Euros. The Group is listed on the Paris and Brussels stock exchanges (ENGI) and is represented in the main financial indices (CAC 40, DJ Euro Stoxx 50, Euronext 100, FTSE Eurotop 100, MSCI Europe) and non-financial indices (DJSI World, DJSI Europe and Euronext Vigeo Eiris - World 120, Eurozone 120, Europe 120, France 20, CAC 40 Governance).

Middle East Investment LLC

Middle East Investment LLC is a subsidiary of Suhail Bahwan Group, which is one of the foremost & most reputed business house in the Sultanate of Oman.

Middle East Investment LLC is mainly engaged in investment & trading in quoted & un-quoted equity and debt securities.

MEI has grown to become a reputed Omani Investment Company. An achievement resulting from unwavering commitment to Sultanate of Oman, the professionalism of the Group's employees, a keen sense of social responsibility with a strong awareness of its operating environment and the exceptional vision and close adherence to basic values. Our portfolios focus on investing in banking, power, telecom, consumer & pharmaceutical sectors that provide the opportunity to create and capture value in a risk averse manner. The Company professionally managed investment stakes consist of local and international diversified portfolios of securities, debts and direct investment.

Sojitz Global Investment B.V. (SGI)

Sojitz Global Investment B.V. (SGI) is a wholly owned subsidiary of Sojitz, which is an investment and trading corporation based in Tokyo, Japan, and listed on the Tokyo Stock Exchange.

Sojitz employs more than 19,000 people worldwide (as of September 2020) and achieved revenues of JPY 1.8 trillion in the fiscal year ended in March 2020 (IFRS basis).

Sojitz was established through the merger of Nichimen Corporation (established in 1892) and Nissho Iwai Corporation (established in 1896) in 2004. Sojitz conducts its operations in around 50 countries through over 400 consolidated subsidiaries and affiliated companies in Japan and overseas. Sojitz's business activities are wide-ranging, covering machinery, energy and metal, chemicals and consumer lifestyle. Sojitz's strength lies not only in developing financial schemes, but also in conducting accurate analysis of markets through its overseas networks and determining the commercial viability of businesses using accumulated expertise in various fields. Sojitz has used these skills to pursue opportunities in IPP businesses as a developer, investor, finance arranger and/or project coordinator. Sojitz has been involved in IPP projects worldwide including Oman, Saudi Arabia, USA, Indonesia, Vietnam, Mexico, Sri Lanka and Japan.

Specifically in the Gulf region, Sojitz has long been actively involved in power and water business including EPC projects such as Ghubrah Phase 1, 2, 3/4 and 5 and IPP projects such as PP11 IPP (1,729 MW) in Saudi Arabia and Barka-3 (744 MW, CCGT) / Sohar-2 (744MW, CCGT) in Oman.

Further information about Sojitz is available at: http://www.sojitz.com/en/

SEP International Netherlands B.V. (SEPI)

SEPI is a wholly owned subsidiary of Shikoku Electric Power Co., Inc. (Yonden) for investing to and managing IPP/IWPP projects outside Japan, which holds shares in Barka-3 IPP (744MW, GTCC) & Sohar-2 IPP (744MW, GTCC) in Oman, Ras Laffan C IWPP (2,730MW, GTCC & 63MIGD) in Qatar, Huatacondo IPP (98MW, Photovoltaic) in Chile, Yunlin IPP (640MW, Offshore Wind) in Taiwan and Ahlone IPP (121MW, GTCC) in Myanmar.

Huatacondo IPP, 98MW Photovoltaic power project in Chile, achieved COD in 2019 and sells electricity in electricity market.

In 2019, Yonden committed new investments of Yunlin IPP (640MW Offshore wind project in Taiwan) which is now being constructed, targeting COD in 2021 and Ahlone IPP (121MW GTCC project in Myanmar) which is now under operation from 2013.

Yonden, listed on the Tokyo Stock Exchange, is an electric power utility and carries out the integrated process of generating, transmitting, distributing, and selling electricity to approx. 4 million people in Shikoku region, Japan. Yonden employs approx. 2,400 people and has achieved consolidated operating revenues of USD 7.1 billion from the electricity sales of 29.9 billion kWh in the fiscal year ended March 31, 2020. Since its establishment in 1951, Yonden has contributed to regional development through the stable supply of low-cost, high-quality electricity by establishing a balanced energy mix that combines nuclear, coal, oil, gas, hydro, and solar power, totaling approx. 5,435MW (net and gross) in generating capacity at 63 power stations.

Especially in the thermal power field, over 400 engineers engage in engineering, construction, operation and maintenance of thermal power plants whose generating capacity is approximately 3,391MW with their comprehensive experiences, skills and know-how obtained for more than 60 years. Yonden owns two GTCC units (296MW and 289MW at its Sakaide Power Station).

Further information about Yonden is available at: http://www.yonden.co.jp/english/index.html

Public Authority for Social Insurance (PASI)

PASI is a public authority established in Oman enjoying administrative and financial independence pursuant to Royal Decree 72/91 issued on 2nd July 1991. PASI manages a defined benefit pension scheme for Omani nationals employed in the private sector through prudent, wise and long-term investment strategies. Currently the scheme members exceed 203,000 active participants.

PASI invests actively in the local and international capital markets. Locally, PASI has been a pioneer in participating in power, utility companies and major real estate projects. Internationally, PASI's investments cover both traditional (such as fixed income and equities) and alternative assets (such as private equity, infrastructure & real estate).

Further information about PASI is available at: www.pasi.gov.om

Civil Service Employees Pension Fund (CSEPF)

The Civil Service Employees Pension Fund (CSEPF) was established simultaneously with the introduction of the Law of Pensions and End of Service Benefits for Omani Nationals employed in the Government sector in the beginning of 1986.

The Fund is an independent government unit which has a juristic personality, an administrative and financial independence.

Further information about CSEPF is available at: www. Civilpension.gov.om

Ministry of Defence Pension Fund (MODPF)

The Ministry of Defence Pension Fund is a public legal entity in the Sultanate of Oman duly organized under, and registered pursuant to, Sultani Decree 87/93 issued on 29th December 1993. The Ministry of Defence Pension Fund is one of the largest pension funds in Oman and is a major investor in the local capital markets, both in equities and bonds. It is also a major participant in project investments and Real Estate investments. The Fund is represented on the boards of several prominent Corporates in Oman.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Al Batinah Power Company SAOG (the "Company") considers corporate citizenship as a key element of the business success. Striving to ensure that the Company has a positive impact on people and the country, the Company allocated 35,000 OMR for the CSR initiatives for the year 2020 as summarized in the table below:

	Project Description	Amount (RO)
1	148 KWp Solar PV project at Qutaiba bin Muslim School in AL Khamil	15,000
2	COVID-19 special account by the Ministry of Health	20,000
	Total	**35,000**

1) 148 KWp Solar PV project at Qutaiba bin Muslim School in Al Khamil

With the aim to achieve below objectives:

1. Providing green, renewable and free of charge electricity to the school
2. Enhancing the awareness of the clean and renewable energy amongst the students and society
3. Promoting in country value and supporting Omani SME in the field of the renewable energy

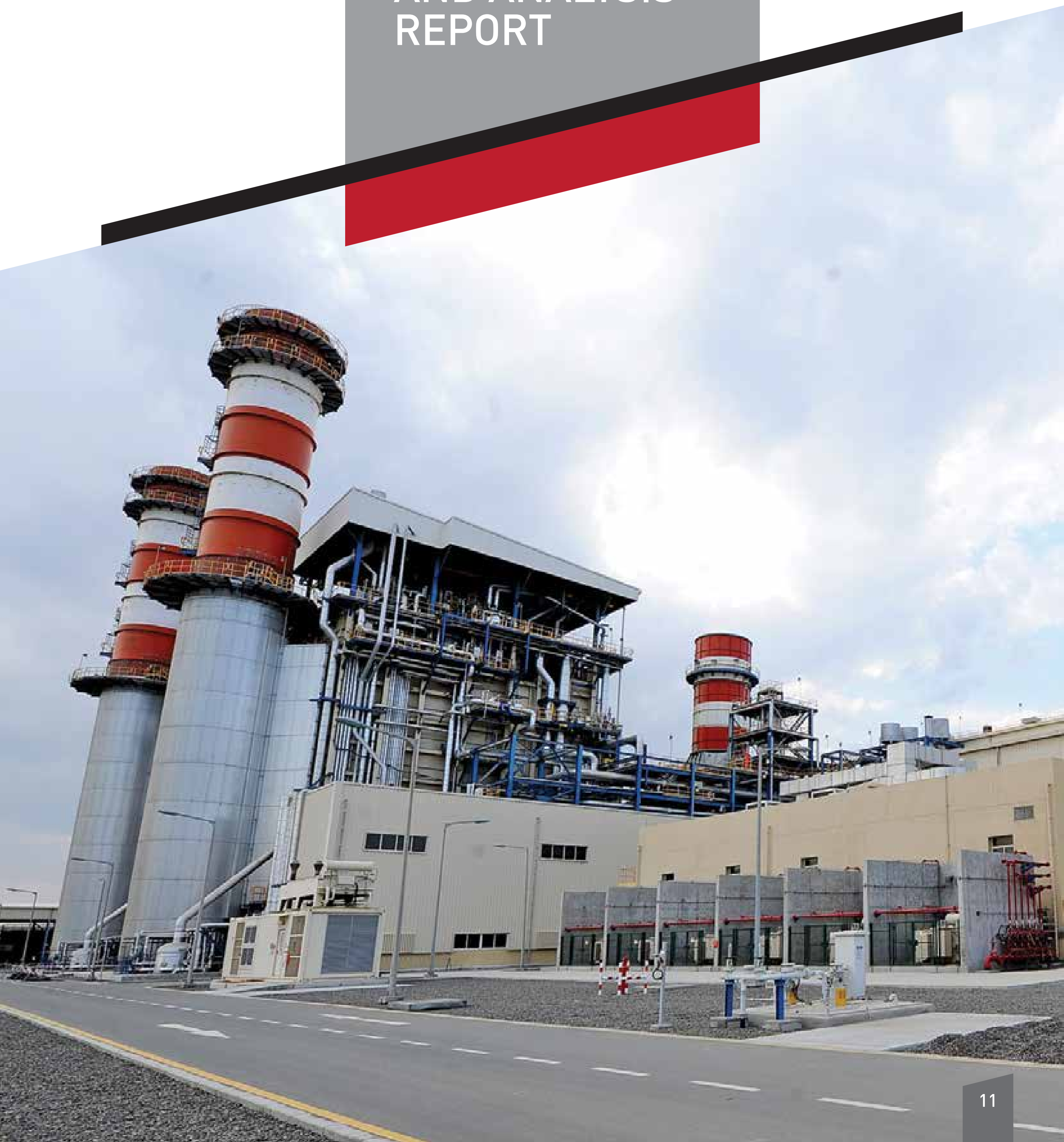
After the successful Photo-voltage solar CSR projects in schools in Barka and Liwa which were sponsored by the four power companies, the Company had joined the same group of companies to sponsor a similar project in Qutaiba bin Muslim School in AL Khamil Walayat. The project has been completed and it has a capacity of 150 KWp, covering nearly 760 m² and expected to produce around 277 MWh/year. The school has received solar training kits to educate all students about solar PV energy.

148 KWp Solar PV project at Qutaiba bin Muslim School in Al Khamil

2) COVID-19 special account by the Ministry of Health

The Novel Coronavirus (COVID-19) pandemic which is one of the most challenging events in modern history has upset the scales of balance, resulting in the reevaluation of priorities across the globe. In light of this situation, the Company donated an amount of 20,000 OMR in order to support the country efforts to limit the spread of the virus and mitigate its impact.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management of Al Batinah Power Company SAOG (the "Company") is pleased to present its report on the Company's business structure, opportunities and threats, operational and financial performance, risks and concerns, outlook and other matters of importance to the shareholders.

Industry structure and development

In 2004, the 'Sector Law' came into force which provides the framework for the industry structure of electricity and related water in Oman. It led to the establishment of an independent regulatory authority, the Authority for Electricity Regulation (currently, the Authority for Public Services Regulation (ASPR)), a single procurement company, Oman Power and Water Procurement Company SAOC (OPWP) and a holding company, Electricity Holding Company SAOC (EHC).

OPWP is responsible for ensuring that there is sufficient electricity and water production capacity available at the lowest cost to meet growing demands in Oman. OPWP undertakes long-term generation planning and identifies new projects to be developed by private sector entities, in order to meet the future power generation and water desalination requirements of Oman.

Oman's electricity sector is partly government-owned and partly privatized. OPWP's portfolio of contracted power and water capacity comprises of long-term contracts with power and/or desalination plants in operation.

The Company's Generation License was amended in January 2019 to reflect the introduction of the electricity spot market. The Company is closely following OPWP's "spot market" arrangements for the future procurement of power from independent power producers. Although the Company has a Power Purchase Agreement (PPA) with OPWP which expires in April 2028, the proposed spot market rules will require the Company to participate, on a daily basis, in the "spot market" process albeit with no risk to its revenue arrangements agreed within the existing PPA. With the proposed arrangement, OPWP aims to enhance dispatch efficiency by increasing transparency, achieving fuel efficiency, efficient asset utilization and clarity in respect of post PPA term revenue opportunities for generators, thereby enhancing transparency of the treatment of expiring PPAs. OPWP would continue to retain its role as the single buyer of all wholesale electricity in the country.

Opportunities and Threats

The Company has a well-established contractual framework ensuring stable and predictable cash flows.

Contractual Framework

The Power Purchase Agreement (PPA) with OPWP is resilient to potential shocks in gas prices and power demand until 2028. OPWP is the sole purchaser of all electricity output from the power plant (the "Plant") and the Company is fully dependent on timely payments by OPWP.

The Natural Gas Sales Agreement (NGSA) executed with the Ministry of Oil and Gas (currently Ministry of Energy and Minerals (MEM)) secures the availability of fuel (natural gas) back to back with the PPA term. In January 2015, the gas price was revised with annual escalation of minimum 3% as per the NGSA. However, as the gas cost is a pass-through element under the PPA, the Company has no impact from the increase in the gas price.

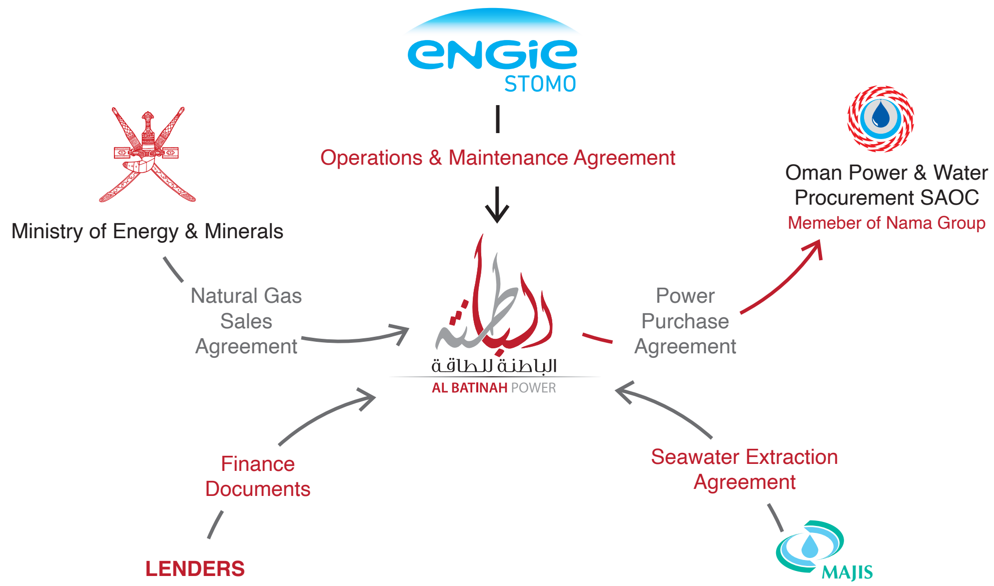
The Seawater Extraction Agreement executed with Majis Industrial Services SAOC (Majis) secures the availability of chlorinated seawater, which the Company uses mainly for cooling purpose for different equipment of the Plant.

The Company has entered into financing agreements with a consortium of international banks and export credit agencies. The interest rates volatility is adequately hedged through entering into interest rate swap agreements thus improving the predictability of cash flows available to shareholders.

The technological risk is considered low as the Plant uses proven technology from renowned international suppliers (mainly Siemens).

Suez-Tractebel Operation and Maintenance Oman LLC (ENGIE STOMO) is contracted to operate and maintain the Plant for the term of the PPA. STOMO is an experienced and skilled operator with largest O&M expertise in Oman. The operations and maintenance standards of the Plant are based on international best practices, in accordance with ENGIE's policies and principles which in turn are derived from its experience in operating numerous power generation plants worldwide.

Finally, the Company continues to benefit from the extensive experience of its main shareholders in ownership and operation of power projects in the country and worldwide.



Discussion on operational performance

Health and Safety

Health and safety performance is given utmost importance within the Company and also encompasses STOMO, various contractors and sub-contractors, in order to achieve the goal set by the top management: zero harm and zero environmental incidents.

The overall health, safety, security and environmental (HSSE) performance in 2020 was excellent with no lost time accident (LTA) reported. The Company takes pride to inform that the Plant has completed 3,466 days without LTA (977,111 man hours) by the end of 2020.

The Plant invoked its Business Continuity Plan in March 2020 due to the unprecedented spread of COVID-19. For a few months, the essential operating staff were confined to plant site in split groups to mitigate the risk of infection to all staff. After necessary safety measures and risk mitigations were put in place, the restrictions were eased out. The Supreme Committee guidelines have been strictly enforced to manage the situation.

The Plant holds major standard certifications like ISO 14001 and ISO 45001 as a testimony for plant commitment toward safe people and equipment and safe environment. Many other proactive actions undertaken by the Company and STOMO have led to such excellent accomplishment of HSSE objectives:

- Management reviews and safety walks
- Proactive key performance indicators (KPI)
- Behavioral based program called "fresh eyes"
- Implementation of INTELEX – a safety reporting management system
- Behavioral Attitude Recommendation Standards (BARS) is a corporate initiative introduced by Engie as part of wider loss control and risk management approach.
- All the O&M managers and HSE staff are NEBOSH certified

Every incident or near miss is taken very seriously, analyzed and actions are proactively implemented and shared internally and with board members so as to benefit from their experience and network to ensure best practice.

Human Resources – training and career development

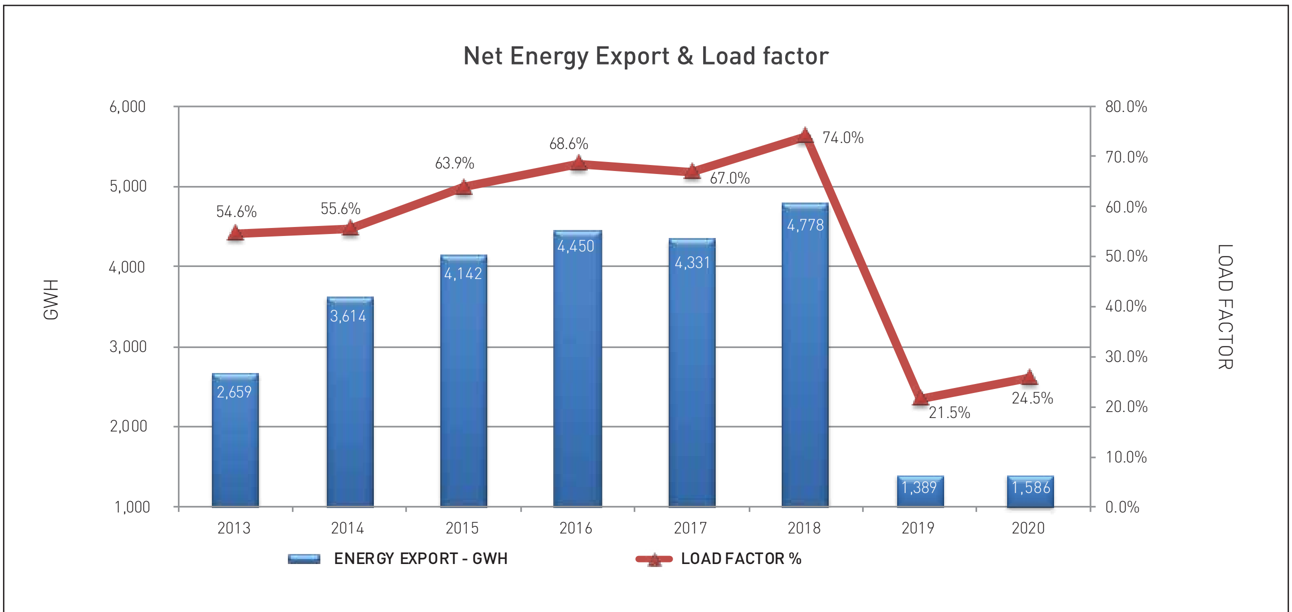
Training values at the Plant are established by STOMO. These are primarily aimed to ensure that all of their employees perform their tasks in the most efficient and safe manner. The Company and STOMO are committed to empower qualified Omani Nationals to acquire better-quality engineering and related skills and take up higher responsibilities in operating and maintaining the Plant. To this end, since inception, the strategy of the Company and STOMO has been to train and develop qualified Omani staff to take up additional responsibilities in the due course. Annual performance review of each employee includes assessment of their career growth. STOMO has been successful in identifying candidates, especially young Omani graduates, with high potentials to take them through a higher level of specialized training and peer guidance to scale the echelons of senior management, reaching the highest position in a power company.

The Company too has established processes and has implemented its human resource policy that maps career graph for young Omani Nationals to achieve their potentials and grow professionally and take up senior positions.

Net energy export and load factor

Impacted by the introduction of new IPP's in Sohar and Ibri and the low growth of power demand in MIS compared to the forecast, the net energy export and load factor during 2020 was low but 3% higher compared to the previous year (Refer to Chart No. 1 below). The plant remains dispatched to shutdown from October 2020 onwards due to low demand.

Chart no. 1: Plant Yearly Energy Export& Load factor



Capacity

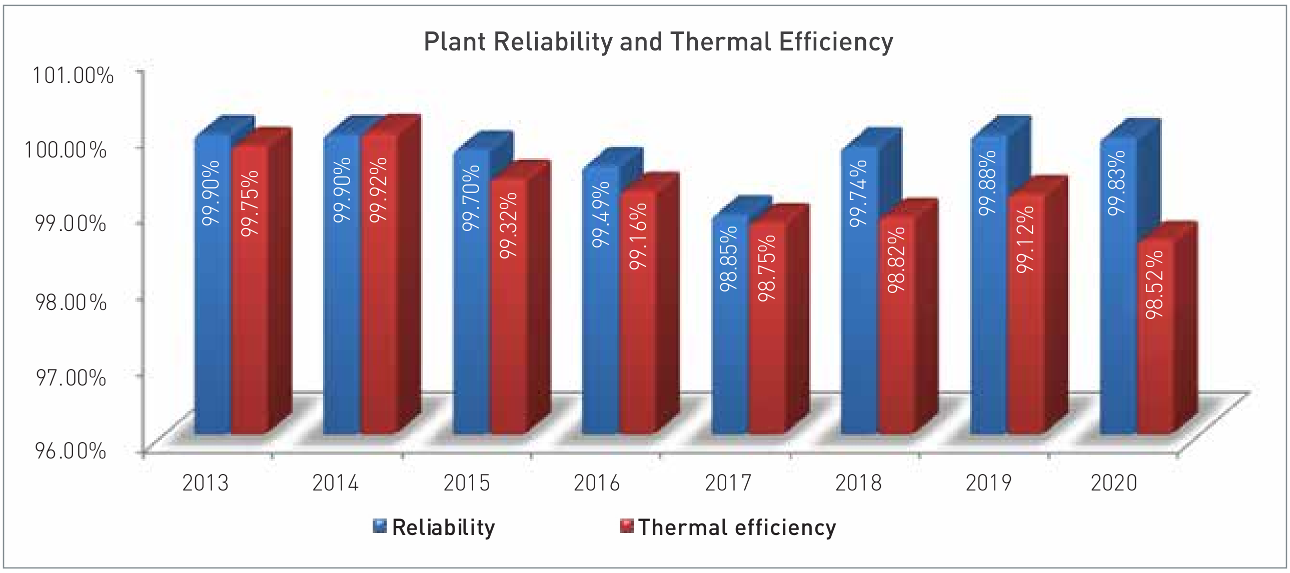
The capacity of a plant is defined as the total electrical power (MW), which can be delivered by the Plant at reference site conditions. As defined in the PPA, the guaranteed contracted capacity slightly and gradually decreases over the first 5 years of the project and then reaches a plateau at 736.53 MW from Contract Year 6 until the end of the PPA. This guaranteed contracted capacity has been successfully demonstrated by performance test in April 2020.

Reliability and Thermal Efficiency

The reliability of a plant is its ability to deliver the declared capacity, as per the PPA. The Plant's operational reliability over the last seven years has been excellent by industry standards and materially contributes to the Company's financial performance. The plant has achieved a reliability of 99.83% in 2020 (Refer to Chart no. 2).

The efficiency of a power plant is measured in terms of the amount of heat required to produce one unit of electrical energy. In 2020, the overall plant efficiency as compared to the plant actual gas consumption was slightly negative owing mainly to very low load factors and transient operation. The plant continues to discover new opportunities to improve the plant efficiency which can shrink the negative fuel margin of the plant.

Chart no. 2: Plant Reliability and Thermal Efficiency



Maintenance

Maintenance of the Plant was undertaken in accordance with the standard operations and maintenance processes recommended by the Original Equipment Manufacturer (OEM), Siemens, and also condition based monitoring. With very low dispatch of the plant since May 2019, minor inspections of both of the gas turbines are shifted to fourth quarter of 2021 due to low accumulated operating hours on the gas turbines.

EPC Warranty

EPC Warranty claims have been reduced drastically and only a few remain open to be rectified, awaiting gas turbine major inspections. The Warranty bond value was reduced to be commensurate with the open warranty claims and the Warranty bond remains valid until 31 December 2021.

Discussion on financial performance

Figures in RO millions		2020	2019	% change
Revenues	1	**50.63**	49.21	2.9%
Net Profit	2	**10.62**	9.75	8.9%
Net Profit before Finance costs	3	**19.06**	19.06	0.0%
Total Assets	4	**262.59**	260.78	0.7%
Capital (Paid-up)	5	**67.49**	67.49	0.0%
Equity before hedging reserve	6	**95.57**	88.94	7.5%
Term Loans*	7	**126.73**	142.52	-11.1%
Weighted average number of shares	8	**674.89**	674.89	0.0%
Actual number of shares outstanding	9	**674.89**	674.89	0.0%
Ordinary Dividends	10	**3.98**	4.72	-15.7%
Key Financial Indicators		**2020**	**2019**	**% change**
Net Profit Margin	2/1	**21.0%**	19.8%	N/A
Return on Capital (Paid-up)	2/5	**15.7%**	14.4%	N/A
Return on Capital Employed	3/(6+7)	**8.6%**	8.2%	N/A
Debt Equity ratio	7:6	**57.0 : 43.0**	61.6 : 38.4	N/A
Net assets per share (Baizas)	6/8	**141.61**	131.78	7.5%
Basic earnings per share (Baizas)	2/8	**15.73**	14.44	8.9%
Dividends per share (Baizas)	10/9	**5.90**	7.00	-15.7%

* Excluding unamortised transaction cost

Analysis of Profit & Loss

Higher revenue as compared to the previous year was attributed mainly to higher plant load factor and the annual escalation increase in the gas price. The variability of the plant load factor influences the fuel and energy charge received from OPWP. However, these charges are passed through to the MEM and STOMO, hence no material impact on the Company's profitability.

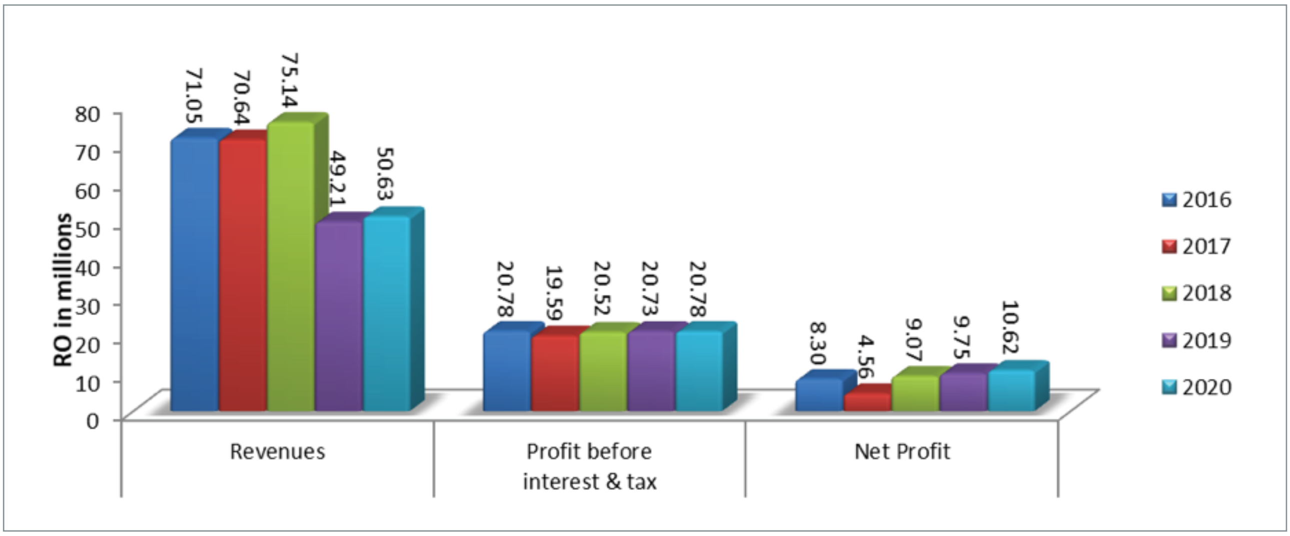
The excellent plant operations enabled the Company to achieve a relatively higher gross profit compared to the previous year. Higher gross profit as compared to the previous year was attributed mainly to the lower maintenance cost partly offset by the higher plant auxiliaries' electricity consumption when the plant load is not dispatched.

Furthermore, the steady reduction in the finance costs because of the scheduled debt repayments positively contributed to the better profit before tax. Consequently, the Net Profit for the year 2020 was increased by 8.9% compared to the previous year.

As a result, the basic earnings per share increased to 15.73 Baizas for the year 2020 compared to 14.44 Baizas in year 2019.

The Company revenue and profit in the last five years are graphically displayed in Chart no. 3 below:

Chart no. 3: Key profitability indicators



Analysis of Balance Sheet

Total assets of the Company stood at RO 262.59 million as on 31 December 2020 as compared to RO 260.78 million previous year mainly due to the increase in the trade receivables from OPWP partly offset by the depreciation charge for the year.

Trade Receivables are mostly from OPWP and that includes an amount of RO 13.17million relating to fuel component for the entire year of 2020, not received from OPWP. Similar to 2019, the 2020 fuel component will be also offset with the MEM corresponding fuel payments, withheld by the Company, through settlement agreements which are under execution.

Cash and cash equivalents and short term deposit net of short term borrowing stood at RO -0.71 million as at 31 December 2020, as compared to RO -1.78 million previous year.

The Equity before hedging reserve was slightly increased to RO 95.57 million as of 31 December 2020 mainly due to higher net profit earned during year 2020 as reduced by the dividends distributed to the shareholders during the year.

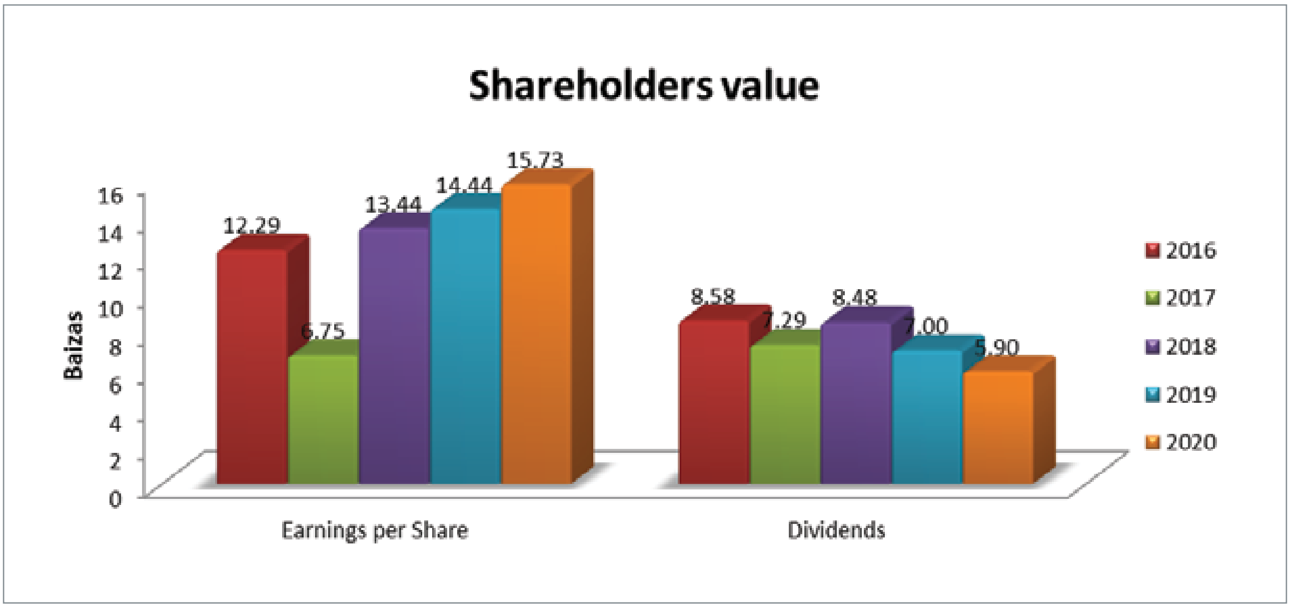
Term Loans (including non-current and current balances) have reduced to RO 123.58 million as a result of scheduled loan repayments in accordance with the terms agreed within the Finance Documents.

Dividend Distribution

The Company's dividend policy of distributing available cash is conditional upon fulfilling of covenants agreed within the Finance Documents which include making adequate provisions for forecasted loan repayments and operating expenses. Consistent with the Company's policy and in accordance with Capital Market Authority regulations, the Company declared and distributed dividend of RO 3.98 million (translating to 5.90 Baizas per share) in year 2020 (paid out of the audited retained earnings for the year ended 31 December 2019). The shareholder's value of the Company in the last five years is graphically displayed in Chart no. 4 below:

Risks and Concerns

Chart no. 4: Shareholders value



Loss of Availability due to Mechanical Breakdown

The principal risk to the Company is the Plant being unavailable due to mechanical breakdown. In order to mitigate this risk, the Company ensures and monitors that STOMO operates and maintains the Plant in line with the Company's directives, best industry practices maintenance schedules prescribed by the OEMs.

Loss of Availability due to Accidental Damage

In accordance with industry best practices, the Company ensures that adequate insurance policies are in place to protect the business against property damage and loss of income arising from accidental damage.

OPWP Payments

OPWP has settled in a timely manner except for the fuel gas component of the invoices starting from May 2019. The Company has accordingly not settled the corresponding fuel gas payments to MEM since the fuel gas cost is back-to-back with the PPA term and the Company is liable to pay to MEM only on receiving the corresponding fuel gas component from OPWP. However, the fuel gas component for the year 2019 was agreed to be offset by the corresponding fuel payments to MEM in December 2020. Furthermore, the fuel gas component for the year 2020 will be offset in settlement agreements which are under execution.

Spot Market

Authority for Public Utility Services (ASPR) has issued a modified Generation License making it mandatory for the Company to participate in the energy spot market which is currently under implementation. The spot market trials is expected to start in Q2 2021 and expected to go live from Q4 2021. The Company revenues will not be impacted due to participation in the spot market until the end of PPA.

Outlook

The Company continues to consistently perform its obligation under the PPA in order to ensure the compensation by OPWP.

Recognizing that the long-term sustainability of the Company's financial results depends upon its efficient operational base, the management will continue to focus on ensuring high levels of the Plant availability whilst closely controlling overhead costs.

Furthermore, the Company has been closely monitoring the financial market conditions for any opportunities to avoid the cash sweep that applies to the last two installments of the commercial loan tranche and is scheduled from April 2023 as agreed in the Finance Documents. However, the current COVID-19 pandemic creates more challenges in the global and local financial market which narrow the opportunities to achieve this task.

Royal Decree No. 121/2020 was issued for the implementation of VAT in Oman on 12 October 2020 and the Oman VAT Laws was published in the Official Gazette on 18 October 2020 and will be effective 180 days after publication (i.e. 16 April 2021). As the Company is protected against any changes of law under PPA as Buyer Risk Event (BRE), OPWP is expected to agree to compensate the Company for any impact on the Company's cost or Company's revenue that is caused or will be caused by the implementation of the Oman VAT Laws. We are still awaiting an Executive Regulation to be promulgated by the Tax Authority that is expected to clarify the Oman VAT Laws.

Internal control systems and their adequacy

The management is fully aware of the importance of a strong internal control system. Since conversion of the Company's status to SAOG in 2014, the Company has appointed a full time in-house internal auditor. Taking into account her skills and experiences, she has been working as the head of the Internal Audit Unit of the Company since 2019. In addition, adequate training opportunities have been provided to the internal auditor to build upon her professional skills.

The management continues to evaluate all business processes along with related policies and procedures and also implements the recommendations of the internal auditor to further augment the overall internal controls environment of the Company.

Gratitude and Conclusion

The management acknowledges and appreciates the commitment and diligence of all employees of the Company while assuring them of their career advancement and continued welfare.

CORPORATE GOVERNANCE REPORT

Ernst & Young LLC
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Opposite Al Ameen Mosque
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Sultanate of Oman

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ey.com

C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

REPORT OF FACTUAL FINDING

TO THE SHAREHOLDERS OF AL BATINAH POWER COMPANY SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' corporate governance report of AL BATINAH POWER COMPANY SAOG (the "Company") as at and for the year ended 31 December 2020 and its application of the corporate governance practices in accordance with amendments to CMA Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the "Code"). Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the extent of the Company's compliance with the Code as issued by the CMA and are summarised as follows:

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

2) We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2020. The Company's Board of Directors has not identified any areas of non-compliance with the Code.

We have no exceptions to report in respect of the procedures performed.

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

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

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of the Company to be included in its annual report for the year ended 31 December 2020 and does not extend to any financial statements of Al Batinah Power Company SAOG, taken as a whole.

Ernst & Young LLC

17 February 2021
Muscat

إرنست ويونغ ش م م
س.ت: ١٢٢٤٠١٣
ص.ب: ١٧٥٠ روي ١١٢، سلطنة عمان
ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Al Batinah Power Company SAOG (the "Company") hereby presents their Corporate Governance Report for the year ended 31 December 2020 in accordance with the Code of Corporate Governance of Public Listed Companies (the "Code"), clarifications and notifications issued by the Capital Market Authority (the "CMA") from time to time.

Company's philosophy

The Company follows the principles of good Corporate Governance and has implemented the guidelines issued by the CMA. Effective Corporate Governance assures the shareholders that there is a well performing management in place which supports the highest standards towards transparency, accountability, continuous improvement of business processes, disclosure, displaying the highest ethical standards, observing compliance with laws, permits and regulations and business propriety with the aim of enhancing long term shareholders value and the interest of all stakeholders. Towards this, the Company has put in place effective policies, procedures and systems to ensure fair and timely release of material information about the Company to the stakeholders.

The Audit Committee and the Nomination & Remuneration Committee are fully operational in line with the provisions of the Code. The Company is being managed with due diligence and care, and in the best interest of all shareholders.

In accordance with the CMA rules and guidelines on disclosure, the Company's Statutory Auditors, Ernst and Young, have issued a separate Report on the Company's Governance Report for the year ended 31 December 2020.

Board of Directors

In compliance with the Company's Articles of Association, the Board is constituted of 11 directors. The shareholders of the Company at the Annual General Meeting (the "AGM") in March 2019 elected the existing board members for a term of 3 years. In 2020, a couple of directors have resigned from the Board as disclosed to the Market by the company in a timely manner and their replacements were nominated and appointed according to the CMA rules. The term will expire at the conclusion of the AGM to be held in March 2022.

a) Composition, category and attendance of Directors in 2020

All Directors are non-executive in accordance with the requirement of the Code.

	Name of Directors	Category of Directors ^	Attendance						
			Board Meetings						AGM/ EGM
			19 Feb	22 Apr	14 May	22 Jul	27 Oct	Total	4 June
Incumbent as of Dec 31, 2020	Mr. Saif Abdullah Hamood Al-Harthy (Chairperson)	Independent	✓	✓	✓	✓	✓	5	✓
	Mr. Pradeep Prabhakar Navre (Deputy Chairperson)	Independent	✓	✓	✓	✓	✓	5	✓
	Mr. Pascal Renaud	Non-independent & Nominee Director	✓	✓	✓	✓	Proxy	5	✓
	Mr. Pradeep Asrani	Independent	n/a	n/a	n/a	✓	✓	2	n/a
	Mr. Ryuji Kikuchi	Non-independent & Nominee Director	Proxy	✓	✓	Proxy	✓	5	✓
	Mr. Shabib Abdullah Mohamed Al-Busaidi	Non-independent & Nominee Director	✓	✓	✓	✓	✓	5	✓
	Mr. Muhammad Fawad Akhtar	Non-Independent	✓	✓	✓	✓	✓	5	✓
	Mr. Mohamed Amur Mohamed Al-Mamari	Non-independent & Nominee Director	✓	✓	✓	✓	✓	5	✓
	Mr. Mohammad Ribhi Izzat Alhusseini	Independent & Nominee Director	✓	✓	✓	✓	✓	5	✓
	Mr. Kazuichi Ikeda	Non-independent & Nominee Director	Proxy	✓	Proxy	Proxy	Proxy	5	✓
	Mr. Yasser Ramadan Mahamad Kheir	Independent	✓	✓	✓	✓	✓	5	✓
Resigned	Kamal Narayan Mathur	Independent	n/a	n/a	n/a	n/a	n/a	0	n/a
	Vincent Montanet	Independent	Proxy	✓	✓	n/a	n/a	3	✓

^ The category of the incumbent directors is based on new elections held on 20 March 2019.
✓ : attend, x : absent, n/a : not in seat

b) Directors holding directorship/chairmanship in other joint stock companies in Oman as of 31 December 2020

Name of Director	Name of Companies	Position Held
Mr. Shabib Abdullah Mohamed Al-Busaidi	Al Ahlia Insurance Co SAOG	Director and Member of Nomination Remuneration and Investment Committee
Mr. Pradeep Prabhakar Navre	Al Jazeera Steel Products Co SAOG, Oman	*Director*
Mr. Mohammad Ribhi Izzat Alhusseini	National Aluminum Products Company SAOG	Director and chairman of Audit Committee
Mr. Yasser Ramadan Mahamad Kheir	Oman Ceramics Company SAOG	*Director*

The brief profile of Directors and key executive officers is included as an Annexure to the Corporate Governance Report.

Audit Committee

a) Brief description of terms of reference

The primary function of the Audit Committee is to provide independent assistance to the Board in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community and other stakeholders relating to:

(i) The integrity of the Company's financial statements and accounting and financial reporting processes,

(ii) The effectiveness of the Company's risk management and internal control systems,

(iii) The performance of the Company's internal audit function,

(iv) The qualifications and independence of the external auditors, and

(v) The Company's compliance with ethical, legal and regulatory requirements.

Consistent with this function, the Audit Committee encourages continuous improvement of, and promote adherence to the Company's policies, procedures, and practices for corporate accountability, transparency and integrity.

In fulfilling its role, it is the responsibility of the Audit Committee to maintain free and open communication with the external auditors, the internal auditor and the management of the Company and to determine that all parties are aware of their responsibilities.

b) Composition, position and attendance in 2020

The majority of Audit Committee members and Chairperson are independent directors and at least one member has finance and accounting expertise, as required by the Code.

<table>
<tr><th colspan="2" rowspan="2">Name of Committee Members</th><th rowspan="2">Position</th><th colspan="5">Attendance</th></tr>
<tr><th>18 Feb</th><th>21 Apr</th><th>21 Jul</th><th>26 Oct</th><th>Total</th></tr>
<tr><td colspan="2">Mr. Pradeep Asrani</td><td>Chairperson</td><td>n/a</td><td>n/a</td><td>✓</td><td>✓</td><td>2</td></tr>
<tr><td colspan="2">Mr. Pradeep Prabhakar Navre</td><td>Member</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>4</td></tr>
<tr><td colspan="2">Mr. Ryuji Kikuchi</td><td>Member</td><td>X</td><td>✓</td><td>✓</td><td>✓</td><td>3</td></tr>
<tr><td rowspan="2">Resigned</td><td>Mr. Vincent Montanet</td><td>Chairperson</td><td>Proxy</td><td>✓</td><td>n/a</td><td>n/a</td><td>2</td></tr>
<tr><td>Mr. Kamal Narayan Mathur</td><td>Member</td><td>n/a</td><td>n/a</td><td>n/a</td><td>n/a</td><td>0</td></tr>
</table>

✓ : attend, x : absent, n/a : not in seat

Nomination & Remuneration Committee

a) Brief description of terms of reference

The primary function of the Nomination & Remuneration Committee (the "NRC") is to:

(i) Assist the general meeting in the nomination of proficient and high caliber directors,

(ii) Prepare job descriptions of the directors including the Chairperson of the Board,

(iii) Develop succession plan for the Board or at least the Chairperson and executive management, and

(iv) Propose proper remuneration and incentives policy to attract competent executive management.

b) Composition, position and attendance in 2020

Name of Committee Members	Position	Attendance		
		18 Feb	26 Oct	Total
Mr. Yasser Mohammed Kheir	Chairperson	✓	✓	2
Mr. Muhammad Fawad Akhtar	Member	✓	✓	2
Mr. Ryuji Kikuchi	Member	X	✓	1

✓ : attend, x : absent, n/a : not in seat

Appraisal for the performance of the Board

As approved by the shareholders at the AGM held in 20 March 2019, the Company will conduct a performance appraisal of the newly elected Board members once during its 3years' term. The primary objective of the appraisal is to consider the composition, structure, dynamics, relationships and performance of the Board and its Committees in accordance with the appraisal criteria approved by the shareholders at the AGM held on 4 June 2020.

The appraisal for the performance of the current Board will be conducted in the year 2021.

Process of nomination of the directors

The election of the Board is governed by the Company's Articles of Association. The Company ensures that the elections of the Board are held in accordance with the Commercial Companies Law and rules issued by the Capital Market Authority.

In accordance with the requirement of the Code and the Articles of Association of the Company, the following shall be observed on the formation of the Board:

(i) Eleven directors to be elected by the shareholders in general meeting for a term of 3 years,

(ii) All directors shall be non-executive directors,

(iii) At least one third of the directors shall be independent,

(iv) The members of the Board are elected from amongst the shareholders or non-shareholders,

(v) The juristic person shall not be represented by more than one representative on the Board,

(vi) A director shall not be allowed to combine the positions of chief executive officer and chairperson, and

(vii) No director shall be a member of the Board in more than four joint stock companies or chairperson of more than two joint stock companies.

(viii) A member of the Company's Board shall not participate in the management of another company engaged in similar business.

Remuneration

a) Sitting fees to members of Board and its sub-committees

As approved by the shareholders, the sitting fee of RO 400 for the members of the Board and RO 200 for the members of the Audit Committee and the NRC is paid. The sitting fee is payable to the Board, the Audit Committee and the NRC members who attend the meeting either in person or over video conference in line with the Code. The sitting fee is also paid in case a juristic person, in the absence of its nominated Board member, delegates another representative to attend the Board meeting.

The sitting fees for the year 2020 paid to the directors for attending the Board, the Audit Committee and the NRC meetings amounted to RO 21,200, RO 2,000 and RO 1,000, respectively.

b) Remuneration to Board members

The Board proposes to pay remuneration for the year 2020 to the Board members, equal to actual sitting fees paid during year, for their contribution in achieving excellent operational and financial results. The proposed remuneration of RO 21,200 has been accrued in the financial statements for year ended 31 December 2020, however, the remuneration shall be paid provided it is approved by the shareholders in the forthcoming general meeting.

c) Other payments to directors

There was no other payment to the directors besides their sitting fees.

d) Top 5 officers

The Company paid to its top 5 officers an aggregate amount of RO 388,166 which includes secondment fee, salaries, allowances, performance based bonuses and other benefits. The remuneration paid is commensurate with their qualification, role, responsibility and performance. The criteria of the performance based bonus are the degree of achievement of the objectives set by officers at beginning of year in line with the Company's goal and overall strategy. The employment contracts stipulate a notice period of one month.

Details of non-compliance by the Company

There were no penalties imposed on the Company by the Capital Market Authority, Muscat Securities Market ("MSM") or any other statutory authority on any matter related to capital markets during the past three years.

Means of communication with the shareholders and investors

The Company communicates with the shareholders and investors mainly through the MSM website and the Company's website (www.albatinahpower.com) in both English and Arabic. Material information is disclosed immediately, and financial information such as initial quarterly and annual un-audited financial results, un-audited interim financial statements, and annual report including audited financial statements and Management Discussion & Analysis Report are disclosed within the regulatory deadlines. The Company's executive management is also available to meet its shareholders and analysts as and when required.

Market price data

a) High/Low/Closing share price and performance comparison during each month in 2020

Month	Price (Baizas)				MSM Index (Service sector)	
	High	Low	Closing	Change from 1 January 2020	Closing	Change from 1 January 2020
January	61	57	60	3.45%	1,936.19	2.09%
February	66	59	60	3.45%	1,919.54	1.21%
March	61	50	51	-12.07%	1,688.02	-11.00%
April	61	49	58	0.00%	1,697.42	-10.50%
May	61	53	56	-3.45%	1,612.18	-14.96%
June	57	50	51	-12.07%	1,566.77	-17.39%
July	55	51	52	-10.34%	1,538.51	-18.88%
August	56	52	55	-5.17%	1,579.00	-16.74%
September	56	53	53	-8.62%	1,563.89	-17.54%
October	55	53	54	-6.90%	1,609.75	-15.12%
November	55	53	55	-5.17%	1,600.79	-15.60%
December	55	49	50	-13.79%	1,591.82	*-16.07%*

During 2020, the Company has distributed cash dividend of Baizas 2.80 per share in June and Baizas 3.10 per share in December, to the shareholders of the Company who are registered in the Company's shareholders' register with the Muscat Clearing & Depository Company SAOC respectively as on 4 June 2020 and 1 December 2020, out of the retained earnings as per the audited financial statements for the financial year ended 31 December 2019.

b) Distribution of shareholding as of 31 December 2020

Category	Number of shareholders	Number of shares held	Share capital %
5% and above	7	567,433,755	84.08%
1% to 5%	-	-	-
Less than 1 %	2,688	107,453,675	15.92%
Total	**2,695**	**674,887,430**	***100.00%***

Professional profile of the statutory auditor

The shareholders of the Company appointed Ernst and Young (EY) as its auditor for 2020.

EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

The MENA practice of EY has been operating in the region since 1923 and employs over 7,000 professionals. EY has been operating in Oman since 1974 and is a leading professional services firm in the country. EY MENA forms part of EY's EMEIA practice, with over 4,720 partners and approximately 127,444 professionals. Globally, EY operates in more than 150 countries and employs 334,012 professionals in 700 offices. Please visit ey.com for more information about EY. During the year 2020, EY rendered professional services to the Company equivalent to RO 10,450 (RO 9,700 for audit and RO 750 for other services).

Acknowledgement by the Board of Directors

- The Board of Directors accepts the responsibility for accurately preparing accounts and financial statements and confirms the financial statements for 2020 have been prepared in accordance with the applicable International Financial Reporting Standards and rules.
- The Board of Directors, through the Audit Committee, has reviewed the Company's system of internal controls, and assures efficiency and adequacy of the internal control systems including financial management and its related operations, obligation management and risk management.
- The Company has robust business model as explained in detail in the financial report and, as such, the Board of Directors confirms that they believe there are no material matters which may affect the continuation of the Company and its ability to continue its operations during the next financial year.

Chairperson

Director

Brief Profiles of Directors

Name	:	Mr. Saif Abdullah Hamood Al-Harthy
Year of Joining	:	2018
Education	:	Masters in Chemical Engineering, University of Nottingham, UK
Experience	:	Mr. Al Harthy started his carrier as a field Engineer in Petroleum Development Oman (PDO), where he was involved in the design and upgrade of the major gas exporting facilities in central Oman. He later worked as a senior Business Planner for the PDO gas directorate before joining Qalhat LNG in 2006 as a Technical Coordinator. Mr. Al Harthy is currently working for Oman LNG as Chief Corporate Services & Investment Officer.

Name	:	Mr. Pradeep Prabhakar Navre
Year of Joining	:	2020
Education	:	B Tech (Chemical Engineering) from IIT Delhi and Master of Management Studies (Marketing) from Jamnalal Baja Institute of Management Studies, Mumbai
Experience	:	Mr. Navre is a Chief Executive Officer with a proven track record of Profit Centre responsibility. His experience of 42 years in India, Oman and UAE spans diverse industries--Commodities, Building Materials, Pharmaceuticals, Food and FMCG sectors. In India he acquired Sales and Marketing skills in blue chip companies such as Ranbaxy Laboratories Ltd New Delhi, TTK & Co Bangalore and Parle Products Mumbai over a 10-year period in the Pharmaceutical, Foods and FMCG Sectors. In the Middle East he has worked with Suhail Bahwan Group for 32 years in various capacities in Oman as well as UAE in Steel, Commodities, Telecommunication and Property Sectors. At present he has Profit Centre responsibilities for 4 Companies within Suhail Bahwan Group--Bahwan Electronics LLC, Bahwan Furnishings & Trading LLC, Bahwan Healthcare LLC and Bahwan Logistics LLC. He is also a member of the Executive Committee which oversees the operations of Amiantit Oman.

Name	:	Mr. Pascal Renaud
Year of Joining	:	2019
Education	:	PhD Access Diploma (DEA) in Energy & Nuclear Physics, Specialized Master in Risk Management
Experience	:	2021 - now: Chief Operations Office - Water & Power Production, ENGIE Middle East, South & Central Asia, Turkey and Africa. 2019-2020: Operations & Maintenance Director, ENGIE Middle East, South & Central Asia and Turkey 2017-2019 : General Manager O&M company JOMEL (Marafiq IWPP in KSA)& COO Saudi Arabia and Kuwait for ENGIE. 2015-2017 : Chief European Maintenance & Operations Officer (ENGIE Belgium) 2009-2015 : COO and CEO of Power Generation Companies in France and Southern Europe.

Name	**:**	**Mr. Pradeep Asrani**
Year of Joining	:	2020
Education	:	Graduate in Science from Bombay University, Post Graduate Diploma in Financial Management, Certified Associate of Indian Institute of Bankers
Experience	:	Mr. Pradeep Asrani is a finance professional with 43 years' working experience in senior management positions in the areas of commercial and investment banking with Indian and multinational Banks. Among others, he was Director of Corporate Finance and Head of Investment Banking with Barclays Bank plc in India, before coming to Oman in 1999 to join a public shareholding company listed at Muscat Securities Market as Executive Vice President, before assuming the charge of the company as its CEO and retiring from this position in 2018.

Name	**:**	**Mr. Ryuji Kikuchi**
Year of Joining	:	2017
Education	:	MBA at Dartmouth College, School of Business (Tuck School), USA
Experience	:	*BA Architecture, Waseda University, Japan*
		Mr. Kikuchi as over 15year experience of project financed IPP development and contracting of power projects in various countries including, Oman, KSA, UAE, Sri Lanka, Mexico, Vietnam, India, Mongolia. He also has hands on experience of managing IPP project in Sri Lanka as CEO. Prior to above, he had been engaged in trade and structured finance for variety of Sojitz's overseas businesses.

Name	**:**	**Mr. Shabib Abdullah Mohamed Al-Busaidi**
Year of Joining	:	2019
Education	:	Master in Actuarial Sciences, University of Kent, UK
Experience	:	Mr. Al-Busaidi started his carrier in Capital Market Authority and Ministry of National Economy where he was involved in fields of Finance, Strategic planning and Statistics. Mr. Al-Busaidi is currently working for Public Authority for Social Insurance as Assistant Expert for Insurance Affairs where he is responsible for the actuarial studies and Social Insurance schemes designing.

Name	**:**	**Mr. Muhammad Fawad Akhtar**
Year of Joining	:	2019
Education	:	Fellow member of Association of Chartered Certified Accountants, UK and Institute of Chartered Accountants of Pakistan and holds a Bachelor degree in Economics
Experience	:	Mr. Akhtar has more than 22 years of professional working experience; including 17 years in energy sector. He started his career with Ernst & Young where he spent 5 years. He joined ENGIE group in 2003 and led the Accounting/Reporting and thereafter Corporate Finance & Planning functions in group's two power plants in Pakistan, remained extensively involved in successful development of 404MW greenfield project. He acted as CFO of Al Suwadi Power Company SAOG in Oman from Aug 2014 till Mar 2019. Presently he is working as CFO / Business Manager of ENGIE group companies, Arabian Power Company and ITM O&M Company Limited, in UAE.

Name	:	Mr. Mohamed Amur Mohamed Al-Mamari
Year of Joining	:	2016
Education	:	*Master Degree in Accounting and Finance from Cardiff University-UK in 2008 and Bachelor Degree in Economics and Accounting from Kuwait University in 1997.*
Experience	:	Mr. Al-Mamari has more than 21 years' experience in investment, admin, finance and pension in Civil Service Employee Pension Fund, Mr. Al-Mamari held below mentioned positions: - Director of Civil Service Employees Pension Fund - Al Batinah North Governorate Department (from 2010 till today). - Director of Admin Department (from 2007 to 2009). - Head of Finance Section (from 2004 to 2006). - Accountant in Investment Department (from 1997 to 2003).

Name	:	Mr. Mohammad Ribhi Izzat Al Husseini
Year of Joining	:	2016
Education	:	MBA - Corporate Finance from University of Dallas-USA and Bachelor's Degree in Money and Banking from Yarmouk University- Jordan
Experience	:	Mr. Al Husseini has over 23 years of work experience. He is currently working as Deputy Investment Director in Ministry of Defence Pension Fund Muscat, Oman. He is a member in the Audit Committee of the National Aluminum Products Company SAOG. He also has extensive experience in local and regional markets.

Name	:	Mr. Kazuichi Ikeda
Year of Joining	:	2019
Education	:	Master degree in Electrical Engineering from Osaka University (Japan)
Experience	:	Mr. Ikeda is General Manager of Operation & Management Group, International Business and Cooperation Department of YONDEN, a parent company of SEPI. In this position, he is responsible for asset management of IPP/IWPP projects which are already in operation. Mr. Ikeda started his career in YONDEN in 1995 as an electrical engineer and has been involved in construction, maintenance and performance management of various thermal power plants in Japan for more than 9 years. He has been engaged in international IPP/IWPP development over 14 years, out of which he worked for Ras Laffan C IWPP project in Qatar for more than two and a half years as one of the management personnel in charge of the maintenance of the whole plant (2,730MW – Power & 63MIGD – Water).

Name	:	Mr. Yasser Mohammed Kheir
Year of Joining	:	2018
Education	:	B. SC Electrical – Electronic Engineering, Aleppo University
Experience	:	Having 24 years' experience in the ICT domain & had worked for Syrian Telecom Company as Operation Director & deputy GM, then worked with many telecommunication Operators within GCC region, also worked as international Business Development General manager with Azian Group Holding, worked as Vice president with Transtelecoms - and have joined Suhail Bahwan group as General Manager of Bahwan projects & telecom company in 2013. Currently he is Board member (Director) for AL Batinah Power Company & Oman Ceramic company

Brief Profiles of Key Executive Officers

The senior management team has been empowered by the Board of Directors for the day-to-day operations of the Company.

Name	:	Mr. Mohammed Ali Salim Ali Al Rawahi
Position	:	Chief Executive Officer
Year of Joining	:	2019
Education	:	Master of Business Administration from University of Bedfordshire
Experience	:	Mechatronic Engineering Degree from Sultan Qaboos University Mr. Mohammed Al Rawahi has a wide range of experience in the power and water desalination sector. He had worked in open cycle and combined cycle power plants and MSF and RO water desalination plants. He was appointed as CEO of Al Batinah Power Company SAOG in September 2019. Prior to that Mohammed grown in his career life from a Local Plant Engineer, Power Generation Engineer, Operation Manager and finally Plant Manager of Sohar1 Power and Desalination Plant and Sohar2 Power Plant.

Name	:	Mr. Yusuke Koseki
Position	:	Chief Financial Officer
Year of Joining	:	2019
Education	:	Bachelor's Degree in Engineering from Kyushu University
Experience	:	Mr. Koseki has over 10 years of work experience since he joined Sojitz Corporation. He started his career as a tax and accounting specialist in Sojitz Corporation and had worked for over 4years. Thereafter he had been worked for development of new power projects and water projects in the Middle East and Southwest Asia region for 4yeras. He also had led the post-merger integration with respect to M&A deal of power project in Sri Lanka.

الباطنة للطاقة
AL BATINAH POWER

AUDITED FINANCIAL STATEMENTS

Building a better
working world

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C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL BATINAH POWER COMPANY SAOG

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Al Batinah Power Company SAOG (the "Company"), which comprise the statement of financial position as at 31 December 2020, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including 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 2020 and its financial performance and 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) (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.

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL BATINAH POWER COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matters	*How our audit addressed the key audit matters*
Allowance for expected credit losses The Company is required to regularly assess the recoverability of its trade receivables. The recoverability of trade receivables was significant to our audit due to the value of amounts aged greater than the credit terms extended to customers coupled with the higher degree of estimation uncertainty due to the economic impacts of COVID-19. The key areas of judgment include: - Expected credit losses ("ECL") must reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money. - The effects of COVID-19 global pandemic impacting the management's determination of the ECL as it required the application of unusually high level of judgment and estimation uncertainty, which may materially change the estimates in future periods. The accounting policy for determining the allowance for expected credit losses is set out in note 3.3 to the financial statements. The Company's disclosures are included in note 10 and 19(b) to the financial statement, which outlines the details regarding aging of trade receivables and the credit risk.	Our audit procedures for obtaining sufficient appropriate audit evidence over the carrying value of trade receivables, we: - Tested the aging of trade receivables for a sample of customer transactions; - Evaluated receipts after year-end to determine any remaining exposure at the date of the financial statements; - Examined the Company's assessment of the customers' financial circumstances and their ability to repay the debt; - Evaluated the completeness, accuracy and relevance of data used in the expected credit loss model and checked the mathematic accuracy of the calculations; - Evaluated the completeness, accuracy and relevance of data used in the expected credit loss model and independently recomputed the Company's ECL by calculating the probability of default based on Company's data, applying appropriate LGD, latest macro-economic variables and probability weighted outcomes, especially in view of COVID-19 pandemic; - Considered the customers' historical payment patterns along with relevant macroeconomic information; - Assessed the appropriateness of the Company's provisioning policy applied which included assessing whether the calculation was in accordance with IFRS 9 and comparing the Company's provisioning rates against historical collection data; and - Assessed the adequacy and appropriateness of the disclosures in the financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL BATINAH POWER COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Hedge accounting The Company uses derivative financial instruments to hedge interest rate and foreign currency exposure on term loans and future cash flows in accordance with the policies approved by the Board. Rules on accounting for derivative instruments are complex and hedge accounting requirements, including documentation, can be complicated. Lack of compliance with documentation requirements, hedge effectiveness rules, and probability criteria could lead to statement of comprehensive income volatility. The accounting policy relating to derivative financial instruments are set out in note 3 to the financial statements.	Our audit procedures in this area included the following: - We examined the nature of the hedge relationships that were entered into and whether these were in line with the Company's strategy. For the derivatives outstanding at the reporting date, we assessed their valuation, completeness and existence through obtaining external confirmations and their fair value through performing our own independent re-calculations; - We involved our specialists for assessing the Company's hedge accounting and for testing hedge effectiveness; - We assessed the adequacy of disclosure relating to hedge accounting. Details regarding market risk, liquidity risk and the derivative instruments are set out in notes 19(a), 19(c) and 14 to the financial statements.

Other information included in the Company's 2020 Annual Report

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Company's 2020 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2020 Annual Report after the date of our auditor's report:

- Chairman's report
- Corporate governance report
- Management discussion and analysis

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL BATINAH POWER COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Other information included in the Company's 2020 Annual Report(continued)
If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements
Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law, as amended, and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL BATINAH POWER COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for 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 those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL BATINAH POWER COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law, as amended, and CMA of the Sultanate of Oman.

Ernst & Young LLC

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س ت: ١٢٢٤٠١٣
ص.ب: ١٧٥٠ روي - ١١٢ ، سلطنة عمان
EY ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112, Sultanate of Oman

Mohamed Bin Mufti AlQurashi
17 February 2021
Muscat

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Revenues		**50,627**	**131,669**	49,206	127,973
Direct costs	4	**(29,026)**	**(75,489)**	(27,728)	(72,114)
GROSS PROFIT		**21,601**	**56,180**	21,478	55,859
Other income		**-**	**-**	52	135
General and administrative expenses	5	**(823)**	**(2,140)**	(800)	(2,080)
PROFIT BEFORE INTEREST AND TAX		**20,778**	**54,040**	20,730	53,914
Finance costs - net	6	**(8,446)**	**(21,968)**	(9,320)	(24,238)
PROFIT BEFORE TAX		**12,332**	**32,072**	11,410	29,676
Income tax expense	7 a	**(1,716)**	**(4,462)**	(1,665)	(4,331)
NET PROFIT FOR THE YEAR		**10,616**	**27,610**	9,745	25,345
Earnings per share					
Basic earnings per share (Baizas / cents)	23	**15.73**	**40.91**	14.44	37.55

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
NET PROFIT FOR THE YEAR		**10,616**	**27,610**	9,745	25,345
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):					
Items that will be reclassified to profit or loss:					
Cash flow hedges - effective portion of changes in fair value - net of income tax	14	**(2,265)**	**(5,889)**	(3,567)	(9,280)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**8,351**	**21,721**	6,178	16,065

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
ASSETS					
Non-current assets					
Property,plant and equipment	8	**238,924**	**621,392**	246,322	640,630
Right-of-use assets	9 a	**3,246**	**8,441**	3,479	9,049
Capital spares		**566**	**1,472**	487	1,267
		242,736	**631,305**	250,288	650,946
Current assets					
Inventory		**1,913**	**4,974**	1,911	4,970
Trade and other receivables	10	**15,249**	**39,660**	5,118	13,310
Short term deposit	11	**1,154**	**3,000**	1,578	4,103
Cash and cash equivalents	12	**1,543**	**4,014**	1,883	4,898
		19,859	**51,648**	10,490	27,281
TOTAL ASSETS		**262,595**	**682,953**	260,778	678,227
EQUITY AND LIABILITIES					
Equity					
Share capital	13 a	**67,489**	**175,523**	67,489	175,523
Legal reserve	13 b	**6,530**	**16,983**	5,468	14,222
Retained earnings		**21,553**	**56,056**	15,981	41,563
Equity before hedging reserve		**95,572**	**248,562**	88,938	231,308
Hedging reserve	13 c & 14	**(9,081)**	**(23,616)**	(6,816)	(17,727)
Equity		**86,491**	**224,946**	82,122	213,581
LIABILITIES					
Non-current liabilities					
Term loans	15 a	**107,575**	**279,777**	122,685	319,077
Lease liabilities	9 b	**3,416**	**8,883**	3,553	9,240
Derivative instruments	14	**10,683**	**27,784**	8,019	20,856
Deferred tax liability	7 c	**19,218**	**49,981**	17,901	46,558
Asset retirement obligation	16	**297**	**771**	276	716
End of service benefits		**27**	**70**	22	58
		141,216	**367,266**	152,456	396,505
Current liabilities					
Trade and other payables	17	**15,336**	**39,890**	5,040	13,107
Lease liabilities - current	9 b	**140**	**364**	128	333
Short term borrowing	15 b	**3,410**	**8,869**	5,238	13,623
Term loans - current	15 a	**16,002**	**41,618**	15,794	41,078
		34,888	**90,741**	26,200	68,141
Total liabilities		**176,104**	**458,007**	178,656	464,646
TOTAL EQUITY AND LIABILITIES		**262,595**	**682,953**	260,778	678,227
Net assets per share (Baizas / cents) - adjusted	22	**141.61**	**368.30**	131.78	342.74

The financial statements were authorised for issue and approved by the Board of Directors on 17 February 2021 and were signed on their behalf by:

Chairperson

Director

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		**12,332**	**32,072**	11,410	29,676
Adjustments for:					
Depreciation	4 & 5	**7,688**	**19,995**	7,687	19,990
Finance costs (net)	6	**8,446**	**21,968**	9,320	24,238
Gain on sale of property, plant and equipment		**(3)**	**(8)**	-	-
Accrual/(reversal) of end of service benefits		**5**	**12**	(12)	(32)
Cash from operations before working capital changes		**28,468**	**74,039**	28,405	73,872
Working capital changes:					
Inventory		**(2)**	**(4)**	(33)	(87)
Trade and other receivables		**(10,135)**	**(26,361)**	784	2,039
Trade and other payables		**10,304**	**26,803**	(4,358)	(11,326)
Net cash flows from operating activities		**28,635**	**74,477**	24,798	64,498
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	8	**(61)**	**(161)**	(123)	(321)
Proceeds from sale of property, plant and equipment		**10**	**27**	-	-
Net cash flows used in investing activities		**(51)**	**(134)**	(123)	(321)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of term loans	15 a	**(15,793)**	**(41,078)**	(14,887)	(38,718)
Finance costs paid (net)		**(7,425)**	**(19,309)**	(8,292)	(21,567)
(Repayment) / Proceeds of short term borrowing - net	15 b	**(1,828)**	**(4,754)**	3,038	7,901
Short term deposit		**424**	**1,103**	229	597
Lease payments	9 b	**(337)**	**(878)**	(252)	(656)
Interest received		**17**	**45**	75	195
Dividends paid	13 d	**(3,982)**	**(10,356)**	(4,724)	(12,287)
Net cash flows used in financing activities		**(28,924)**	**(75,227)**	(24,813)	(64,535)
	13 d				
Net changes in cash and cash equivalents		**(340)**	**(884)**	(138)	(358)
Cash and cash equivalents at 1 January	12	**1,883**	**4,898**	2,021	5,256
Cash and cash equivalents at 31 December	12	**1,543**	**4,014**	1,883	4,898

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Note	Share capital RO'000	Legal reserve RO'000	Retained earnings RO'000	Hedging reserve RO'000	Total RO'000
Balance at 1 January 2019		67,489	4,493	11,935	(3,249)	80,668
Comprehensive income for the year						
Net profit for the year		-	-	9,745	-	9,745
Other comprehensive income - net of income tax						
Cash flow hedges - effective portion of changes in fair value		-	-	-	(3,567)	(3,567)
Total comprehensive income		-	-	9,745	(3,567)	6,178
Transfer to legal reserve		-	975	(975)	-	-
Transaction with owners of the Company						
Dividend	13 (d)	-	-	(4,724)	-	(4,724)
Total transaction with owners of the Company		-	-	(4,724)	-	(4,724)
Balance at 31 December 2019		**67,489**	**5,468**	**15,981**	**(6,816)**	**82,122**
Comprehensive income for the year						
Net profit for the year		-	-	10,616	-	10,616
Other comprehensive income - net of income tax						
Cash flow hedges - effective portion of changes in fair value		-	-	-	(2,265)	(2,265)
Total comprehensive income		-	-	10,616	(2,265)	8,351
Transfer to legal reserve		-	1,062	(1,062)	-	-
Transaction with owners of the Company						
Dividend	13 (d)	-	-	(3,982)	-	(3,982)
Total transaction with owners of the Company		-	-	(3,982)	-	(3,982)
Balance at 31 December 2020		**67,489**	**6,530**	**21,553**	**(9,081)**	**86,491**

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2020

	Note	Share capital USD'000	Statutory reserve USD'000	Retained earnings USD'000	Hedging reserve USD'000	Total USD'000
Balance at 1 January 2019		175,523	11,686	31,041	(8,447)	209,803
Comprehensive income for the year						
Net profit for the year		-	-	25,345	-	25,345
Other comprehensive income - net of income tax						
Cash flow hedges - effective portion of changes in fair value		-	-	-	(9,280)	(9,280)
Total comprehensive income		-	-	25,345	(9,280)	16,065
Transfer to legal reserve		-	2,536	(2,536)	-	-
Transaction with owners of the Company						
Dividend	13 (d)	-	-	(12,287)	-	(12,287)
Total transaction with owners of the Company		-	-	(12,287)	-	(12,287)
Balance at 31 December 2019		**175,523**	**14,222**	**41,563**	**(17,727)**	**213,581**
Comprehensive income for the year						
Net profit for the year		-	-	27,610	-	27,610
Other comprehensive income - net of income tax						
Cash flow hedges - effective portion of changes in fair value		-	-	-	(5,889)	(5,889)
Total comprehensive income		-	-	27,610	(5,889)	21,721
Transfer to legal reserve		-	2,761	(2,761)	-	-
Transaction with owners of the Company						
Dividend	13 (d)	-	-	(10,356)	-	(10,356)
Total transaction with owners of the Company		-	-	(10,356)	-	(10,356)
Balance at 31 December 2020		**175,523**	**16,983**	**56,056**	**(23,616)**	**224,947**

The attached notes 1 to 24 form part of these financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Batinah Power Company ("Company") was registered as a closed Omani Joint Stock company ("SAOC") on 2 August 2010 under the Commercial Companies Law of Oman. Subsequently the Company was converted to a public joint stock company ("SAOG") and was listed on the Muscat Securities Market on 23 June 2014.

The Company's objectives are to develop, finance, design, construct, operate, maintain, insure and own a power generating facility (the Sohar 2 Power Plant with a capacity of about 750MW), and associated gas interconnection facilities and other relevant infrastructure; making available the demonstrated power capacity; and selling the electrical energy generated to Oman Power and Water Procurement Company SAOC ("OPWP"). Accordingly, the Plant is considered and managed as one reportable segment. Commercial Operation of the Plant was achieved by the Company on 3 April 2013.

2 SIGNIFICANT AGREEMENTS

Project documents

(i) Power Purchase Agreement ("PPA") dated 10 August 2010 with OPWP for a period of 15 years from the scheduled Commercial Operation Date ("COD").

(ii) Natural Gas Sales Agreement ("NGSA") dated 31 August 2010 with the Ministry of Oil and Gas (currently, the Ministry of Energy and Minerals (MEM)) for the purchase of natural gas for a period of 15 years from the scheduled COD.

(iii) Turnkey Engineering, Procurement and Construction Contract ("EPC Contract") dated 15 September 2010 with Siemens AG and GS Engineering & Construction Corp. to perform the engineering, procurement and construction of the Plant.

(iv) Sub-Usufruct Agreement ("SUA") relating to the plant site dated 10 August 2010 with Sohar Industrial Port Co. SAOC ("SIPC") for grant of exclusive right to use and benefit from the land upto 20 October 2028.

(v) Electrical Connection Agreement dated 28 December 2011 with Oman Electricity Transmission Company SAOC for connection of the Company's equipment to the transmission system for a period of 30 years from its execution date.

(vi) Operation & Maintenance Agreement ("O&M Agreement") dated 24 September 2010 with Suez-Tractebel Operation and Maintenance Oman LLC ("STOMO") for a period of 15 years from the scheduled COD.

(vii) Seawater Extraction Agreement ("SEA") dated 10 August 2010 with Majis Industrial Services SAOC for a period ending on the last day of the PPA term.

Finance documents

(viii) Common Terms Agreement, Facility Agreements and First Amendment Agreement related to these Agreements dated 16 September 2010 for long term loans with international and local banks.

(ix) Hedging Agreements for interest rate swap made with Credit Agricole Corporate & Investment Bank (dated 5 October 2010), KfW IPEX Bank GmbH (dated 6 October 2010), HSBC Bank Middle East Limited (dated 6 October 2010) and Standard Chartered Bank (dated 7 October 2010 and reprofiled on 19 December 2011).

(x) Hedging Agreements for currency swap with Standard Chartered Bank dated 12 October 2010 and Credit Agricole Corporate & Investment Bank dated 4 August 2015 and 3 September 2019.

(xi) Revolving Working Capital Facility Agreement dated 5 June 2012 with Bank Muscat SAOG for purpose of availing short term loans upto Omani Rial 8.459 million.

2 SIGNIFICANT AGREEMENTS (continued)

Security documents

(xii) Intercreditor Deed dated 16 September 2010 with The Export-Import Bank of Korea, Credit Agricole Corporate & Investment Bank and Others.

(xiii) Commercial Mortgage over Company's Assets dated 21 September 2010 with Bank Muscat SAOG as "Mortgagee".

(xiv) Legal Mortgage dated 21 September 2010 with Bank Muscat SAOG.

(xv) Agreement for Security over Omani Shares dated 16 September 2010 with the Founder Shareholders, Bank Muscat SAOG and Credit Agricole Corporate & Investment Bank.

(xvi) Offshore Deed of Charge and Assignment dated 16 September 2010 with Credit Agricole Corporate & Investment Bank.

(xvii) Deed of Assignment of Reinsurances dated 16 September 2010 with Credit Agricole Corporate & Investment Bank and Oman United Insurance Company SAOG.

(xviii) Sale and Purchase Agreement dated 16 September 2010 with Bank Muscat SAOG.

(xix) Direct Agreements entered into by Lenders Agent in respect of PPA, NGSA, EPC Contract and O&M Agreement.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as issued by the International Accounting Standards Board ("IASB"), and the requirements of the Commercial Companies Law of the Sultanate of Oman, as amended and the Capital Market Authority.

b) Basis of measurement

These financial statements are prepared on historical cost basis except for provision for right of use assets, lease liabilities, asset retirement obligation and deferred finance cost which are measured at amortised cost and certain financial instruments which are measured at fair value.

c) Presentation and functional currency

These financial statements are presented in United States Dollars ("USD"), which is the Company's functional currency and also in Rial Omani ("RO") for local regulatory requirements. The Omani Rial amounts, which are presented in these financial statements have been translated from the USD amounts at an exchange rate of USD 1 = RO 0.3845. All values are rounded to the nearest thousand (USD '000 and RO '000) except where otherwise indicated.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 BASIS OF PREPARATION (continued)

d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in impairment of property, plant and equipment, financial valuation of derivative financial instruments, asset retirement obligation, impairment of financial assets and post reporting date events.

Measurement of fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable quotations.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Key sources of estimation uncertainties

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

Impairment of financial assets at amortised cost

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The impairment provision is assessed based on the "Expected Credit Loss" model under IFRS 9, the impairment impact is considered to be immaterial.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 BASIS OF PREPARATION (continued)

Key sources of estimation uncertainties (continued)

Impairment of inventory

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

At the reporting date, inventory was RO 1.91 million (2019: RO 1.91 million) [USD 4.97 million (2019: USD 4.97 million)] and the provisions for slow moving and obsolete inventory is RO nil (2019: RO nil) [USD nil (2019: USD nil)] respectively. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit or loss.

Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation.This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

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. 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.

Leases – Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the fund necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 BASIS OF PREPARATION (continued)

Key sources of estimation uncertainties (continued)

Significant judgement in determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or to terminate (e.g., a change in business strategy, construction of significant leasehold improvements or significant customization to the leased asset).

Allowance for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

At the reporting date, gross trade receivable were RO 14.82 million (USD 38.55 million) [2019: RO 4.51 (USD 11.72 million)], and the allowance for expected credit losses was Nil (2019: Nil). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of profit or loss and statement of other comprehensive income.

Impairment of plant and capital spares

The carrying amounts of the Company's plant and capital spares are reviewed at each reporting date to determine whether there is any indication of impairment. Based on management assessment, there is no indicator of impairment of plant and capital spares as at the reporting date.

Asset retirement obligation

Asset retirement obligation costs are based on management's technical assessment of the probable future costs to be incurred in respect of the decommissioning of the plant facilities.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 CHANGES IN ACCOUNTING POLICIES

a) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts (not applicable to the Company)

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact of the amendments will have on the current classification.

- Reference to the Conceptual Framework – Amendments to IFRS 3

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

- IFRS 1 First-time Adoption of International Financial Reporting Standards – 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

- IBOR Transition (Interest Rate Benchmark Reforms Phase 2)

On 27 August 2020 the IASB published 'Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2). IBOR reform Phase 2 provides temporary reliefs to address the accounting issues which arise upon the replacement of an Inter-Bank Offered Rate (an IBOR) with an alternative nearly risk-free interest rate (an RFR). The amendment is effective for annual reporting periods beginning on or after 1 January 2021 with earlier adoption permitted. The Company is currently assessing the impact of the amendments on the financial statements.

The above amendments are not expected to have a significant impact on the Company's financial statements.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 CHANGES IN ACCOUNTING POLICIES (continued)

b) New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020.

- Amendments to IFRS 3: Definition of a business
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 Definition of Material
- Conceptual Framework for Financial Reporting issued on 29 March 2018
- Amendments to IFRS 16 Covid-19 Related Rent Concessions
- IBOR Transition (Interest Rate Benchmark Reforms Phase 1)

Effective from 1 January 2020, the Bank has adopted amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments Disclosures relating to interest rate benchmark reforms. The amendments (referred as Phase I of IBOR transition project) address the hedge accounting requirements arising before IBOR and proposed a hedging relief for such hedges.

The above standards are not expected to have a significant impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

3.3 SIGNIFICANT ACCOUNTING POLICIES

a) Leases

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

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a. Right of use assets

The Company recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

	Years
Site rent	40
Connection equipment	15

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a) Leases (continued)

a. Right of use assets *(continued)*

Lease costs for the year ended 31 December 2020 relating to the right-of-use assets amounting to USD 0.62 million (RO 0.24 million) (2019: USD 0.62 million (RO 0.24 million)) are included under depreciation expenses.

b. Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g, a changes in future payments resulting from a change in index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

c. Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Foreign currency transactions

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. Foreign exchange gains and losses are recognised in the statement of profit or loss.

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 gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in statemment of other comprehensive income or statement of profit or loss are also recognised in statement of other comprehensive income or statement of profit or loss, respectively).

c) Financial Instruments

Initial measurement of financial instruments

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

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 fair value:
(i) fair value through profit or loss excluding transaction cost;
(ii) fair value through OCI and Amortised costs - including transaction costs.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling the financial asset.

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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) Financial Instruments (continued)

Subsequent measurement of financial assets

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

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

(i) Financial assets carried at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

(a) The asset is held within a "business model" whose objective is to hold assets to collect contractual cash flows;
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (SPPI) on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in statement of 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 cash equivalents.

(ii) Financial assets carried at fair value through other comprehensive income (debt instruments)

Debt instruments at FVOCI

The Company applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

(a) The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
(b) The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Financing income and foreign exchange gains and losses and impairment losses are recognised in statement of profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from equity to statement of profit or loss.

This category only includes debt instruments, which the Company intends to hold for the foreseeable future and which the Company has irrevocably elected to so classify upon initial recognition or transition. The Company classified its debt instruments at FVOCI. Debt instruments at FVOCI are not subject to an impairment assessment under IFRS 9.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) Financial Instruments (continued)

(iii) Financial assets carried at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Company may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments:Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis.

The Company have no equity instruments at FVOCI.

(iv) Financial assets carried at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through 001, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. The Company does not have financial assets at fair value through profit or loss.

All other debt instruments are measured at FVTPL. The Company does not have any such instrument.

The Company's financial assets include trade receivables, due from related parties, other receivables, short term deposit and bank balances. These financial assets qualify for and are classified as debt instruments measured at amortised cost.

Fair value option

The Company measures a financial asset at FVTPL at initial recognition even if it meets the two requirements to be measured at amortised cost or FVTOCI if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company does not have any financial assets measured at FVTPL as of period end.

Subsequent measurement of financial liabilities

The Company categorises its financial liabilities into two measurement categories: FVTPL and amortised cost.

The Company designates a financial liability as measured at FVTPL when it meets the definition of held for trading or when they are designated as such on initial recognition using the fair value option.

Gains and losses on financial liabilities designated as at FVTPL are split into the amount of change in fair value attributable to changes in credit risk of the liability, presented in statement of other comprehensive income, and the remaining amount in statement of profit or loss.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) Financial Instruments (continued)

Subsequent measurement of financial liabilities (continued)

The Company recognises the full amount of change in the fair value in profit or loss only if the presentation of changes in the liability's credit risk in statement of other comprehensive income would create or enlarge an accounting mismatch in statement of profit or loss. That determination is made at initial recognition and is not reassessed.

Cumulative gains or losses presented in statement of other comprehensive income is subsequently transferred within equity.

Financial liabilities not held at FVTPL are subsequently measured at amortised cost using the effective interest method.

The Company's financial liabilities include accounts payable, due to related parties, fair value of derivatives, short term borrowing and term loans.

Except for fair value of derivatives which is measured at fair value, all other financial liabilities of the Company are measured at amortised cost.

Derecognition of financial assets

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:

(i) The rights to receive cash flows from the asset have expired; or
(ii) 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' arrangements and either:

(a) the Company has transferred substantially all the risks and rewards of the asset, or
(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes 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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial Instruments (continued)

Impairment of financial assets

The Company assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer, default or delinquency by an issuer, indications that an issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets such as adverse changes in the payment status of issuers, or economic conditions that correlate with defaults in the Company.

IFRS 9 defines expected credit losses as the weighted average of credit losses with the respective risks of a default occurring as the weightings.

At each reporting date the Company provides for expected losses on all of the following using reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of fixture economic conditions when measuring expected credit losses:

a) Financial assets measured at amortised cost,
b) Financial assets mandatorily measured at FVTOCI, and
c) Loan commitments when there is a present obligation to extend credit.

The Company measures expected credit losses through a loss allowance at an amount equal to:

a) the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or

b) full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

The Company provides for a loss allowance for full lifetime expected credit losses for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

The Company determines the amount of expected credit losses by evaluating the range of possible outcomes as well as incorporating the time value of money. These expected losses are discounted to the reporting date using the effective interest rate of the asset (or an approximation thereof) that was determined at initial recognition.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial Instruments (continued)

Derivative financial instruments and hedge accounting

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company 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 or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk.

A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

(a) There is formal designation and written documentation at the inception of the hedge;
(b) There is 'an economic relationship' between the hedged item and the hedging instrument;
(c) The effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
(d) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

As part of risk management strategies, the Company uses derivative financial instruments, such as interest rate swaps, to hedge interest rate sensitivities. These derivative financial instruments qualify for hedge accounting and are designated as cash flow hedges. 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.

The Company adjusts the cash flow hedge reserve in equity to the lower of the following:

Derivative financial instruments and hedge accounting (continued)

(a) the cumulative gain or loss on the hedging instrument from inception of the hedge; and

(b) the cumulative change in fair value of the hedged item from inception of the hedge.

Effectiveness testing, re balancing and discontinuation

The Company performs prospective assessment of effectiveness of its cash flow hedges at each reporting date. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in statement of other comprehensive income and any remaining gain or loss is hedge ineffectiveness which is recognised in statement of profit or loss.

When the Company discontinues hedge accounting for a cash flow hedge, the amount that has been accumulated in the cash flow hedge reserve remains in equity if the hedged future cash flows are still expected to occur, until such cash flows occur. if the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified to statement of profit or loss.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial Instruments (continued)

Effectiveness testing, rebalancing and discontinuation (continued)

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Company discontinues hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (alter any rebalancing).This includes instances when the hedging instrument expires or is sold, terminated or exercised.

Off setting of financial instruments

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Write - off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

d) Property, plant and equipment

(i) Recognition and measurement

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and the difference is recognised in the statement of profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property, plant and equipment (continued)

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Depreciation

Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of the asset less its residual value.

The Management assigns useful lives and residual values to the items of property, plant and equipment based on intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual lives or residual values differing from the initial estimates. The Management has reviewed the residual values and useful lives of the major items of property, plant and equipment and have determined that no adjustment is necessary.

The estimated useful lives for current and comparative periods are as follows:

	Years
Property, plant and equipment	40
Technical spares	25
Other assets	3

(iv) Capital work in progress

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

(v) Asset retirement obligation

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

e) Capital spares

Cost includes all expenditure directly attributable to the acquisition of capital spares.

Capital spares shall be recognised in the carrying amount of the affected item of property, plant and equipment when it is put in use. The carrying amount of the replaced item is derecognised. When it is not practical to determine the carrying amount of the replaced part, the cost of the capital spare may be used as an indication of what the cost of the replaced part was at the time capial spares was acquired.

f) Inventory

Inventory comprises of fuel oil and are stated at lower of cost or net realizable value. The cost of inventories is determined on the weighted average cost basis and includes expenditure incurred in acquiring and bringing them to their existing location and condition. Obsolete inventory items are written down to their estimated net realizable value.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, bank balances and short term deposits with an original maturity of three months or less.

h) Impairment

(i) Non-derivative financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the statement of profit or loss. An impairment loss is reversed if reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement of profit or loss.

(ii) Non - financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity.

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

The management determines whether there are any indications of impairment to carrying value of property, plant and equipment on an annual basis because of the difference between the duration of the contracted cash flows and accounting deprecation of assets. This requires an estimation of the value in use of the cash generating unit. Estimating the value in use requires the Company to make an estimate of the residual value of the cash generating unit at the end of the term of the PPA considering the expected future cash flows for the period beyond the term of the PPA and also a suitable discount rate in order to calculate the present value of those cash flows.

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial liabilities

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

j) Employee terminal benefits

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

The Company's obligation in respect of the terminal benefits of non-Omani employees, is the amount of future benefit that such employees have earned in return for their service in the current and prior periods.

k) Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

l) Finance charges

Interest expense and similar charges are expensed in the statement of profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to prepare for its intended use or sale. Finance income is recognised as it accrues in the statement of profit or loss.

m) Deferred financing cost

The cost of obtaining long-term financing is deferred and amortised over the period of the long term loan using the effective interest rate method. Deferred financing costs less accumulated amortisation are offset against the drawn amount of the term loans. The amortization of the deferred financing costs was capitalized during construction period of the plant except during the early power period during which an amount proportionate to the period was charged to the statement of profit or loss. Subsequent to the COD, the amortization of the deferred financing costs is charged to the statement of profit or loss.

n) Revenues

Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard establishes a five step model to account for revenue arising from contracts with customers. The Company's contract with its sole customer contains a lease, which is scoped out of IFRS 15.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Revenue (continued)

The tariff structure under the PPA is comprised of power capacity (includes investment charge and fixed operation and maintenance charge), electrical energy and fuel charges components. The investment charge of the power capacity component is treated as operating lease and recognised on a straight line basis over the lease term whereas the other components of tariff under the PPA are recognised as revenue over time as OPWP simultaneously receives and consumes the benefits provided by the Company. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

o) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 tax assets is 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 tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

p) Dividend

The Board of Directors takes into account appropriate parameters including the requirements of the Commercial Companies Law while recommending the dividend. The Company recognises a liability to pay a dividend when it is approved by Board of Directors upto the cap which is approve by the shareholders at the annual general meeting. A corresponding amount is recognised directly in equity.

q) Directors' sitting fees and remuneration

Directors' sitting fees and remuneration are approved by the Shareholders in the ordinary annual general meeting of the Company and are recognised as an expense in the statement of profit or loss.

r) Earnings per share

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Determination of fair value

(i) Derivative financial instruments

Fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using yield curves of the respective currencies.

The fair value of interest rate swaps is based on estimated fixture cash flows based on the terms and maturity of each contract and using market interest rates.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and counterparty when appropriate.

(ii) Non-derivative financial liabilities

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

t) *Current versus non-current classification*

The Company presents assets and liabilities in statement of financial position based on current / non-current classification.

An asset as current when it is:
- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.
A liability is current when:
- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

4 DIRECT COSTS

	2020	2020	2019	2019
	RO'000	USD'000	RO'000	USD'000
Fuel gas	13,367	34,765	12,047	31,331
Depreciation [note 8 and 9(a)]	7,673	19,956	7,672	19,952
Operation and maintenance ("O&M") fees (note 18)	6,069	15,783	5,979	15,551
Seawater extraction	1,040	2,704	1,016	2,643
Insurance	550	1,431	488	1,270
Other O&M expenses (note 18)	36	94	206	537
Grid connection fee	16	41	16	41
Fuel oil	11	29	59	153
Custom duty (note 18)	11	28	(8)	(20)
Plant site rent	2	5	2	5
Other direct costs	251	653	251	651
	29,026	75,489	27,728	72,114

5 GENERAL AND ADMINISTRATIVE EXPENSES

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Secondment fees (note 18)	**247**	**643**	237	616
Employment costs	**188**	**490**	181	471
Public company related costs	**96**	**248**	95	247
Agency fees	**61**	**158**	54	141
Directors' sitting fee and remuneration (note 18)	**45**	**118**	32	84
Corporate social responsibility	**35**	**91**	25	65
Office rent	**19**	**49**	20	53
Depreciation (note 8)	**15**	**39**	15	38
Other expenses	**117**	**304**	141	365
	823	**2,140**	800	2,080

6 FINANCE COSTS (NET)

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Interest on term loans	**4,739**	**12,326**	7,169	18,645
Swap interest	**2,270**	**5,904**	652	1,697
Amortisation of deferred finance costs	**891**	**2,318**	989	2,573
Interest on lease liability [note 9(b)]	**209**	**545**	217	564
Debt Service Reserve Account ("DSRA") LC cost (note 18)	**175**	**455**	175	454
Interest on short term borrowing	**101**	**262**	109	284
Exchange loss	**53**	**137**	61	158
Asset retirement obligation - unwinding of discount (note 16)	**21**	**55**	20	51
Finance income	**(13)**	**(34)**	(72)	(188)
	8,446	**21,968**	9,320	24,238

7 TAXATION

(a) Tax expense recognised in the statement of comprehensive income:

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Deferred tax expense relating to temporary differences	**1,716**	**4,462**	1,665	4,331

For the purpose of determining the taxable results for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices. The adjustments to accounting profit for the year has resulted in a taxable profit which is adjusted against the brought forward tax losses.

7 TAXATION *(continued)*

(b) Reconciliation

The following is a reconciliation of income tax on the accounting profit with the tax expenses at the applicable tax of 15% (2019:15%):

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Profit before tax	**12,332**	**32,072**	11,410	29,676
Income tax as per rates mentioned above	**1,850**	**4,811**	1,712	4,451
Change in recognised temporary difference	**(136)**	**(354)**	(48)	(122)
Not allowable expense	**2**	**5**	1	2
Deferred tax expense for the year	**1,716**	**4,462**	1,665	4,331

No deferred tax has been recognised on tax losses of RO 2.9 million (2019: RO 37.4 million) which are expected to expire in the years between 2021 - 2025 (2019: years between 2020 - 2024), as it is probable that future taxable profits will not be available against which the Company can use the benefits therefrom.

The Company's effective tax rate for the year ended 31 December 2020 was 13.9% (31 December 2019: 14.6%).

(c) Deferred tax liability

	At 1 Jan 2020 RO'000	Recognised during the year RO'000	At 31 Dec 2020 RO'000
Deferred tax (liability)/asset recognised in statement of profit and loss			
Depreciation for property, plant and equipment	**(22,381)**	**(1,068)**	**(23,449)**
Provision for right-of-use assets and lease liabilities	**30**	**16**	**46**
Provision for site restoration	**41**	**3**	**44**
Losses carried forward	**3,206**	**(667)**	**2,539**
	(19,104)	**(1,716)**	**(20,820)**

	At 1 Jan 2020 RO'000	Recognised during the year RO'000	At 31 Dec 2020 RO'000
Deferred tax asset directly recognised in equity			
"Fair value adjustment of interest rate and forex swap (note 14)"	**1,203**	**399**	**1,602**
Net deferred tax liability	**(17,901)**	**(1,317)**	**(19,218)**
In equivalent USD	**(46,558)**	**(3,423)**	**(49,981)**

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7 TAXATION *(continued)*

(c) Deferred tax liability (continued)

	At 1 Jan 2019 RO'000	Recognised during the year RO'000	At 31 Dec 2019 RO'000
Deferred tax (liability)/asset recognised in statement of profit and loss			
Depreciation for property, plant and equipment	(20,929)	(1,452)	(22,381)
Provision for right-of-use assets and lease liabilities	-	30	30
Provision for site restoration	38	3	41
Losses carried forward	3,452	(246)	3,206
	(17,439)	(1,665)	(19,104)
Deferred tax asset directly recognised in equity			
Fair value adjustment of interest rate and forex swap (note 14)	572	631	1,203
Net deferred tax liability	(16,867)	(1,034)	(17,901)
In equivalent USD	(43,866)	(2,692)	(46,558)

(d) Status of tax returns

The tax assessment including and up to the tax years 2016 have been completed and accepted by the Company, whereas the tax years fom 2017 to 2019 remain unassessed to date. The management is of the opinion that the final tax liability for the years 2017 to 2019 would not be material to the Company's financial position as at 31 December 2020.

8 PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment RO'000	Technical spares RO'000	Other assets RO'000	Capital work-in-progress RO'000	Total RO'000
Cost					
1 January 2020	296,398	1,727	147	73	298,345
Additions during the year	10	7	13	31	61
Disposals during the year	-	(10)	(4)	-	(14)
31 December 2020	296,408	1,724	156	104	298,392
Depreciation					
1 January 2020	51,488	415	120	-	52,023
Charge during the year	7,366	71	15	-	7,452
Disposals during the year	-	(3)	(4)	-	(7)
31 December 2020	58,854	483	131	-	59,468
Carrying amount					
31 December 2020	**237,554**	**1,241**	**25**	**104**	**238,924**

8 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Property, plant and equipment RO'000	Technical spares RO'000	Other assets RO'000	Capital work-in-progress RO'000	Total RO'000
Cost					
1 January 2019	296,359	1,724	142	-	298,225
Additions during the year	39	3	8	73	123
Disposals during the year	-	-	(3)	-	(3)
31 December 2019	296,398	1,727	147	73	298,345
Depreciation					
1 January 2019	44,123	345	108	-	44,576
Charge during the year	7,365	70	15	-	7,450
Disposals during the year	-	-	(3)	-	(3)
31 December 2019	51,488	415	120	-	52,023
Carrying amount					
31 December 2019	244,910	1,312	27	73	246,322

	Property, plant and equipment USD'000	***Technical spares USD'000***	***Other assets USD'000***	***Capital work-in-progress USD'000***	***Total USD'000***
Cost					
1 January 2020	770,866	4,492	383	191	775,932
Additions during the year	27	19	34	81	161
Disposals during the year	-	(27)	(11)	-	(38)
31 December 2020	770,893	4,484	406	272	776,055
Depreciation					
1 January 2020	133,910	1,078	314	-	135,302
Charge during the year	19,156	185	39	-	19,380
Disposals during the year	-	(8)	(11)	-	(19)
31 December 2020	153,066	1,255	342	-	154,663
Carrying amount					
31 December 2020	**617,827**	**3,229**	**64**	**272**	**621,392**

	Property, plant and equipment USD'000	Technical spares USD'000	Other assets USD'000	Capital work-in-progress USD'000	Total USD'000
Cost					
1 January 2019	770,766	4,483	370	-	775,619
Additions during the year	100	9	21	191	321
Disposals during the year	-	-	(8)	-	(8)
31 December 2019	770,866	4,492	383	191	775,932

8 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Property, plant and equipment USD'000	Technical spares USD'000	Other assets USD'000	Capital work-in-progress USD'000	Total USD'000
Depreciation					
1 January 2019	114,755	897	284	-	115,936
Charge during the year	19,155	181	38	-	19,374
Disposals during the year	-	-	(8)	-	(8)
31 December 2019	133,910	1,078	314	-	135,302
Carrying amount					
31 December 2019	636,956	3,414	69	191	640,630

The term loan facilities are secured by a comprehensive legal and commercial mortgage on all assets of the Company (note 15).

9 a) RIGHT-OF-USE ASSETS

	Connection Equipment RO'000	Site Rent RO'000	Total RO'000
Cost			
1 January 2019	999	2,717	3,716
Additions during the year	-	-	-
31 December 2019	999	2,717	3,716
1 January 2020	999	2,717	3,716
Additions during the year	-	3	3
31 December 2020	999	2,720	3,719
Depreciation			
1 January 2019	-	-	-
Charge for the year (note 4)	125	112	237
31 December 2019	125	112	237
1 January 2020	125	112	237
Charge for the year (note 4)	125	111	236
31 December 2020	250	223	473
Carrying amount			
31 December 2020	**749**	**2,497**	**3,246**
31 December 2019	874	2,605	3,479

The above right-of-use assets are not part of the assets which are secured against the comprehensive legal and commercial mortgages for the term loan facilities (note 16).

9a) RIGHT-OF-USE ASSETS (continued)

	Connection Equipment USD'000	*Site Rent USD'000*	*Total USD'000*
Cost			
1 January 2019	2,599	7,066	9,665
Additions during the year	-	-	-
31 December 2019	2,599	7,066	9,665
1 January 2020	2,599	7,066	9,665
Additions during the year	-	7	7
31 December 2020	2,599	7,073	9,672
Depreciation			
1 January 2019	-	-	-
Charge for the year (note 4)	325	291	616
31 December 2019	325	291	616
1 January 2020	325	291	616
Charge for the year (note 4)	325	290	615
31 December 2020	650	581	1,231
Carrying amount			
31 December 2020	**1,949**	**6,492**	**8,441**
31 December 2019	2,274	6,775	9,049

9b) LEASE LIABILITIES

Lease liabilities included in the statement of financial position as:

	2020 RO'000	**2020 USD'000**	2019 RO'000	2019 USD'000
1 January	**3,681**	**9,573**	3,716	9,665
Additions during the year	**3**	**7**	-	-
Interest on lease liability (note 6)	**209**	**545**	217	564
Lease payments	**(337)**	**(878)**	(252)	(656)
31 December	**3,556**	**9,247**	3,681	9,573

	2020 RO'000	**2020 USD'000**	2019 RO'000	2019 USD'000
Non-current lease liabilities	**3,416**	**8,883**	3,553	9,240
Current lease liabilities	**140**	**364**	128	333
	3,556	**9,247**	3,681	9,573

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9b) LEASE LIABILITIES (continued)

Amount payable under operating leases	Contractual Undiscounted cash flows 2020 RO'000	Present value of lease payments 2020 RO'000	Contractual Undiscounted cash flows 2020 USD'000	Present value of lease payments 2020 USD'000
Within one year	**341**	**140**	**887**	**364**
In 2 to 5 years	**1,400**	**697**	**3,641**	**1,811**
More than 5 years	**4,248**	**2,719**	**11,048**	**7,072**
	5,989	**3,556**	**15,576**	**9,247**
Less: unpaid amortised cost	**(2,433)**	**-**	**(6,329)**	**-**
Lease liabilities	**3,556**	**3,556**	**9,247**	**9,247**

The Company has leased land for plant premises and have lease term till 2043. The Company's obligations under its leases secured by the lessor's title to the leased assets. The Company is restricted from assigning and subleasing the leased assets. The Company has entered into a lease agreement on 10 August 2010 in respect of the land used for plant, which is valid until first quarter of 2043.

The following are the amounts recognised in statement of income:

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Depreciation for rights-of-use assets [note 9(a)	**236**	**615**	237	616
Interest on lease liabilities (note 6)	**209**	**545**	217	564
Total amount recognized in statement of profit or loss	**445**	**1,160**	454	1,180

10 TRADE AND OTHER RECEIVABLES

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Trade receivables	**14,823**	**38,551**	4,506	11,720
Prepayments	**290**	**754**	239	621
Due from a related party (note 18)	**39**	**101**	19	50
Accrued income	**8**	**22**	300	779
Other receivables	**89**	**232**	54	140
	15,249	**39,660**	5,118	13,310

Trade receivables includes an amount of USD 34.25 million (RO 13.17 million) relating to Fuel component, from January 2020 to December 2020, not received from OPWP. Pursuant to the Natural Gas Sales Agreement signed with Ministry of Energy and Minerals (MEM-erstwhile MoG), the Company is liable to pay to MEM only upon receiving the corresponding PPA payment relating to gas portion from OPWP. The Company has been successful in concluding fuel charge settlement agreements between the Company, OPWP and MEM consequent to which the Company's receivables and payables for 2019 have been set off with no unfair consequences to any stakeholders. Similar agreements as regards the gas charge invoices for the year 2020 is under finalization. The impairment provision that is based on the ''Expected Credit Loss'' model under IFRS 9, is considered to be not material.

11 SHORT TERM DEPOSIT

As per the CTA, the Company is required to maintain a debt service provisioning account ("DSPA") to ensure funds are available to service the loan instalments and interest on due date. At each repayment date at the end of October the Company is required to put the scheduled amount towards the next six monthly payments. The amount in the DSPA cannot be utilized for any purpose other than servicing the loan instalments and interest and is as such, restricted cash. The amount in the DSPA account has been put into a short term deposit maturing on 27 April 2021.

12 CASH AND CASH EQUIVALENTS

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Cash in hand and at bank	**1,543**	**4,014**	1,883	4,898
	1,543	**4,014**	1,883	4,898

Bank balances and deposit accounts are placed with reputed financial institutions with currencies denominated in Rial Omani, USD and Euros. The management believes that the ECL is immaterial to the financial statements as a whole.

13 EQUITY

a) Share capital

The details of the shareholders are as follows:

	Nationality	No. of shares held of nominal value 100 Bzs. Each	% of total	Aggregate nominal value of shares held 2020 RO'000
31 December 2020				
Kahrabel FZE	UAE	**201,791,343**	**29.90%**	**20,179**
Middle East Investment LLC	Omani	**96,508,899**	**14.30%**	**9,651**
Civil Service Employees Pension Fund	Omani	**88,043,257**	**13.05%**	**8,804**
SEP International Netherlands B.V.	Netherlands	**48,254,453**	**7.15%**	**4,825**
Sojitz Global Investment B.V.	Netherlands	**48,254,453**	**7.15%**	**4,825**
Public Authority for Social Insurance	Omani	**44,380,613**	**6.57%**	**4,438**
Ministry of Defence Pension Fund	Omani	**40,200,737**	**5.96%**	**4,020**
Shareholders with less than 5% shareholding		**107,453,675**	**15.92%**	**10,747**
		674,887,430	**100.00%**	**67,489**
Nominal value in USD				**175,523**

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13 EQUITY (continued)

a) Share capital (continued)

31 December 2019	Nationality	No. of shares held of nominal value 100 Bzs. Each	% of total	Aggregate nominal value of shares held 2019 RO '000
Kahrabel FZE	UAE	201,791,343	29.90%	20,179
Middle East Investment LLC	Omani	96,508,899	14.30%	9,651
Civil Service Employees Pension Fund	Omani	87,452,380	12.96%	8,745
SEP International Netherlands B.V.	Netherlands	48,254,453	7.15%	4,825
Sojitz Global Investment B.V.	Netherlands	48,254,453	7.15%	4,825
Public Authority for Social Insurance	Omani	44,678,563	6.62%	4,468
Ministry of Defence Pension Fund	Omani	40,200,737	5.96%	4,020
Shareholders with less than 5% shareholding		107,746,602	15.96%	10,776
		674,887,430	100.00%	67,489
Nominal value in USD				175,523

The Company has authorised, issued and paid-up share capital of RO 67,488,743 consisting of 674,887,430 shares of RO 0.1 each (2019: RO 67,488,743 consisting of 674,887,430 shares of RO 0.1 each).

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

b) Legal reserve

Article 132 of the Commercial Companies Law requires that 10% of Company's net profits, after deduction of taxes for establishing a legal reserve untill such legal reserve amounts to at least one- third of the Company's share capital. During the year, the Company has transferred RO 1.06 million (USD 2.76 million) to legal reserve.

c) Hedging reserve

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (note 14).

d) Dividend

Pursuant to the shareholders resolution of 4 June 2020 and the Board of Directors meetings held on 14 May 2020 and 27 October 2020, the Board approved cash dividends of 2.80 Baizas and 3.10 Baizas per share, respectively from the retained earnings of the Company as at 31 December 2019, to the shareholders of the Company who are registered in the Company shareholders' register with Muscat Clearing and Depository Company SAOC. The cut off dates for entitlement to receive dividends were 4 June 2020 and 1 December 2020 respectively.

Unclaimed dividend relating to cut off date of 4 June 2020 amounting to RO 6,451 has been deposited by Muscat Clearing & Depository Company SAOC with the Investors Trust Fund.

14 HEDGING RESERVE

Derivative instruments assets (liabilities) were as follows :

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Interest rate swaps:				
Term loans (note 15)				
Standard Chartered Bank	**(3,945)**	**(10,261)**	(2,426)	(6,310)
KfW IPEX - Bank GmbH	**(2,018)**	**(5,249)**	(1,269)	(3,301)
Credit Agricole Corporate & Investment Bank	**(1,854)**	**(4,821)**	(1,114)	(2,897)
HSBC Bank Middle East Limited	**(1,505)**	**(3,914)**	(940)	(2,444)
Total fair value of interest rate swaps	**(9,322)**	**(24,245)**	(5,749)	(14,952)
Deferred tax asset	**1,398**	**3,637**	862	2,243
Fair value of interest rate swaps net of tax	**(7,924)**	**(20,608)**	(4,887)	(12,709)
Currency swaps:				
Standard Chartered Bank	**(1,474)**	**(3,834)**	(2,217)	(5,767)
Credit Agricole Corporate & Investment Bank	**113**	**295**	(53)	(137)
Total fair value of currency swaps	**(1,361)**	**(3,539)**	(2,270)	(5,904)
Deferred tax asset	**204**	**531**	341	886
Fair value of currency swaps net of tax	**(1,157)**	**(3,008)**	(1,929)	(5,018)
Total fair value of derivative instruments	**(10,683)**	**(27,784)**	(8,019)	(20,856)
Less: Deferred tax asset [note 7(c)]	**1,602**	**4,168**	1,203	3,129
Total fair value of derivative instruments (net of tax)	**(9,081)**	**(23,616)**	(6,816)	(17,727)
Hedging reserve net of tax at the end of the year	**(9,081)**	**(23,616)**	(6,816)	(17,727)
Less: Hedging reserve net of tax at the beginning of the year	**(6,816)**	**(17,727)**	(3,249)	(8,447)
Effective portion of change in fair value of cash flow hedge for the year	**(2,265)**	**(5,889)**	(3,567)	(9,280)

(a) The long term facilities (note 15) [total drawdown of USD 490.50 million (RO 188.60 million) excluding Hermes Covered Fixed Facility of USD 120 million (RO 46.14 million)], the Company bear interest at US LIBOR plus applicable margins.

The Company has fixed the rate of interest through Interest Rate Swap Agreements ("IRS") entered into with, Standard Chartered Bank, dated 19 December 2011; KfW IPEX - Bank GmbH, dated 6 October 2010; Credit Agricole Corporate & Investment Bank, dated 5 October 2010 and HSBC Bank Middle East Limited, dated 6 October 2010 respectively, for the facilities (excluding Hermes Covered Fixed Facility).

The hedged notional amounts stand at approximately USD 109.08 million (RO 41.94 million), USD 57.14 million (RO 21.97 million), USD 51.94 million (RO 19.97 million) and USD 41.55 million (RO 15.98 million) at fixed interest rates of 2.9708%, 2.9750%, 2.9530% and 2.9788% per annum respectively, excluding margins.

(b) The O&M Agreement includes an outflow of approximately Euro 40 million, payable in Euro. The Company has entered into a Forward Rate Agreements ("FRA") with Standard Chartered Bank and two FRA with Credit Agricole Corporate & Investment Bank on 12 October 2010, 4 August 2015 and 3 September 2019 respectively to hedge against fluctuations in Euro/USD exchange rate. As per the FRAs', the Company shall pay a fixed USD amount at an exchange rate of 1.4318, 1.17471 and 1.2155 respectively and receive contractual Euro amount at each maturity date.

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15a) TERM LOANS

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Term loan	**126,727**	**329,586**	142,520	370,664
Less: current portion of term loan	**(16,002)**	**(41,618)**	(15,794)	(41,078)
Non-current portion of term loan	**110,725**	**287,968**	126,726	329,586
Less: Unamortised transaction cost	**(3,150)**	**(8,191)**	(4,041)	(10,509)
	107,575	**279,777**	122,685	319,077

On 16 September 2010, the Company entered into a Common Terms Agreement ("CTA"), for credit facilities with a consortium of international banks, export credit agencies and a local bank, with Credit Agricole Corporate & Investment Bank as the Global Facility Agent, Offshore Security Trustee, Offshore Account Bank, KEXIM Facility Agent and Commercial Facility Agent; with Bank Muscat SAOG as Onshore Security Agent and Onshore Account Bank; and with KfW IPEX - Bank GmbH as the Hermes Facility Agent.

At 31 December, the outstanding amounts were as follows:

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Hermes Covered Variable Facility	**32,442**	**84,374**	38,217	99,395
Commercial Facility	**43,977**	**114,374**	45,040	117,138
Hermes Covered Fixed Facility	**20,708**	**53,856**	24,394	63,444
KEXIM Direct Facility	**20,162**	**52,436**	23,751	61,771
KEXIM Covered Facility	**9,438**	**24,546**	11,118	28,916
	126,727	**329,586**	142,520	370,664

Repayments

The aggregate amount of drawrlown under the above facilities is repayable in half yearly instalments commencing from 31 October 2013, with the final instalment being due on 31 March 2027 except for Commercial Facility which has a final maturity date of 31 March 2028.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Balance at 1 January 2020	**142,520**	**370,664**	157,407	409,382
Repayments of borrowing	**(15,793)**	**(41,078)**	(14,887)	(38,718)
Balance at 31 December 2020	**126,727**	**329,586**	142,520	370,664

Interest

(i) Interest on Hermes Covered Fixed Facility is charged at a fixed rate of 3.60% per annum, including margin.
(ii) Interest on the remaining facilities is charged at a floating rate of US LIBOR plus applicable margin. The Company has entered into interest rate swap contracts to fix its obligations against unfavorable US LIBOR rate changes.

During the year, the margins ranged between 1.70% and 2.80% per annum (2019: ranged between 1.70% and 2.80% per annum) depending on the type of facility and the interest payment period.

Other fees

Under the terms of the above facilities, the Company is required to pay agency and other fees.

15a) TERM LOANS *(continued)*

Securities

The above facilities are secured by comprehensive legal and commercial mortgages on all the assets, etc. of the Company.

Covenants

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

15b) SHORT TERM BORROWING

Reconciliation of movements of liabilities to cash flows arising from financing activities:

Particulars	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Balance at 1 January	**5,238**	**13,623**	2,200	5,722
Proceeds from borrowing	**37,157**	**96,637**	68,701	178,676
Repayments of borrowing	**(38,985)**	**(101,391)**	(65,663)	(170,775)
Balance at 31 December	**3,410**	**8,869**	5,238	13,623

The Company has availed short term borrowings for general working capital purposes at prevailing market rates from a commercial bank in Oman.

16 ASSET RETIREMENT OBLIGATION

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

The fair value of Asset Retirement Obligation ("ARO") provision has been calculated using an expected present value technique. The technique reflects assumptions such as costs, plant useful life, inflation and discount rates that third parties would consider to assume for the settlement of the obligation.

The movement in ARO provision is as follows:

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
At the beginning of the year	**276**	**716**	256	665
Unwinding of discount during the year	**21**	**55**	20	51
Balance at the end of the year	**297**	**771**	276	716

17 TRADE AND OTHER PAYABLES

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Fuel gas payable and accrual	**13,434**	**34,940**	2,891	7,519
Accrued interest cost	**1,150**	**2,991**	1,237	3,216
Due to related parties (note 18)	**485**	**1,263**	505	1,313
Other payable and accruals	**267**	**696**	407	1,059
	15,336	**39,890**	5,040	13,107

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17 TRADE AND OTHER PAYABLES *(continued)*

The Company has been successful in concluding fuel charge settlement agreements between the Company, OPWP and MEM consequent to which the Company's receivables and payables for 2019 have been set off for an amount of USD 7.34 million (RO 2.82 million). The balance amount after set-off for 2019 has been paid to MEM in January 2021. Fuel charge settlement relating to the period from January 2020 to December 2020 of USD 34.77 million (RO 13.37 million), on similar basis, is under finalisation.

18 RELATED PARTY TRANSACTIONS

Related parties comprise the shareholders, directors, key management personnel, business entities that have the ability to control or exercise significant influence over financial and operating decisions of the Company and entities over which certain shareholders are able to exercise significant influence. Prices and terms of these transactions, which are entered in the normal course of business, are on mutually agreed terms and conditions.

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

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Shareholders:				
Middle East Investment LLC	**39**	**100**	39	100
Public Authority for Social Insurance	**18**	**46**	17	45
Group companies and other related parties:				
Suez-Tractebel Operation & Maintenance Oman LLC	**6,177**	**16,065**	6,355	16,528
Al Suwadi Power Company SAOG	**257**	**668**	217	565
Sojitz Corporation	**131**	**344**	129	336
Kahrabel Operations & Maintenance (Oman) LLC	**134**	**349**	129	335
ENGIE SA	**81**	**209**	81	209
Directors'	**45**	**118**	32	84
International Power SA Dubai Branch	**36**	**93**	37	96
Shikoku Electric Power Co., Inc.	**19**	**50**	19	50
	6,937	**18,042**	7,055	18,348

The nature of the above transactions recorded in the statement of profit or loss is as follows:

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Operation and maintenance ("O&M") fees (note 4)	**6,069**	**15,783**	5,979	15,551
Sharing of costs	**257**	**668**	217	565
Secondment fees (note 5)	**247**	**643**	237	616
DSRA LC cost (note 6)	**175**	**455**	175	454
Backcharge of expenses	**51**	**133**	90	233
Directors' sitting fee and remuneration (note 5)	**45**	**118**	32	84
Other O&M cost (note 4)	**36**	**94**	206	537
Professional fees	**36**	**93**	37	96
Custom duty (note 4)	**11**	**28**	(8)	(20)
Spares	**2**	**6**	88	228
Others	**8**	**21**	2	4
	6,937	**18,042**	7,055	18,348

18 RELATED PARTY TRANSACTIONS *(continued)*

Balances due from a related party at the year end comprised (note 10)

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Al Suwadi Power Company SAOG	**39**	**101**	19	50

Balances due to related parties at the year end recorded at statement of financial position comprises of (note 17):

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Shareholders:				
Middle East Investment LLC	**3**	**7**	3	7
Public Authority for Social Insurance	**1**	**3**	1	3
Group companies and other related parties:				
Suez-Tractebel Operation & Maintenance Oman LLC	**398**	**1,036**	432	1,126
Kahrabel Operations & Maintenance (Oman) LLC	**38**	**100**	31	80
Directors'	**21**	**55**	15	38
Sojitz Corporation	**11**	**28**	10	25
International Power SA Dubai Branch	**7**	**17**	5	14
ENGIE SA	**5**	**14**	6	16
Shikoku Electric Power Co., Inc.	**1**	**3**	2	4
	485	**1,263**	505	1,313

Key Management benefits

Key management personnel are those having authority for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise).

Total compensation paid to the top five employees including key management personnel for the year ended 31 December are as follows:

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Key management benefits	**388**	**1,009**	373	970

19 FINANCIAL RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk

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

19 FINANCIAL RISK MANAGEMENT *(continued)*

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

(a) Market risk

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

Interest rate risk:

The Company has borrowings which are interest beating and exposed to changes in US LIBOR rates. The Company has entered into interest rate swaps to hedge its US LIBOR risk exposure on its total loan facilities, excluding Hermes Covered Fixed Facility.

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

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

	Interest rate %	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Financial liabilities					
Term loans					
- USD variable rate loans	Libor + margins	**106,019**	**275,730**	118,126	307,220
- USD fixed rate loan	3.60%	**20,708**	**53,856**	24,394	63,444
		126,727	**329,586**	142,520	370,664

Cash flow sensitivity analysis for variable rate instruments

A 10% change in US LIBOR rates at the reporting date would have increased/(decreased) equity and statement of profit or loss and statement of other comprehensive income by the amounts of USD 18,422 (RO 7,083) [2019: USD 73,597 (RO 28,298)]. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Currency risk:

The price under the O&M Agreement includes an expected amount of approximately Euro 40 million, payable in Euro. The Company has entered into FRAs' to hedge against fluctuations in Euro/USD exchange rate (note 13(b)). The Euro amounts hedged cover 107% of expected outflows for the period from January 2021 to December 2021, 89% for the period from January 2022 to December 2024 and 50% for the period from January 2025 to March 2028. The Management considers that the Company is not exposed to significant foreign exchange risk because most other transactions and balances are either in RO or USD and RO is effectively pegged to the USD.

Sensitivity analysis:

A strengthening/ (weakening) by 10% of the Euro against all other currencies at the reporting date would have affected the measurement of financial instruments denominated in a foreign currency and increased/ (decreased) equity and the statement of profit or loss and statement of other comprehensive income by the amounts of USD 353,893 (RO 136,072) [2019: USD 590,395 (RO 227,007)]. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

19 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash balances held with banks. OPWP is the Company's sole customer and the Company analyses its credit risk with OPWP by monitoring its credit rating.

The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks and financial institutions.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Trade receivables (note 10)	**14,823**	**38,551**	4,506	11,720
Short term deposit	**1,154**	**3,000**	1,578	4,103
Cash at bank (note 12)	**1,543**	**4,014**	1,883	4,898
Accrued income (note 10)	**8**	**22**	300	779
Other receivables (note 10)	**89**	**232**	54	140
	17,617	**45,819**	8,321	21,640

Age analysis of trade receivables as at 31 December was:

	2020 RO'000 Trade Receivable	2020 RO'000 Expected credit losses	2019 RO'000 Trade Receivable	2019 RO'000 Expected credit losses
Not past due	**1,443**	**-**	1,473	-
Past due 0 < 3 months	**3,098**	**-**	2,052	-
Past due > 3 months	**10,282**	**-**	981	-
	14,823	**-**	4,506	-
Nominal value in USD '000	**38,551**	**-**	11,720	-

The table below shows the balances with banks categorized by short-term credit ratings as published by Moody' Service at the reporting date:

	Rating	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Bank					
Bank balances					
Bank Muscat SAOG	P-3	**1,278**	**3,326**	1,534	3,991
Credit Agricole Corporate & Investment Bank	P-1	**265**	**688**	349	907
		1,543	**4,014**	1,883	4,898
Short term deposit					
Credit Agricole Corporate & Investment Bank	P-1	**1,154**	**3,000**	1,578	4,103

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19 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company limits its liquidity risk by ensuring that a working capital facility is available, when required.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The following are the contractual maturities of financial liabilities, including interest payments:

31 December 2020	Carrying amount RO'000	Contractual cash flow RO'000	Less than 1 year RO'000	Between 2 to 5 years RO'000	More than 5 years RO'000
Derivatives					
Derivative instruments	**10,683**	**11,244**	**-**	**10,533**	**711**
Non-derivatives financial liabilities					
Term loans	**123,577**	**142,461**	**19,702**	**92,769**	**29,990**
Lease liabilities	**3,556**	**5,989**	**341**	**1,400**	**4,248**
Short term borrowing	**3,410**	**3,426**	**3,426**	**-**	**-**
Trade and other payables	**15,336**	**15,336**	**15,336**	**-**	**-**
	156,562	**178,456**	**38,805**	**104,702**	**34,949**

31 December 2020	Carrying amount USD'000	Contractual cash flow USD'000	Less than 1 year USD'000	Between 2 to 5 years USD'000	More than 5 years USD'000
Derivatives					
Derivative instruments	**27,784**	**29,243**	**-**	**27,394**	**1,849**
Non-derivatives financial liabilities					
Term loans	**321,395**	**370,510**	**51,240**	**241,273**	**77,997**
Lease liabilities	**9,247**	**15,576**	**887**	**3,641**	**11,048**
Short term borrowing	**8,869**	**8,910**	**8,910**	**-**	**-**
Trade and other payables	**39,890**	**39,890**	**39,890**	**-**	**-**
	407,185	**464,129**	**100,927**	**272,308**	**90,894**

31 December 2019	Carrying amount RO'000	Contractual cash flow RO'000	Less than 1 year RO'000	Between 2 to 5 years RO'000	More than 5 years RO'000
Derivatives					
Derivative instruments	8,019	8,501	-	7,333	1,168
Non-derivatives financial liabilities					
Term loans	138,479	172,482	22,467	94,076	55,939
Lease liabilities	3,681	6,321	337	1,385	4,599
Short term borrowing	5,238	5,238	5,238	-	-
Trade and other payables	5,040	5,040	5,040	-	-
	160,457	197,582	33,082	102,794	61,706

19 FINANCIAL RISK MANAGEMENT *(continued)*

31 December 2019	Carrying amount USD'000	Contractual cash flow USD'000	Less than 1 year USD'000	Between 2 to 5 years USD'000	More than 5 years USD'000
Derivatives					
Derivative instruments	20,856	22,111	-	19,072	3,039
Non-derivatives financial liabilities					
Term loans	360,155	448,590	58,432	244,672	145,486
Lease liabilities	9,573	16,439	876	3,602	11,961
Short term borrowing	13,623	13,623	13,623	-	-
Trade and other payables	13,107	13,107	13,107	-	-
	417,314	513,870	86,038	267,346	160,486

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

Fair value hierarchy:

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

There were no transfers between level 1 and level 2 during the year.

Measurement of fair values

Type	Valuation technique	Significant un-observable inputs
Derivative instrument (level 2)	Market comparison technique: fair value is calculated by the respective financial institutions	Not applicable
Other financial liabilities (level 2)	Discounted cash flows	Not applicable

Embedded derivatives

The following agreements contain embedded derivatives:

(a) The PPA between the Company and OPWP contains embedded derivatives in the pricing formulae that adjusts the charge rates to reflect changes in USD / RO currency exchange rates and changes in US price index and the Oman price index.

(b) The O&M Agreement contains embedded derivatives in the pricing formula that adjust the payments to reflect changes in the relevant inflation indices.

(c) The SUA between the Company and SIPC contains embedded derivatives in the pricing formula that adjust the rent for the land to reflect changes in US consumer price index and the Omani consumer price index.

These embedded derivatives are not separated from the host contract, the PPA and the O&M Agreement, and SUA and is not accounted for as a standalone derivative under IAS 39, as the management believes that the economic characteristics and risks associated with the embedded derivatives are closely related to those of the host contracts.

Capital management

The Company aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders.

19 FINANCIAL RISK MANAGEMENT *(continued)*

Capital management (continued)

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2020.

20 COMMITMENTS

a) Operation and maintenance commitments

As per the O&M Agreement, STOMO is scheduled to operate and maintains the plant until 31 March 2028. Under the O&M Agreement the Company has to pay the following operating fees:

- a fixed monthly fee; and
- a variable fee

All fees are subject to indexation based on Omani, Euro material and labour & US Producer Price indices.

At 31 December the expected future payments under the O&M Agreement (excluding indexation) are as follows:

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Within one year	**5,862**	**15,246**	7,829	20,362
Between two and five years	**23,448**	**60,983**	31,489	81,896
After five years	**12,882**	**33,502**	25,417	66,105
	42,192	**109,731**	64,735	168,363

Euro/USD rate for converting Euro denominated O&M payments as at 31 December 2020 was 1.24 (31 December 2019: 1.14).

b) As at 31 December 2020, the Company has outstanding purchase orders for USD 261,022 (RO 100,363) [2019: USD 164,658 (RO 63,311)].

21 OPERATING LEASE AGREEMENT FOR WHICH THE COMPANY ACTS AS A LESSOR

The Company has entered into a PPA with OPWP for a substantial element of the production of power with 100% "take-or-pay" clauses in favour of the Company.

The Management has determined that the take-or-pay arrangement with OPWP under the PPA is subject to IFRS - 16 Leases. The Management further determined that such an arrangement in substance represents an operating lease. The lease commenced on 3 April 2013. The following is the total of minimum lease receipts expected to be received under the PPA, excluding indexation:

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Within one year	**28,246**	**73,462**	28,282	73,555
Between two and five years	**113,020**	**293,940**	113,020	293,940
After five years	**59,733**	**155,352**	87,979	228,814
	200,999	**522,754**	229,281	596,309

22 NET ASSET PER SHARE - ADJUSTED

Net assets per share is calculated by dividing the net assets attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Net assets - sharehloder funds	**95,572**	**248,562**	88,938	231,308
Weighted average number of shares outstanding during the year	**674,887**	**674,887**	674,887	674,887
Net assets per share (Baizas / cents) - adjusted	**141.61**	**368.30**	131.78	342.74

The management believes that the hedging deficit of RO 9.08 million (USD 23.62 million) as at 31 December 2020 [2019: RO 6.82 million (USD 17.73 million)] represents the loss which the Company would incur, if it opts to terminate its swap agreements on this date. However, under the terms of its financing documents, the Company is not permitted to terminate the swap agreements. Accordingly the hedging deficit has been excluded from the shareholder funds.

23 EARNINGS PER SHARE

Basic earnings per share 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.

	2020 RO'000	2020 USD'000	2019 RO'000	2019 USD'000
Net profit for the year	**10,616**	**27,610**	9,745	25,345
Weighted average number of shares outstanding during the year	**674,887**	**674,887**	674,887	674,887
Basic earnings per share (Baizas / cents)	**15.73**	**40.91**	14.44	37.55

24 IMPACT OF COVID-19 OUTBREAK

The World Health Organization declared on 11 March 2020, the Novel Coronavirus (COVID-19) as a global pandemic. This event has caused widespread disruptions to global businesses, with a consequential negative impact on economic activity, whilst the COVID-19 vaccines distribution have started across the world.

Costs incurred by the Company to mitigate the COVID 19 impact have been claimed from OPWP under the Change of Law protection agreed within the PPA. Consequently, no impact on the Company's profitability, liquidity or any impairment of its assets is expected. The Company is also impacted due to decrease in fair value of derivatives due to drop in US Libor forward curve, which is recorded fully in other comprehensive income. However, it is not possible to differentiate between impact due to COVID 19 and non COVID 19 impact.

The Company's management continues to deal with the risks posed by COVID19 in a proactive and responsible manner. The Plant operator invoked its Business Continuity Plan in March 2020 due to the spread of COVID-19 pandemic in the country. Initially, the essential operating staff worked in split groups to mitigate the risk of infection to all staff with a stay-in and necessary quarantine procedures. Eventually the confinement restrictions were eased out after a thorough review of the situation.

The Oman Supreme Committee guidelines have been strictly enforced to manage the pandemic situation. The Plant operated seamlessly and fully supported Oman's power grid. Currently, the operations are on a 12-hour shift, strictly following Oman's COVID-19 precautionary rules and Engie approved COVID 19 guidelines.