PHOENIX POWER COMPANY SAOG

ANNUAL REPORT 2021

His Majesty
Sultan Qaboos Bin Said (Late)

His Majesty
Sultan Haitham Bin Tarik

PHOENIX POWER COMPANY SAOG

Contents

VISION

To be safest, most reliable, efficient, and environmentally conscious energy provider in Oman

MISSION

To deliver safe, reliable and efficient power to the people of Oman in an environmentally Compliant manner, such that Sur IPP is held in high regard by all those involved with the business.

STRONG

Safety . Teamwork . Respect . Ownership . Nurturing . Growth

SAFETY

We will keep each other safe by making sure that at all times that nothing is so urgent or important that it cannot be done safely.

TEAMWORK

The power of the Team is highly important to business success.

RESPECT

We will treat people in a positive manner and pay due attention to the views and feelings of those around us.

OWNERSHIP

We will be honest with each other and we take responsibility and ownership for our actions.

NURTURING

Support & encourage the development for each other.

GROWTH

We learn from each other & other around us which results in overall growth and improvement.

Board of Directors and Key Executive Officers

Board of Directors		Representing
Mr. Khalid Jolo	Chairman	
Mr. Carlos Alcazar	Deputy Chairman	
Mr. Ryosuke Tsuchiya	Director	Axia Power Holdings B.V.
Mr. Adrian Röthlisberger	Director	
Mr. Hitoshi Nakahara	Director	JERA Power Management Mid East B.V.
Mr. Hideharu Tatedori	Director	
Mr. Rashad AL Battashi	Director	Civil Service Employees' Pension Fund

Key Executive Officers	
Mr. Paul Adam Atkinson	Chief Executive Officer
Mr. Ahmed AL Abri	Chief Financial Officer
Mr. Yaarub Al Naabi	Commercial Manager

Chairman's (Board of Directors') Report

Dear Shareholders,

On behalf of the Board of Directors of Phoenix Power Company SAOG ("PPC" or the "Company"), I have the pleasure to present the Annual Report of the Company for the year ended 31 December 2021.

The Company, incorporated in 2011, owns and operates the 2000 MW Sur Independent Power Plant ("the Plant"), located in the Sur industrial area, approximately 175km south-east of Muscat. Phoenix Power Company currently generates its revenues pursuant to a 15-year term Power Purchase Agreement ("PPA") with Oman Power and Water Procurement Company SAOC ("OPWP") and purchases gas from the Ministry of Energy and Minerals ("MEM") under a 15-year Natural Gas Sales Agreement ("NGSA"). The operations and maintenance of the plant is subcontracted to Phoenix Operation and Maintenance Company LLC ("POMCo" or "the Operator") under a 15-year Operation and Maintenance Agreement.

Health, Safety and Environment

Ensuring high standards of Health, Safety and Environmental performance continues to be given a high priority by the Company and its Operator, POMCo. During the year no Lost Time Accidents ("LTA") or environmental incidents occurred and at 31st December 2021, the Company has achieved 2578 days without an LTA. As part of an annual review process, the health, safety, environmental and quality processes of both the Company and the Operator were carefully audited by an independent third party and both businesses retained accreditation to ISO 14001, ISO 45001 and ISO 9001 standards, demonstrating a continued commitment to health & safety performance and improvement. For the fifth consecutive year, both PPC and POMCo were also recognised by the UK`s Royal Society for the Prevention of Accidents (RoSPA) with a gold medal award in 2021.

Company Response to COVID-19 Pandemic

The impact of the COVID-19 pandemic continued to present several challenges to the business in 2021 and required the Company to maintain in place the safeguarding measures first established in 2020 to protect against the impact of the virus.

The safety and health of our staff remained our top priority, and initiatives continued to ensure continued daily operations and the safety of our employees, families and the community.

Close collaboration with government authorities at national and local levels assured a coordinated and integrated approach, and assured informed and responsible decisions were taken.

I am pleased to confirm that the measures adopted were effective, disruption to the continuity of our operations was negligible and the Company was able to provide safe and reliable generation of electricity to the Sultanate of Oman throughout the year.

Corporate Governance

PPC has a comprehensive system of internal controls in place with clear structures, delegated authority levels and accountability.

During 2021, the Company continued to carry out a review of key internal policies and procedures in order to ensure highest standards of corporate governance and to ensure compliance with the Code of Corporate Governance as issued by the Capital Market Authority. Through the Audit Committee, the Board has implemented a programme of internal audits of different aspects of the Company's business to monitor compliance and drive best practice.

The Corporate Code of Governance also requires that the shareholders appoint an independent third party to carry out an evaluation of the Board. The AGM of March 2021 appointed Keynote Services to carry out this assessment and a summary of their findings has been included in the Corporate Governance Report.

Operations

During the year 2021, I am pleased to report that the Company has achieved an excellent operational performance with the Sur Power Plant demonstrating a commercial availability of 99.86%, the key parameter to be considered when assessing the revenues generated during the period. This compares favourably to the commercial availability of 99.76% achieved in 2020.

The Plant dispatched an aggregated net power volume of 8818.80 GWhrs (an increase of 10.60% on the 7973.95 GWhrs dispatched in 2020) which represents a load factor of 50.69% when averaged over the year (compared to a load factor of 45.73% in 2020).

Financial Results

The company generated revenues of RO 146.18 million in 2021 which were higher than the RO 135.43 million generated in 2020 mainly due to higher dispatch. Costs in 2021 were RO 110.78 million which were higher than the RO 99.06 million spent in 2020 mainly due to higher dispatch resulting in increased fuel costs.

The Net Profit of the Company was RO 16.86 million in 2021 which was higher than RO 16.38 million earned in 2020 mainly due to lower finance costs.

The Company paid a dividend of Bzs 3.9 per share in 2021 compared to Bzs 4.75 per share in 2020.

The share price ended the year at Bzs 50.

Corporate Social Responsibility

The Company fully recognizes its role as a responsible corporate citizen with support focusing on the local community at Sur generally in the areas, health & safety, education and environmental care. During 2021 the Company provided RO 39,500 of funding and support to causes aimed at limiting and mitigating the impact of COVID-19 and supporting people living in the South Al Sharqiyyah region who lost homes and possessions during extreme flooding that occurred in the region in the month of July. This exceeded the 2021 CSR budget of RO 30,000 and the additional expenditure will be subject to 2022 AGM approval.

People and Employment

In May 2021 Mr. Ahmed Al Abri replaced Mr. Koichi Matsumoto as the Chief Financial Officer of the Company. This was part of the Company's Omansation strategy and succession plan. The Omanisation level at the end of 2021 is 84%.

Future Outlook

All reasonable measures will be taken by the management of the Company to ensure that the high standards of health, safety, environmental compliance, reliability and availability achieved in 2021 are maintained and the effects of the COVID-19 pandemic to our operations continue to be negligible.

In Conclusion

As Chairman of the Board, I would like to thank our shareholders, not only for their confidence, but also for their continued support and for the expertise they bring to the Company. On behalf of the Board of Directors, I express my gratitude to OPWP, the Authority for Public Services Regulation ("APSR"), the CMA and other governmental and non-governmental bodies for their guidance and support. I also give thanks to the operations and maintenance staff in the power plant as well as the employees of the Company for their dedication and commitment during 2021. Thanks to their contribution, the Company was able to achieve its goals and objectives.

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 Al Said 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.

Khalid Jolo
Chairman of the Board

Operational Highlights

Health, Safety & Environmental Performance

The health, safety and welfare of people continues to be of paramount importance both within PPC and its Operator, POMCo. The health and safety of our employees, contractors, visitors and all those who may be impacted by our activities, is given uppermost priority.

The overall health, safety and environmental performance in 2021 remained excellent, building on the foundations established during the first seven years of commercial operation. Our ultimate aim is zero harm to people and zero environmental incidents based on our adopted principle that:

"Nothing is so urgent or important that it cannot be done safely""

During 2021, and since commercial operation, both health and safety and environmental goals have been achieved with the Sur plant now having completed 2578 days without a Lost Time Accident or an environmental incident as at 31 December 2021.

Both the Company and the Operator have retained accreditation to ISO 45001 (2018), ISO 14001 (2015) and ISO 9001 (2015) during 2021. In addition, and as a consequence of a goal to continually benchmark health and safety performance externally, both PPC and POMCo were recognized by the UK`s Royal Society for the Prevention of Accidents (RoSPA) with a Gold Medal Award in 2021 for achieving five consecutive Gold Awards.

The impact of the COVID-19 pandemic presented several challenges to both the Company and the Operator in 2021. Working in close collaboration with government authorities at national and local levels assured a coordinated and integrated approach, and allowed informed and responsible decisions to be taken. The Company implemented its business continuity plans to manage the impact of the virus, including a number safeguarding measures to protect the wellbeing of our employees, their families and the wider community. This included the full vaccination of both Company employees, Operator employees and subcontractors by the end of September 2021. As a consequence there was no disruption to the continuity of our operations in 2021.

The Company continues to implement a strategic roadmap designed to foster ongoing improvement and ensure that the focus on preventing accidents and incidents is maintained. Proactive actions continue to have been taken to both develop and improve safety culture as well as target the delivery of a safe, secure and environmentally compliant site. Such actions include:

- Continued development of our Process Safety programme to maintain the integrity of equipment, operating systems and processes and assure unintentional releases of chemicals, energy, or other materials are avoided.
- Continued focus on employee and contractor engagement through a programme of behavioural based safety observation recording as well as investigating near misses through initiation of safety awards and staff recognition.
- The application of Point of Work Risk Assessment to ensure staff engagement prior to undertaking work.
- A comprehensive internal audit programme covering both general safety and safety from the system.
- The provision of high quality education and training to employees and contractors including certified NEBOSH International General Certificate qualification.
- Focus on employee health and welfare with all employees undergoing detailed periodic medical checks.
- Use of leading HSE key performance indicators utilising the Intelex software system for action tracking and reporting.

Safety performance is reported and reviewed regularly by the management team and the Board of Directors. Any incident is comprehensively analysed and reviewed in order to identify the immediate and underlying causes to prevent future recurrence. Lessons learnt are shared with employees and actions taken to mitigate against recurrence.

Capacity

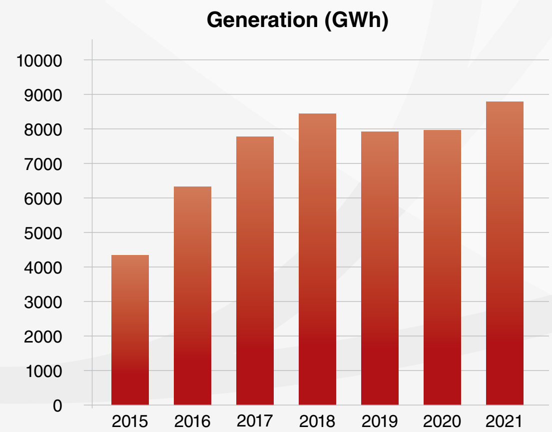
The capacity of a plant is defined as the total electrical power (MW) which can be delivered by the plant at reference conditions.

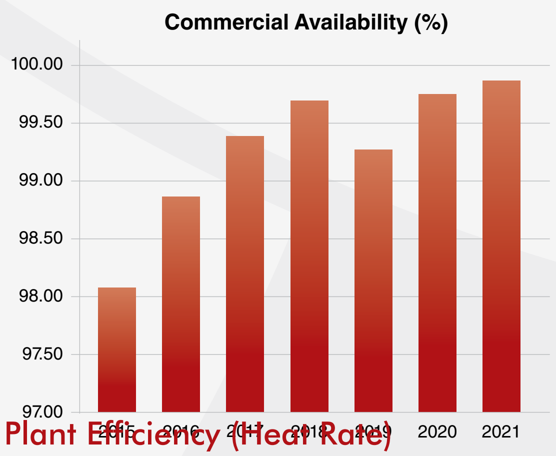
The contractual capacity of the Sur Power Plant under the PPA applicable from May 2021 to April 2022 is 1981.8 MW. The Annual Performance Tests conducted in April 2021 demonstrated that the plant met these contractual requirements.

Reliability

The reliability of the Plant is a measure of its availability to deliver the declared capacity in accordance with the PPA. During 2021 the Sur Plant achieved a reliability of 99.86% experiencing a Forced Outage rate of just 0.14%. This figure includes the impact of a Force Majeure Event in July that is outwith the Company's control and had a very minor impact on the Forced Outage rate.

During the year, the Plant exported a total of 8818.81 GWhrs of electrical energy with a load factor averaging 50.69%.





Plant Efficiency (Heat Rate)

The efficiency of the Plant is measured in terms of the amount of heat required to produce one unit of electrical energy. Based on the running regime experienced during the year, the actual efficiency for 2021 met the contractual requirements under the PPA. The Plant overall efficiency is expected to increase over the coming year due to the implementation of a strategic improvement programme that first commenced in 2019.

Maintenance

Maintenance of the Plant was undertaken in accordance with Original Equipment Manufacturers (OEM) recommendations, as per the operations and maintenance manuals.

Extended Hot Gas Path Inspections (eHGPI) were successfully completed on two Gas Turbines (GTs) during the first quarter of 2021. All minor inspections scheduled for 2021 were also completed in accordance with the terms of the Long Term Service Agreement (LTSA).

Human Resources and Training

Development, motivation and retention of people remains a key focus. The ability to conduct onsite and offsite formal training was impacted in 2021 by the COVID-19 pandemic and opportunities were therefore provided for employees to utilise online training tools and facilities, in instances where classroom based training was not possible. Operations and maintenance staff continued to develop technical competence through company provided online tailor-made packages, working from either home or at the plant. This was combined with mentoring and supervision to develop required skills and experience.

All employees benefit from a range of policies to support them in the workplace. The Company strives to maintain high standards of employment practices with an aim to give employees positive engagement with the business and its goals.

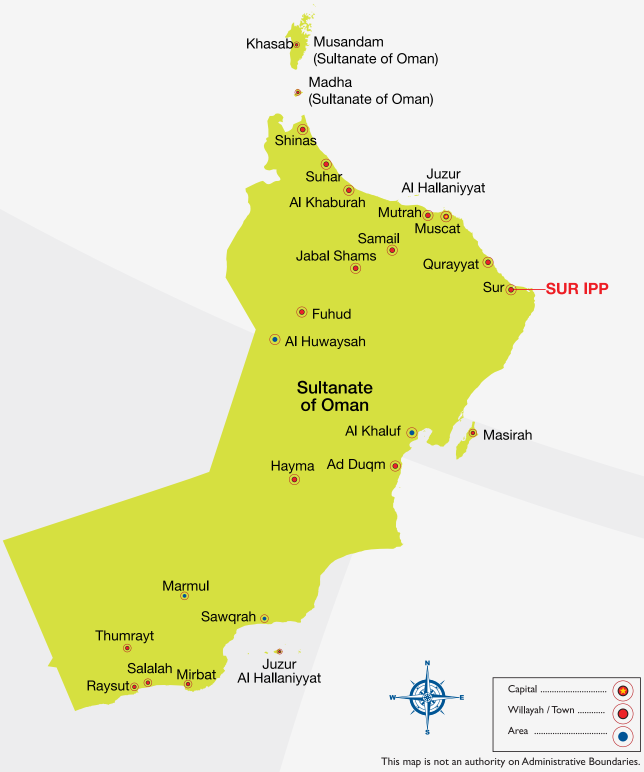
Omanisation plans are in place with a view to continuing to develop local staff in a manner which grows their skills and competency appropriately as well as ensuring safe and secure supply of power to the peoples of the Sultanate.

Description of the Business

Overview

The Company's core business activity is to develop, own and operate the Sur Independent Power Plant, a gas-fired combined cycle power generation plant with a contracted power capacity of 2000 MW, located in the Sur industrial estate between the Oman LNG terminal and Oman India Fertilizer Company plant, approximately 175km south-east of Muscat in Oman. The Plant comprises three blocks, (2*800 MW) and (1*400 MW) and has been in full commercial operation since 11 December 2014.

The following diagram displays the approximate location of the Plant:



The Company currently generates its revenues pursuant to a 15-year term PPA with OPWP, which is indirectly wholly owned by the Government. The power produced from the Plant is fully contracted to OPWP and used to meet the growing power demand of the Main Interconnected System ("MIS") during the term of the PPA and beyond. As the largest operational power plant in Oman, the contracted Plant's power capacity of circa 2000 MW represents circa 21% of the MIS total contracted capacity in 2021 of approximately 9495MW as per OPWP's 7 year statement (2019-2025).

The Plant has been established under a BOO scheme, which enables it to be operated beyond the PPA term of 15 years, either by extending the PPA (if agreed to by OPWP), or by selling the power into a wholesale electricity market (or "spot market") which is a future market planned for eligible suppliers.

The Plant's contracted power capacity is sold exclusively to OPWP in accordance with the terms of the PPA. Natural gas, supplied by the MEM, is the primary fuel with distillate fuel oil (diesel) as back-up. Phoenix Power has a long-term agreement with the MEM securing supply of fuel over the contracted PPA period. The power is supplied to Oman Electricity Transmission Company SAOC (OETC)'s grid.

The Plant is based on gas turbine combined cycle technology that is proven and has been implemented globally on numerous projects. It has dual fuel capability with natural gas as the primary fuel and diesel as a back-up fuel.

The Plant consists of five Siemens AG SGT5-4000F gas turbines ("GT"), five Nooter Eriksen triple pressure heat recovery steam generators ("HRSG") and three Fuji Electric steam turbines ("ST"). The condenser is cooled via a once through seawater system. Seawater is extracted by a submerged pipe intake and discharged through a seal-pit and diffusers. The gas turbines are fitted with by-pass stacks to enable the operation in open cycle. Although capable of open cycle

operation, the normal operating mode of the Plant is in combined cycle ("CCGT") for higher thermal efficiency. At site reference conditions of 50°C ambient temperature and 30% relative humidity, the Plant has a net power capacity of approximately 2000 MW.

With this technology, the energy for electricity generation is obtained from the combustion of natural gas. Hot combustion gases formed by the combustion of natural gas drive a gas turbine, which, in turn, rotates an alternator to produce electricity. After driving the gas turbine, the exhaust gases still contain sufficient heat to produce steam in a heat recovery boiler. The steam generated in the heat recovery boiler drives a steam turbine, which rotates another alternator to produce additional electricity. The CCGT technology is well proven and more efficient than conventional power plant technology.

The Plant is connected to the gas transmission infrastructure owned by MEM. Gas used by the Plant comes from central Oman gas fields and is carried through a 48 inch pipeline operated by Petroleum Development Oman (PDO). The Plant is designed for black start operation by means of black start diesel generators that are capable of starting the plant in the event of a country-wide power loss.

The auxiliary power for the Plant is derived from the Plant's internal electrical system with back-up from the grid. The equipment and facilities required for the operation, testing, maintenance and repair of the equipment (for example control room, laboratory, stores, workshop, etc.) are available on site.

The Power Plant entered into full commercial operation on 11 December 2014.

Profile of the Major Shareholders

Axia Power Holdings B.V.

Axia Power Holdings B.V. is an entity that is 100% owned by Marubeni, which serves as an overseas investment vehicle for Marubeni's investments into power projects.

Marubeni, acting as the lead member of the consortium, was established in 1858 and grew to become one of the leading Japanese trading and investment houses. It oversees a range of operations that encompass the domestic market, export-import, and offshore trade, with total assets of around USD 65 billion (as of March 2021). As of October 2021, Marubeni has five business groups directly under the president and several committees, covering Consumer Products Group, Food, Agriculture & Chemicals Group, Power Business & Infrastructure Group, Energy & Metals Group, Transportation & Industrial Machinery, Financial Business Group, and Chief Digital Innovation Officer. The Power Business & Infrastructure Group consists of Power Business Division and Infrastructure Project Division, and is one of the core groups within Marubeni.

Marubeni is very active in the industry, having participated in 49 I(W)PP projects with an overseas total gross capacity of 37,584MW and the total net capacity of 11,354MW (as of November 2021). Marubeni's role in the I(W)PP business includes development, financing, equity participation as well as engineering, procurement and construction ("EPC") and O&M. Marubeni operates I(W)PP projects in many countries around the world, including Oman, Saudi Arabia, Qatar, U.A.E., Tunisia, Portugal, Jamaica, Trinidad and Tobago, Chile, U.S.A, the Philippines, Taiwan, Pakistan, India, Indonesia, Singapore, Vietnam, Korea, and Japan. In addition, Marubeni is an active player in the EPC business and has built over 112 GW of power plants worldwide. The Power Business Division's vision is to establish itself in the top position in the comprehensive power business in Japan and abroad.

In addition to the power business, Marubeni has a variety of experiences in non-recourse project financing such as LNG related business and ship transportation business. Marubeni has an outstanding record in project financing in emerging markets and has arranged for funds from various export credit agencies, multilateral institutions, international commercial banks, institutional investors and local banks.

Further information about Marubeni is available at: www.marubeni.com.

JERA Power Management Mid East B.V.

JERA Power Management Mid East B.V. (JERA PMME), (formerly known as Chubu Electric Power Sur B.V.), is a wholly owned subsidiary of JERA Co. Inc., which holds shares in and participates in the management of Phoenix Power Company and the Operation and Maintenance Company for the Project.

JERA is an energy company with global reach that has strength in the entire energy supply chain, from participation in LNG and other fuel resource projects and fuel procurement through to power generation.

JERA was jointly established in April 2015 as an equal joint venture of two major Japanese electric companies, Chubu Electric Power Co., Inc. (CEPCO) and TEPCO Fuel & Power, Inc. (TEPCO FP) to become a leading global energy player. In April 2019, JERA integrated CEPCO and TEPCO FP's fuel and power generation business and assets. JERA became the largest power generation company in Japan, with its LNG procurement volume and power generation capacity of 40 million tonnes per year and 80 GW all over the world respectively. In terms of having business experience in the Middle East region, JERA is participating in IPP/IWPP projects in Oman, Qatar and UAE as a shareholder.

JERA's mission is to provide cutting edge solutions to the world's energy issues. To contribute to the realization of a sustainable society, JERA will take on the challenge of achieving, by 2050, virtually zero CO_2 emissions from JERA's operations in Japan and overseas.

Further information about JERA is available at: http://www.jera.co.jp/

Nebras Power Q.P.S.C.

Established in 2014 and headquartered in Doha, State of Qatar, Nebras Power is a global power development, investment and operating company. Nebras was set up to take advantage of the investment opportunities created by the continuously growing demand for electricity and water throughout the world, especially in the rapidly developing markets of the Middle East, Asia, Africa and Latin America. It was also set up to participate in the evolving nature of the global power industry and to pioneer future energy solutions in its investments.

Nebras was created as a fully-fledged investment company capable of building on this long-term opportunity. It is the vehicle through which Qatar intends to develop and manage a portfolio of strategic investments in power, water and renewables throughout the world. Nebras forms part of Qatar's 2030 vision to diversify the economy away from oil and gas and be the custodian of wealth for future generations of Qataris.

Nebras is a joint venture of two Government related entities: Qatar Electricity and Water Company ("QEWC") and Qatar Holding ("QH"). QEWC is listed on the Qatar Stock Exchange and owns 60% of the share capital of Nebras. QH is a wholly owned subsidiary of the Qatar Investment Authority and currently owns 40% of the share capital of Nebras[1].

Nebras draws on the extensive experience gained by its major shareholder, QEWC, in developing power and water projects in Qatar and abroad. QEWC is the Qatar national power generating company, it controls the majority of Qatar's power generating fleet and it is the second largest utility in the Middle East and North Africa regions.

Nebras has built a power generating portfolio of 22 assets across 8 Countries in 5 Continents totaling 6.7 GW of gross generating capacity out of which 5.8 GW in operation and 0.9 GW under construction.

Nebras has built a highly professional management team with many years of experience in the power and utilities sectors. The management team has a mix of global, regional and local experience to ensure full alignment with its shareholders and global knowledge of the power sector.

Nebras pursues long term value creation through active management of the investment portfolio and direct involvement in engineering and construction, operation and maintenance, energy trading, sourcing and logistics of fuel. Long-term investment opportunities pursued either through direct control or with associated significant governance rights are used to influence decision making and protection of underlying value.

Nebras has the ambition and the strategic target to build a portfolio of 15 GW gross by 2026 almost 90% of which comprise clean energy sources.

For more information about Nebras Power please visit www.nebras-power.com.

Middle East Investment LLC

Middle East Investment LLC (MEI) is a subsidiary of Suhail Bahwan Group, which is one of the foremost and most reputed business houses in the Sultanate of Oman.

In February 2019 MEI joined as a Major Shareholder of the Company by purchasing all shares previously held by Multitech LLC.

MEI 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..

[1] QEWC's wholly owned subsidiary, Ras Laffan Operating Co. has signed a share sale and purchase agreement with QH to purchase 40 percent of the share capital of Nebras from QH.

Management Discussion and Analysis Report

Industry Overview

The electricity and water generation, transmission, distribution and supply sector is governed by the law for the Regulation and Privatisation of the Electricity and Related Water Sector (the Sector Law) promulgated by Royal Decree 78/2004 in August 2004. The Sector Law regulates all companies and establishments operating in the sector of electricity and water, including PPC.

Pursuant to the Sector Law, OPWP was established as the single buyer of electricity and water in Oman (a single procurement company) and a system of non-discriminatory access to license transmission and distribution systems was provided to generators. Pursuant to the Sector Law, APSR was established and is competent to regulate the electricity and related water sector as an administratively and financially independent entity.

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 publishes an annual seven-year statement that identifies the strategy to meet the future power generation and water desalination requirements. Article 74 of the Sector Law specifies the functions and duties of OPWP, including but not limited to:

- Securing production capacity and output to meet demand for electricity in the MIS and Salalah System, in coordination with RAECO;
- Securing production capacity and output to meet demand for desalinated water in Oman;
- Meeting requirements for new electricity and desalinated water capacity in Oman, with new projects to be designed, constructed, financed, owned and operated by local and foreign investors, and;
- The purchase, procurement, and management of production capacity and output, ancillary services and all goods and other services on the basis of economic purchase.

In 2018 APSR amended the Company's Generation License to include the provision of a future electricity pool "spot market" that will allow power and water for the MIS to be commercially traded between OPWP and suppliers. This does not impact the existing 15 year PPA in place between the Company and OPWP but will provide a commercial market through which the Company can trade its generation output at the cessation of the existing PPA.

Risk Management

The Company has a well-established contractual framework which mitigates commercial risk as shown overleaf:

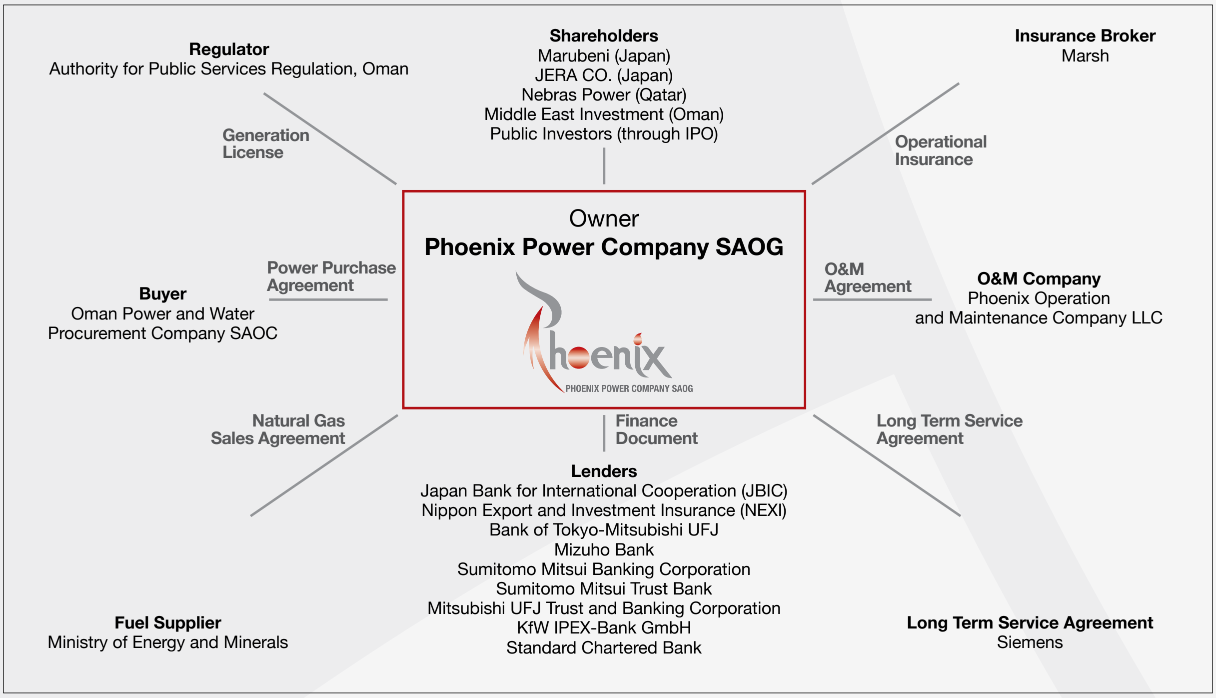
Risk Management Process

The Company has a comprehensive risk management framework in place aimed at identifying principal risks that threaten achievement of business objectives and enables assessment of their significance to be understood. Mitigating controls to manage identified risks to an acceptable level are then put in place.

All new and emerging risks are reviewed as well as any changes to existing risk levels. The risks are reviewed every quarter and reported to the Board of Directors.

Power Purchase Agreement (PPA)

The Company has entered into the PPA with OPWP who is the sole purchaser for a 15 year period until 31 March 2029. Under the PPA, PPC is obliged to exclusively sell electrical energy output to OPWP and in return, receive from OPWP



capacity charges, electrical energy charges and fuel charges. Capacity charges are designed to cover fixed costs (including debt service and return on capital), electrical energy charges are designed to cover variable operating costs of generation (excluding fuel costs). The fuel charge is the amount payable to compensate PPC for the total fuel demand required for the production of electrical energy to be delivered in accordance with the terms of the PPA.

Natural Gas Sales Agreement (NGSA)

A NGSA is in place between MEM and the Company that establishes the terms upon which PPC purchases natural gas as feedstock for the Plant from the MEM. The NGSA term is linked to the PPA term and, therefore expires on 31 March 2029. The NGSA term will automatically be extended to reflect any extensions to the term of the PPA.

In accordance with the NGSA, natural gas will be supplied up to the gas delivery point of the Plant. Phoenix Power has no obligation to pay the MEM for any natural gas delivered and accepted until Phoenix Power has received the amount of the PPA payment from OPWP.

Financial Arrangement

The Company entered into financing agreements with a consortium of international banks and export credit agencies at project inception, for an original amount of approximately RO 459 million. The Company senior debt is hedged in compliance with the requirement of the financing agreements through entering into interest rate swap agreements which further improves the predictability of cash-flows available to shareholders.

Operation and Maintenance

Technical risk associated with Operations & Maintenance is considered low as the Plant uses proven technology from renowned international suppliers. POMCo is the operator and maintainer of the Plant through the O&M Agreement with the Company. In addition, the maintenance of the gas turbines, steam turbines and electrical generators, which is considered a specialised activity, has been contracted on a long-term basis to the original equipment manufacturer, Siemens, whose capabilities in this area are among the best globally.

Phoenix
PHOENIX POWER COMPANY SAOG

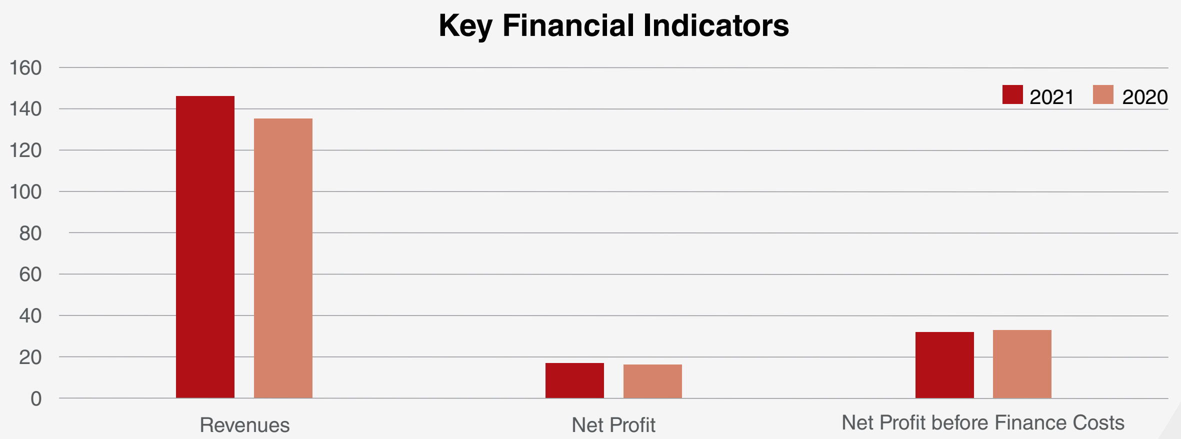
Discussion on Operational and Financial Performance

Operational Highlights

Please refer to Section "Operational Highlights" for the operational performance of the Company.

Financial Highlights

All figures in RO Millions		2021	2020
Revenues	1	146.18	135.43
Net Profit	2	16.86	16.38
Net Profit before Finance Costs	3	31.83	33.13
Total Assets	4	596.71	615.82
Capital (Paid-up)	5	146.26	146.26
Shareholders' Fund (Net Assets)	6	202.90	180.16
Term Loans (1)	7	251.73	281.12
Weighted average number of shares	8	1,462.60	1,462.60
Actual number of shares outstanding	9	1462.60	1462.60
Ordinary Dividends	10	5.70	6.95



Key Financial Indicators		2021	2020
Net Profit margin	2/1	11.53%	12.10%
Return on Capital (Paid-up)	2/5	11.53%	11.21%
Return on Capital Employed	3/(6+7)	7.00%	7.18%
Debt Equity ratio	7 : 6	55.4 : 44.6	60.9 : 39.1
Net assets per share (Baizas)	6/8	138.73	123.18
Basic earnings per share (Baizas)	2/8	11.53	11.21
Dividends per share (Baizas)	10/9	3.90	4.75

(1) Excluding unamortised transaction cost

Analysis of Profit and Loss

Revenues of RO 146.18 million in 2021 were higher than the RO 135.43 million generated in 2020 mainly due to higher dispatch. Costs in 2021 were RO 110.78 million which were higher than the RO 99.07 million spent in 2020 mainly due to higher dispatch resulting in higher fuel costs.

The Net Profit of the Company was RO 16.86 million in 2021 which was higher than RO 16.38 million earned in 2020. Finance cost was RO 14.96 million in 2021 which is lower than RO 16.75 million in 2020.

Analysis of Balance Sheet

Total Assets of the Company stood at RO 596.71 million as at 31 December 2021 as compared to RO 615.82 million in 2020. This was mainly due to a full year's depreciation being charged for the year.

Cash and cash equivalents stand at RO 10.32 million as at 31 December 2021 as compared to RO 5.64 million at the same date in 2020.

Shareholders' Funds (Net Assets) stand at RO 202.90 million as at 31 December 2021 which is lower when compared to RO 180.16 million at the same date in 2020. This is due to profit for the year being offset by the dividend distribution in line with the net profit for the year.

Hedging Reserve (net of Deferred Tax) reducing Equity by RO 22.65 million reflects the fair value of the seven interest rate swaps and three currency swaps as at the balance sheet date and does not impact the Company's capability to distribute dividends to the shareholders.

Term Loans (including non-current and current balances) reduced to RO 251.73 million as a result of scheduled repayments in accordance with financing agreements.

The Company continues to make adequate provision for asset retirement obligations to enable it to fulfil its legal obligation to remove the Plant at the end of its useful life and restore the land. During the year the company has reassessed the provision and the amount has been decreased as a result.

Dividend Distribution

The Company follows a balanced dividend pay-out policy, subject to debt repayments, working capital and operational expenditure obligations. The Company's dividend distribution in 2021 was RO 6.07 million (translating to 4.15 Baizas per share paid in July 2021 and January 2022) and paid out of the audited retained earnings for the year ended 31 December 2020.

Omanisation

Omanisation levels approximate to 73% for PPC and to 84 % for PPC and POMCo combined in 2021. Endeavours to achieve the Omanisation requirements are ongoing and based on a holistic human resources approach which includes attracting the necessary talent, developing that talent through training and expertise transfer, consideration of a balanced approach to remuneration and reward as well as creating a positive working environment and culture.

Outlook

All reasonable and prudent measures will be taken by the management of the Company to ensure high standards of health, safety, environmental compliance reliability and availability are maintained over 2021.

Internal Control System

The Board of Directors and management of the Company believes in the importance of the internal control system and PPC has a comprehensive system of internal controls in place, comprising:

- A well-defined governance structure.
- Clearly defined delegated levels of authority.
- Documented key business processes.
- Plans and annual budgets which will deliver the Company strategy supported by regular reporting of these plans and budgets to the Board of Directors.

In recognition of the need to continually focus on controls and to ensure compliance with Code of Corporate Governance as issued by the Capital Markets Authority, the Company has appointed a full-time internal auditor. An internal audit plan was developed for 2021 and implemented with recommendations being provided to the Audit Committee who meet once per quarter. No significant failings or weaknesses have been identified in PPCs system of internal controls in the year ended 31 December 2021. The management of the Company is fully committed to implementing the agreed recommendations arising from the internal audit reports.

Corporate Social Responsibility

Looking after our people, neighbours and the wider environment is central to PPC's business philosophy.

Corporate social responsibility is fully embedded within day to day business. Health, safety and environmental issues are the first items to be discussed at all meetings, from the Board down to site team meetings. Contributions from employees aimed at actively improving responsible performance are encouraged and staff are incentivised to focus on such issues as part of an annual bonus scheme.

The Health, Safety and Environment committee provides feedback to management to allow clear strategic direction to be developed and implemented that is aligned with the Company's corporate goals. PPC's internal processes are designed to ensure the Company meets all the requirements of the permits and licences that regulate the business and compliance is maintained. Externally, promotion within the local community of the importance of keeping safe and looking after the environment, is important.

The COVID-19 pandemic heavy flooding were events in 2021 that affected local communities in the South Al Sharqiya Governorate. The commitment of PPC, POMCo and their employees to a CSR philosophy that promotes the safety and the wellbeing of local communities mandated a proactive and immediate response to limit the impact of these events as far as possible. To this end, the Company made contributions to the Ministry of Health to educate people on the benefits of being vaccinated against the COVID virus, and an exceptional donation to the relief effort provided to local communities in rebuilding homes damaged in the flooding. Approval of this exceptional expenditure will be sought at the next AGM of Company Shareholders planned for March 2022.

The Company also provided support to other community initiatives:

1. 6th GCC annual cancer awareness week 2021, for the Governate of Al Sharqiyyah South;
2. Iftar support to poorer families living in South AL Sharqiyyah during Ramadan.

Working and consulting with the local community at Sur is important for PPC. The Company, through its Operator, POMCo, is a member of the Social Affairs Committee at Sur and participates in discussions related to social development and infrastructure support. Training is normally provided to people who are not employees of the Company but who may benefit from exposure to power station operations through internships and bespoke training courses as part of the Company's commitment to supporting development of the wider power sector.

EY
Building a better working world

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

REPORT OF FACTUAL FINDING

TO THE SHAREHOLDERS OF PHOENIX 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 Phoenix Power Company SAOG (the "Company") as at and for the year ended 31 December 2021 and its application of the corporate governance practices in accordance with amendments to CMA's 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 2021. 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 Phoenix Power Company SAOG to be included in its annual report for the year ended 31 December 2021 and does not extend to any financial statements of Phoenix Power Company SAOG, taken as a whole.

Ernst & Young LLC

Muscat
25 February 2022

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, Sultanate of Oman

Corporate Governance Report

Corporate Governance Report

In accordance with the guidelines issued by the Capital Market Authority ("CMA") vide circular 1/2003 and E/4/2015 ('"Code of Corporate Governance" or the "Code") which was amended vide circular E/4/2015 and became effective on 22 June 2016, the Board of Directors and Management of the Company hereby present their Corporate Governance Report for the year ended 31 December 2021.

Company's Philosophy

The Company's philosophy of corporate governance is based on four main components: to enhance Shareholder value through continuous improvement of the business process; to display the highest ethical standards at all Company levels; to observe compliance with laws, permits and regulations; and to ensure full transparency on all financial and corporate matters towards internal and external stakeholders.

The current Board of Directors was elected on 20 May 2020, and its members' term of office shall remain in force for a period of three years and until the third annual general meeting of the Company. The composition of the Board of Directors is diverse contributing to and ensuring reliable and effective operation of the Company. The executive management of the Company was appointed by the Board of Directors. Simultaneously, an Audit Committee was established in 2014 and is currently composed of three Non-Executive Directors with a high level of experience in financial matters. In addition, a Nomination and Remuneration Committee was established in 2016, comprising three Directors.

The Company is operated in line with a robust business framework comprising detailed policies and procedures that assure full compliance with the requirements of the Code. These are regularly reviewed and kept up to date for optimal control. Material information is transparently disclosed to the Muscat Stock Exchange in a timely manner which can be accessed by the relevant stakeholders.

The Company and its Operator, Phoenix Operation and Maintenance Company LLC ("POMCo"), have retained accreditation to ISO 45001 (2018), ISO 14001 (2015) and ISO 9001 (2015) during 2021. The annual ISO Surveillance Audit was carried out on 25th & 26th August 2021 for PPC & POMCo by TUV and resulted in ZERO audit findings and Nonconformities.

In addition, and as a consequence of a goal to continually benchmark health and safety performance externally, both PPC and POMCo were recognized by the UK`s Royal Society for the Prevention of Accidents (RoSPA) with a Gold Medal Award in 2021 as for achieving five consecutive Gold Awards.

9001:2015 14001:2015 45001:2018

2021 RoSPA Gold Medal Award

Board of Directors

The Board of Directors were elected on 20 May 2020 in accordance with Article 18 of the Articles of Association. In 2021 a number of Directors resigned and were replaced. Details of the various Directors and 2021 meetings are as follows.

Name of Director	Capacity	Category#	BM 25 Feb.	BM 22 Mar.	AGM 28 Apr.	BM 28 Jul.	BM 25 Oct.
Mr. Khalid Jolo	Non-Executive	Independent	✓	✓	✓	✓	✓
Mr. Carlos Alcazar	Non-Executive	Independent	✓	✓	✓	✓	✓
Mr.Kosuke Tashiro(*)	Non-Executive	Non-Independent-(Representing Axia Power Holdings B.V.)	✓	✓	✓	-	-
Mr. Ryosuke Tsuchiya(**)	Non-Executive	Non-Independent-(Representing Axia Power Holdings B.V.)	-	-	-	✓	✓
Mr. Jun Sano(*)	Non-Executive	Non-Independent (Representing JERA)	✓	✓	✓	✓	-
Mr. Hideharu Tatedori (**)	Non-Executive	Independent	-	-	-	-	✓
Mr. Motoharu Nakada (*)	Non-Executive	Independent	✓	✓	✓	✓	-
Mr. Hitoshi Nakahara(**)	Non-Executive	Non-Independent (Representing JERA)	-	-	-	-	✓
Mr. Rashad AL Battashi	Non-Executive	Non-Independent-(civil service employees' pension fund)	✓	✓	✓	✓	✓
Mr. Adrian Röthlisberger	Non-Executive	Independent	✓	✓	✓	✓	✓

✓ : Attended, P : Proxy, - : not in seat, A: Absent

(*) Resigned during the year (**) Appointed during the year

The above classification as Non-independent/ Independent director is as per the definition that exists in the Code.

Directorship / membership in other public companies (SAOG companies) in Oman as of 31 December 2021;

Name of Directors	Position held	Name of the Company
Mr. Khalid Jolo	None	None
Mr. Adrian Röthlisberger	None	None
Mr. Carlos Alcazar	None	None
Mr. Ryosuke Tsuchiya	None	None
Mr. Hitoshi Nakahara	None	None
Mr. Hideharu Tatedori	None	None
Mr. Rashad AL Battashi	None	None

The profile of the Directors and management team is included as an annexure to the Corporate Governance Report.

Audit Committee

The Audit Committee meets with the external and internal auditors without the executive management of the business being present.

The primary purpose of the Committee is to ensure that internal and external audit processes are carried out in the best interests of all stakeholders and to assist the Board of Directors and the management of the Company in fulfilling their responsibilities, which include:

- Agreeing the nature and scope of audits and reviewing the audit plan;
- Maintaining the integrity of the Company's financial statements;
- Ensuring the Company's compliance with legal and regulatory requirements;
- Performance of the Company's internal audit, external audit and Government Audit functions.

Consistent with the function above, the Audit Committee encourages management to engage in continuous improvement of the Company's policies and procedures.

The Audit Committee has an open channel of communication with the internal auditor, external auditors, financial and senior management and other Board of Directors.

The latest Audit Committee Charter is aligned with the latest Code of Corporate Governance.

The Audit Committee comprises of 3 Directors appointed by the Board of Directors and meets at least four times annually, reporting to the Board of Directors. The current members were appointed by the Board of Directors and all members of the Audit Committee are non-executive.

The composition of the Audit Committee members in 2021 is as follows.

Name of Directors	Category	24 Feb.	26 Apr.	27 Jul.	21 Oct.
Mr. Adrian Rothlisberger	Chairman	✓	✓	✓	✓
Mr. Motoharu Nakada	Member(*)	✓	✓	✓	-
Mr. Tashiro Kosuke	Member(*)	✓	✓	-	-
Mr. Ryosuke Tsuchiya	Member(**)	-	-	✓	✓
Mr. Hideharu Tatedori	Member(**)	-	-	-	✓

✓ : Attended, P : Proxy, - : not in seat

(*) Resigned during the year (**) Appointed during the year

Nomination and Remuneration Committee

A Nomination and Remuneration Committee has been established by the Board of Directors of the Company in accordance with the requirements of the Corporate Code of Governance. The primary purpose of the Nomination and Remuneration Committee is to assist the general meeting of the shareholders in the nomination of proficient directors and election of the most fit for purpose candidates and the Board of Directors in selecting the appropriate and necessary executives for the executive management which the Company requires in order to achieve its strategic and operational objectives.

The Terms of Reference of the Nomination and Remuneration Committee has been issued in July 2016 which is in line with the Code.

The Nomination and Remuneration Committee comprises 3 Directors appointed by the Board of Directors and meets at least two times annually, reporting to the Board of Directors. All members of the Nomination and Remuneration Committee are non-executive.

The composition of the Nomination and Remuneration Committee members in 2021 is as follows.

Name of Directors	Category	22 Feb.	28 Apr.	28 Jul.
Mr. Carlos Alcazar	Chairman	✓	✓	✓
Mr. Khalid Jolo	Member	✓	✓	✓
Mr. Motoharu Nakada	Member (*)	✓	✓	✓
Mr. Hideharu Tatedori	Member (**)	-	-	-

✓ : Attended, P : Proxy, - : not in seat

Process of Nomination of Directors

Directors are nominated and elected as per the Commercial Company Law and the Article of Association. The term of office of the Directors shall be for a maximum period of 3 years, subject to re-election where 3 years for this purpose is the period ending on the date of the third Annual General Meeting. The current term will expire at the Annual General Meeting in 2023. If the office of a Director becomes vacant in the period between two Ordinary General Meetings, the Board of Directors may appoint a temporary Director who satisfies the requirements specified in Company's Articles of Associations to assume his/her office until the next Annual General Meeting.

Remuneration Matters

a) Directors and Audit Committee members
There is no individual sitting fees for the Board of Directors, Audit Committee members and Nomination and Remuneration Committee members.

b) Top 3 key management personnel
The Company paid to its top 3 key management personnel an aggregate amount of RO 261,520 which includes salaries, performance related discretionary bonus and other benefits.

c) Details of performance based bonuses, awards and incentives
Bonus payments for the key management personnel of Phoenix Power Company are based on both personal and business performance and are related to the achievement of business KPIs including health and safety targets, technical performance and financial delivery. The bonuses to be paid are based on recommendations from the Nomination and Remuneration Committee.

d) Employment contracts
The key management personnel have employment contracts with Phoenix Power Company and all have notice periods, under the terms of those contracts, of three months.

Details of non-compliance by the Company

There were no penalties levied on the Company by CMA, MSM or any other statutory authority on any matter related to the capital markets in 2021.

Means of communication with the shareholders and investors

The Company communicates with the shareholders and investors in both English and Arabic mainly through the MSM website and the Company's website. Material information is disclosed immediately, and financial information such as initial quarterly or annual un-audited financial results, un-audited interim financial statements, and audited annual financial statements are disclosed within the regulatory deadlines. The Company's executive management is also available to meet its shareholders and analysts as and when required.

Related Party Transactions

A detail of the related party transactions which the Company have carried out for the financial year ended 31 December 2021 is as follows.

	Name of the Party	Nature of work	Amount (RO)
1	Axia Power Holdings B.V.	Consulting Service Agreement	41,142
2	JERA Co., Inc.	Consulting Service Agreement	24,685
3	Phoenix Operation and Maintenance Company LLC	O&M Fee and expense (as per O&M contract)	10,196,491

Market Price Data

d) High/low share price and performance comparison during each month in 2021.

Month	Price (Baiza)			MSM Service Sector Index
	High	Low	Average	
January	53	50	51.5	1594.912
February	47	46	46.5	1549.889
March	46	46	46	1544.897
April	48	48	48	1588.433
May	48	47	47.5	1623.789
June	50	49	49.5	1722.964
July	46	45	45.5	1709.246
August	46	45	45.5	1704.358
September	47	46	46.5	1697.286
October	49	48	48.5	1674.891
November	50	48	49	1614.827
December	50	49	49.5	1620.871

e) Distribution of shareholding as of 31 December 2021:

Category	Number of shareholders	Number of shares held	Share capital %
5% and above	5	1,130,624,865	77.30
Less than 5%	7,056	331,976,595	22.70
Total	7,061	1,462,601,460	100

Professional Profile of the Statutory Auditor

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 4,889 partners and approximately 124,318 professionals. Globally, EY operates in more than 150 countries and employs 328,597 professionals in 700 offices. Please visit ey.com for more information about EY.

Remuneration of the Statutory Auditor

The professional fees paid / due during the year 2021 are as follows:

Particulars	RO
Audit fees	12,500
Total	**12,500**

Acknowledgement by the Board of Directors

The Board of Directors confirm their responsibility for the preparation of the financial statements in line with International Financial Reporting Standards ("IFRS"), the disclosures requirements of the CMA and the Commercial Companies Law of 2019. The Board of Directors confirms that it has reviewed the efficiency and adequacy of the internal control systems of the Company, and is pleased to inform the shareholders that adequate and appropriate internal controls are in place, which are in compliance with the relevant rules and regulations. The Board of Directors confirms that there are no material matters that would affect the continuity of the Company, and its ability to continue its operations during the next financial year.

Yours sincerely,

Chief Executive Officer

Chief Financial Officer

Brief Profiles of the Directors

Name:	**Mr. Khalid Jolo**
Position:	Chairman
Education:	Mr. Jolo holds a degree in Mechanical Engineering from the Faculty of Engineering, Qatar University.
Experience:	Mr. Khalid Jolo has more than 24 years of experience in various capacities like Senior Project Engineer, Project Director, and Business Development Manager. Immediately after his engineering studies, he joined with Ministry of Electricity, Qatar in the mid-1990s. Later, he joined Qatar Electricity & Water Co, Q.S.C. ("QEWC") as Senior Project Engineer in 1997. QEWC is considered as one of the first private sector companies that operates in the field of power generation and water production in the region, owning and operating power generation and water desalination stations using the most up to-date technologies in the world. He has headed the QEWC Business Development team in the past, which was very successful in garnering a few of the prestigious projects in Qatar. At present, Mr. Jolo, is the Chief Executive Officer for Nebras Power Q.P.S.C.
List of Other Directorships:	While Mr. Jolo is Chairman of Qatar Power, Qatar; Shams Maan Power Generation, Jordan and Phoenix Power Co., Oman, he is also Director of : 1. Ras Girtas Power Company, Qatar; 2. Ras Laffan Power Co., Qatar; 3. Umm Al Houl Power Co., Qatar; 4. Nebras Power Latin America, Brazil; 5. Nebras Power Netherlands B.V.; 6. IPM Indonesia Netherlands, B.V; 7. PM Asia, Indonesia and 8. Paiton Energy, Indonesia 9. Siraj-1 Energy, Qatar. 10. Siraj Energy, Qatar.

Name:	Mr. Carlos Alcazar
Position:	Deputy Chairman
Education:	Mr. Alcazar holds a Masters Degree in Electrical Engineering and a Masters Degree in Business and Administration from I.E. Business School.
Experience:	Mr. Alcazar is a professional engineer and has over 25 years' of experience in the power industry. Having initially worked in consultancy for coal fired Stations and in Power project construction, he moved into operational roles working in different countries (Kenya, Spain, Taiwan, Switzerland, UAE) holding several management positions. Mr. Alcazar worked in both merchant as well as in contracted environments and was Plant Manager in Stations in Spain and Taiwan before he moved into General Manager Generation position in Switzerland where he was responsible for a global fleet of CCGT plants for Alstom Power. Mr. Alcazar joined Marubeni Power Asset Management in 2010 and is presently holding the position of Regional Director for Middle East and Africa working for the fleet in the Region.
List of Other Directorships:	In addition to Phoenix Power Company SAOG, Mr. Alcazar is also a director of the following companies: 1. Non-Executive Director, Ruwais Power Company, UAE 2. Non-Executive Director, Taweelah Asia Power Company, UAE 3. Non-Executive Director, Mesaieed Power Company, Qatar 4. Non-Executive Director, Chairman Taweelah A2 Operating, UAE 5. Non-Executive Director, Emirates CMS Power Company, UAE 6. Non-Executive Director, Fujairah Asia Power Company, UAE 7. Non-Executive Director, Power Cogeneration Plant Company, KSA 8. Non-Executive Director, Sweihan PV Power Company, UAE

Name:	**Mr. Ryosuke Tsuchiya**
Position:	Director
Education:	Mr. Tsuchiya holds a Masters Degree in engineering from Tokyo Institute of Technology, Japan
Experience:	Mr. Tsuchiya started his career in 2007 working for Marubeni Corporation within the power and utility sector. He has taken part in accounting, asset management, development, financing, construction and operations in number of independent power projects across Middle East and power related business in Africa.
List of Other Directorships:	In addition to Phoenix Power Company SAOG, Mr. Tsuchiya is also a director of the following companies: 1. Non-Executive Director, Fujairah Power Company F3 LLC, UAE 2. Non-Executive Director, Power Cogeneration Plant Company, KSA

Name:	**Mr. Hitoshi Nakahara**
Position:	Director
Education:	Mr. Nakahara holds a Bachelor of Mechanical System Engineering.
Experience:	Mr. Nakahara started his career in TEPCO in 1994 and had been involved in operation and maintenance of various thermal power plants. He had also been involved in entire thermal power plant outage & budgetary management at the headquarter. He has been shifted to overseas project management unit and working for asset management and IPP development for more than 8 years. Mr. Nakahara is currently the General Manager of the Business Development of JERA Middle East & Africa Management Co., Ltd. in UAE, and responsible for power & energy project development in the region.
List of Other Directorships:	In addition to Phoenix Power Company SAOG, Mr. Nakahara is also a director of the following company: Non-Executive Director, ITM O&M Company, UAE Non-Executive Director, Umm Al Houl Power, Qatar

Name:	**Mr. Hideharu Tatedori**
Position:	Director
Education:	Mr. Tatedori holds a Master of Production Processing Engineering
Experience:	Mr. Tatedori started his career in TEPCO in 1993 and had been involved in operation, maintenance and construction of C&I equipment in various thermal power plants. He had also been involved in designing and engineering of C&I equipment for thermal power stations at the headquarter. He has experience of overseas consulting, IPPs operation and maintenance, and construction including F class GTCC for more than 8 years. Mr. Tatedori is currently the Deputy CEO of JERA Middle East & Africa Management Co., Ltd. in UAE, and responsible for IPPs management in the region.
List of Other Directorships:	In addition to Phoenix Power Company SAOG, Mr. Tatedori is also a director of the following company: Non-Executive Director, Arabian Power Company, UAE Non-Executive Director, RLC Power Holding Company Ltd., UAE Non-Executive Director, ITM Investment Company Ltd., UAE Non-Executive Director, JERA Middle East & Africa Management Co., Ltd., UAE

Name:	**Mr. Rashad Al Battashi**
Position:	Director
Education:	Mr. Rashad holds a bachelor's degree in Accounting from Applied Science Private University, Jordan and Post Graduate Diploma in Advance Accounting form Arab Academy for Banking and Financial Sciences, Jordan
Experience:	Mr. Rashad is the Investment Specialist in civil service employees' pension fund. He is in charge of market intelligence and business development of the real estate assets of the fund. His responsibilities include comprehensive due diligence of new opportunities, performance management and reporting and strategic advisory to the top management on alternative investments.
List of Other Directorships:	In addition to Phoenix Power Company SAOG, Mr. Rashad is also a Non-Executive Director of Al Bashayer Meat Company SAOC.

Name:	Mr. Adrian Röthlisberger
Position:	Director
Education:	Mr. Röthlisberger holds a Bachelor Degree in Mechanical Engineering and a Masters Degree in Business Administration.
Experience:	Mr. Röthlisberger has over 30 years' of experience in the power and water industry comprising a career path with a demonstrable track record of success internationally. Mr. Röthlisberger commenced his career with ABB/ Alstom in plant commissioning and operation and maintenance, including Power Plant Manager roles of combined cycle power plants in Indonesia and Malaysia. He further progressed to becoming Director of Product Validation at Alstom where he was responsible for various test centres in Europe and Russia. This was followed by positions in the UAE with Kharafi National and in Qatar with Qatar Aluminium, holding various management positions. Mr. Röthlisberger joined Marubeni in 2015 as a secondee to RAWEC, a Utility Company serving a large petrochemical complex in Saudi Arabia. In 2018 Mr. Röthlisberger moved to Marubeni Power Asset Management in the UAE where he serves as the Director of Projects for the Middle East and Africa.
List of Other Directorships:	In addition to Phoenix Power Company SAOG, Mr. Röthlisberger is also a director of the following companies: 1. Non-Executive Director, Amin Renewable Energy Company, Oman 2. Non-Executive Director, Fujairah Power Company F3, UAE 3. Non-Executive Director, Emirates CMS Power Company, UAE 4. Non-Executive Director, Taweelah A2 O&M Company, UAE 5. Non-Executive Director, Asia Gulf Power Service Company, UAE 6. Non-Executive Director, Tanajib Cogeneration Power Company, KSA 7. Non-Executive Director, Tanajib Operation and Maintenance Company, KSA 8. Non-Executive Director, South Rabigh Renewable Energy Company, KSA 9. Non-Executive Director, Uni-Mar Enerji, Turkey 10. Shareholder Representative, Carthage Power Company - Rades, Tunisia

Brief Profiles of the Key Executive Officers

Name:	**Mr. Paul Adam Atkinson**
Position:	Chief Executive Officer
Year of Joining:	2018
Education:	Mr. Atkinson holds a Bachelor's degree in Mechanical Engineering and has been a Chartered Mechanical Engineer for over 30 years.
Experience:	Mr. Atkinson joined Phoenix Power with a background of over 35 years' experience within the power industry including 12 years spent with Rolls-Royce encompassing roles leading to Site Manager at one of the UK's Submarine Nuclear refit facilities and Engineering Manager. This was followed by a period of 17 years with Enron, GDFSuez (ENGIE) and International Power, where he held various Operational, Engineering and Project roles including group Engineering Manager, and Plant General Manager at the 2,000 MW Teesside Power Station. Immediately prior to joining Phoenix Power, Mr. Atkinson held the position of Executive Managing Director at Emirates CMS Power Company, UAE, with responsibility for a Power and Water generation business in the Emirate of Abu Dhabi.

Name:	**Mr. Ahmed AL Abri**
Position:	Chief Financial Officer
Year of Joining:	2015
Education:	Mr. Ahmed holds a Bachelor's degree in Finance from Sultan Qaboos University and MBA in Finance from Franklin University, Ohio, USA.
Experience:	Mr. Ahmed joined Phoenix Power Company in 2015 with over 10 years' experience in accounting and audit. He led the audit function in the company from 2015 to 2018. He moved to the finance department in 2018 in which he was responsible for preparation of monthly, quarterly and annual reports, supporting mid-year review reforecasting and supporting annual budget and business plan preparation. In 2019 his responsibility expanded to take complete responsibility for month end reporting and leading individual finance activities. He also acts a Company Secretary to the PPC board.

Name:	Mr. Yaarub Al Naabi
Position:	Commercial Manager
Year of Joining:	2019
Education:	Mr. Yaarub holds a BSc degree in Mechanical Engineering with a minor in Economics from Rensselaer Polytechnic Institute in New York, USA.
Experience:	Mr. Yaarub joined Phoenix Power Company in 2019 as a Commercial Manager, with over four years of experience in the power sector. His responsibilities include monitoring the plant performance against the approved business plan, reporting on variances against the agreed performance parameters and targets, ensuring that all statutory and regulatory obligations are met, and optimizing the existing commercial agreements.


WELCOME

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 PHOENIX POWER COMPANY SAOG

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Phoenix Power Company SAOG (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the 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 2021 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 Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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.

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

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matters	*How our audit addressed the key audit matters*
Hedge accounting The Company uses derivative financial instruments to hedge interest rate and foreign currency exposure on term loans and future cash flows. Hedge accounting and the valuation of hedging instruments which is determined through the application of valuation techniques, often involve the exercise of management judgement and the use of assumptions and estimates, especially due to the ongoing COVID-19 pandemic. Due to the significance of derivative financial instruments and the related estimation uncertainty, this is considered a key audit matter. The accounting policies and disclosures relating to derivative financial instruments are set out in notes 3.3 and 19 to the financial statements, respectively.	Our audit procedures in this area included the following: - Assessing the overall process related to derivative instruments and hedge accounting including internal management policies and procedures; - Evaluating the appropriateness of management's hedge documentation and contracts; - Obtained confirmation of year end balance of derivative financial instruments from counterparties; - Involved our internal specialist to assist us to evaluate and challenge the methodologies, inputs, assumptions and externally available market data used by the Company in determining fair values of derivative financial instruments; and - We also assessed the appropriateness of the relevant accounting policies and the related disclosures in the financial statements if they are in accordance with IFRS. These contracts are recorded at fair value and qualify for hedge accounting. These contracts give rise to derivative financial liability as disclosed in note 19 to financial statements in accordance with IFRS.

Other information included in the Company's 2021 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 2021 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 2021 Annual Report after the date of our auditor's report:

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

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

Report on the audit of the financial statements (continued)

Other information included in the Company's 2021 Annual Report (continued)

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. 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.

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

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.

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 ، سلطنـة عـمـان
ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112, Sultanate of Oman

Mohamed Al Qurashi
Muscat
25 February 2022

PHOENIX POWER COMPANY SAOG

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	2021 RO'000	2021 US$'000	2020 RO'000	2020 US$'000
Revenue	4	**146,178**	**380,175**	135,426	352,215
Operating costs	5	**(110,775)**	**(288,100)**	(99,065)	(257,650)
GROSS PROFIT		**35,403**	**92,075**	36,361	94,565
General and administrative expenses	6	**(1,127)**	**(2,929)**	(1,103)	(2,866)
PROFIT BEFORE INTEREST AND TAX		**34,276**	**89,146**	35,258	91,699
Finance costs	7	**(14,970)**	**(38,935)**	(16,767)	(43,607)
Finance income	7	**7**	**17**	22	57
PROFIT BEFORE TAX		**19,313**	**50,228**	18,513	48,149
Income tax	8	**(2,451)**	**(6,375)**	(2,128)	(5,534)
PROFIT FOR THE YEAR		**16,862**	**43,853**	16,385	42,615
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified to profit and loss in subsequent periods:					
Net movement in fair value of cash flow hedges	19	**14,052**	**36,543**	(8,510)	(22,133)
Income tax effect	8	**(2,109)**	**(5,482)**	1,277	3,320
OTHER COMPREHENSIVE INCOME		**11,943**	**31,061**	(7,233)	(18,813)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**28,805**	**74,914**	9,152	23,802
BASIC AND DILUTED EARNINGS PER SHARE (RO BAIZA/US$ CENTS)	9	**0.011**	**0.03**	0.011	0.03

The attached notes 1 to 30 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

ASSETS	Notes	2021 RO'000	2021 US$'000	2020 RO'000	2020 US$'000
Non-current assets					
Property, plant and equipment	10	**504,017**	**1,310,840**	519,881	1,352,099
Right-of-use assets	11	**8,053**	**20,945**	8,305	21,600
Capital spares		**2,384**	**6,200**	2,362	6,143
		514,454	**1,337,985**	530,548	1,379,842
Current assets					
Trade and other receivables	12	**63,065**	**164,019**	70,250	182,705
Inventories	13	**8,873**	**23,077**	9,382	24,399
Cash and bank balances	14	**10,318**	**26,834**	5,640	14,669
		82,256	**213,930**	85,272	221,773
TOTAL ASSETS		**596,710**	**1,551,915**	615,820	1,601,615
EQUITY AND LIABILITIES					
Equity					
Share capital	15	**146,260**	**380,390**	146,260	380,390
Legal reserve	16	**12,997**	**33,802**	11,311	29,417
Retained earnings		**66,293**	**172,416**	57,187	148,734
Equity before hedging reserve		**225,550**	**586,608**	214,758	558,541
Hedging reserve	19	**(22,651)**	**(58,912)**	(34,594)	(89,973)
Total equity		**202,899**	**527,696**	180,164	468,568
LIABILITIES					
Non-current liabilities					
Interest bearing loans and borrowings	18	**217,232**	**564,971**	248,132	645,339
Derivative financial instruments	19	**18,265**	**47,502**	31,630	82,263
Provision for asset retirement obligation	20	**4,876**	**12,683**	4,644	12,079
Deferred tax liabilities	8	**35,645**	**92,705**	31,085	80,848
Lease liabilities – non current	22	**8,010**	**20,835**	8,112	21,100
Employees' end of service benefits	21(b)	**47**	**122**	40	103
		284,075	**738,818**	323,643	841,732
Current liabilities					
Interest bearing loans and borrowings	18	**31,700**	**82,444**	29,385	76,423
Dividend payable	17	**2,413**	**6,276**	2,047	5,325
Accounts payable and accruals	21(a)	**66,732**	**173,555**	71,003	184,659
Derivative financial instruments	19	**8,383**	**21,806**	9,070	23,588
Lease liabilities	22	**508**	**1,320**	508	1,320
		109,736	**285,401**	112,013	291,315
Total liabilities		**393,811**	**1,024,219**	435,656	1,133,047
TOTAL EQUITY AND LIABILITIES		**596,710**	**1,551,915**	615,820	1,601,615
Net assets per share					
(RO BAIZA/US$ CENTS)	23	**0.139**	**0.361**	0.123	0.320

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 22 February 2022.

Director **Director**

The attached notes 1 to 30 form part of these financial statements.

PHOENIX POWER COMPANY SAOG

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**Share capital**	**Legal reserve**	**Hedging reserve**	**Retained earnings**	**Total**
		RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Balance at 1 January 2020		146,260	9,672	(27,361)	48,510	177,081
Profit for the year		-	-	-	16,385	16,385
Other comprehensive income		-	-	(7,233)	-	(7,233)
Total comprehensive income for the year		-	-	(7,233)	16,385	9,152
Transfer to legal reserve	16	-	1,639	-	(1,639)	-
Dividends	17	-	-	-	(6,069)	(6,069)
Balance at 31 December 2020		146,260	11,311	(34,594)	57,187	180,164
Profit for the year		**-**	**-**	**-**	**16,862**	**16,862**
Other comprehensive income		**-**	**-**	**11,943**	**-**	**11,943**
Total comprehensive income for the year		**-**	**-**	**11,943**	**16,862**	**28,805**
Transfer to legal reserve	16	**-**	**1,686**	**-**	**(1,686)**	**-**
Dividends	17	**-**	**-**	**-**	**(6,070)**	**(6,070)**
Balance at 31 December 2021		**146,260**	**12,997**	**(22,651)**	**66,293**	**202,899**

The attached notes 1 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**Share capital**	**Legal reserve**	**Hedging reserve**	**Retained earnings**	**Total**
		US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Balance at 1 January 2020		380,390	25,155	(71,160)	126,167	460,552
Profit for the year		-	-	-	42,615	42,615
Other comprehensive income		-	-	(18,813)	-	(18,813)
Total comprehensive income for the year		-	-	(18,813)	42,615	23,802
Transfer to legal reserve	16	-	4,262	-	(4,262)	-
Dividends	17	-	-	-	(15,786)	(15,786)
Balance at 31 December 2020		380,390	29,417	(89,973)	148,734	468,568
Profit for the year		-	-	-	43,853	43,853
Other comprehensive income		**-**	**-**	**31,061**	**-**	**31,061**
Total comprehensive income for the year		**-**	**-**	**31,061**	**43,853**	**74,914**
Transfer to legal reserve	16	**-**	**4,385**	**-**	**(4,385)**	**-**
Dividends	17	**-**	**-**	**-**	**(15,786)**	**(15,786)**
Balance at 31 December 2021		**380,390**	**33,802**	**(58,912)**	**172,416**	**527,696**

The attached notes 1 to 30 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**2021 RO'000**	**2021 US$'000**	2020 RO'000	2020 US$'000
OPERATING ACTIVITIES					
Profit before tax		**19,313**	**50,228**	18,513	48,149
Adjustments for:					
Depreciation of property, plant and equipment	10	**15,864**	**41,259**	15,884	41,311
Depreciation of right-of-use assets	11	**252**	**655**	252	655
Interest – term loans and swap settlements	7	**13,386**	**34,815**	15,017	39,057
Amortisation of transaction costs	7	**799**	**2,076**	884	2,301
Interest expense for lease liabilities	7	**406**	**1,055**	411	1,068
Asset retirement obligation - unwinding of discount	7	**221**	**575**	211	548
Accruals/(reversal) for employees' end of service benefits	21(b)	**7**	**19**	(15)	(39)
		50,259	**130,711**	51,167	133,077
Working capital changes:					
Inventories		**487**	**1,265**	(382)	(995)
Trade and other receivables		**7,185**	**18,686**	(16,331)	(42,473)
Accounts payable and accruals		**(4,271)**	**(11,104)**	15,495	40,297
Cash generated from operations		**53,660**	**139,558**	49,949	129,906
Finance costs paid		**(13,386)**	**(34,815)**	(15,017)	(39,057)
Net cash flows from operating activities		**40,274**	**104,743**	34,932	90,849
FINANCING ACTIVITIES					
Dividend paid	17	**(5,704)**	**(14,835)**	(6,947)	(18,069)
Repayment of interest bearing loans and borrowings	18	**(29,384)**	**(76,423)**	(29,367)	(76,376)
Payment of lease liabilities (principal and interest)	22	**(508)**	**(1,320)**	(508)	(1,320)
Net cash flows used in financing activities		**(35,596)**	**(92,578)**	(36,822)	(95,765)
Net increase/(decrease) in cash and cash equivalents		**4,678**	**12,165**	(1,890)	(4,916)
Cash and cash equivalents at 1 January		**5,640**	**14,669**	7,530	19,585
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	**10,318**	**26,834**	5,640	14,669

The attached notes 1 to 30 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1 ACTIVITIES

Phoenix Power Company SAOG ("the Company") is registered under the Commercial laws of the Sultanate of Oman as a Public Joint Stock Company and principal activities of the Company are to develop, finance, design, construct, operate, maintain, insure and own a power generating station and associated gas interconnection facilities and other relevant infrastructure. The Company's registered address is P O Box 96, Postal Code 102, Muscat, Sultanate of Oman. The Company's principal place of business is located at Sur, Sultanate of Oman.

During the year 2015, Company proceeded with initial public offering (IPO). The promoting shareholders at the Company's Extraordinary General Meeting held on 9 March 2015 approved the conversion of the Company from a Closed Joint Stock Company (SAOC) to a Public Joint Stock Company (SAOG) by offering their 511,910,511 shares for the public subscription. The Company closed its IPO on 8 June 2015 and its shares were listed on the Muscat Securities Market on 22 June 2015.

1.1 FUNDAMENTAL ACCOUNTING CONCEPT

As at 31 December 2021, the current liabilities of the Company exceeded its current assets by US$ 71.5 million (RO 27.5 million) [31 December 2020: US$ 69.5 million (RO 26.7 million)], which may indicate the existence of an uncertainty relating to going concern. The Company has generated positive cashflows from its operations during current and prior years, and has been settling its obligations as and when due. The Company's management is confident that it will be able to generate sufficient cash flows from its operations during next 12 months to settle its obligations as and when due. Accordingly, the management believe that the Company will continue to operate as a going concern for the foreseeable future and these financial statements are prepared on a going concern basis.

1.2 SIGNIFICANT AGREEMENTS

The Company has entered into following significant agreements:

i. Power Purchase Agreement (PPA) with Oman Power and Water Procurement Company SAOC (OPWP) granting the Company the right to generate electricity in Sur for a period of fifteen years commencing from the 1 December 2014 based on a tariff structure.

ii. Natural Gas Sales Agreement (NGSA) with the Ministry of Oil and Gas of the Government of the Sultanate of Oman (MOG) for the purchase of natural gas for fifteen years at a pre-determined price.

iii. Usufruct Agreement with the The Public Establishment For Industrial Estates of the Government of the Sultanate of Oman for grant of Usufruct rights over the plant site for twenty five years.

iv. Agreement with local and international banks for long-term loan facilities and interest rate hedge arrangements.

v. Agreement with Siemens LLC Oman for long term service contract for maintenance service of the gas turbines.

vi. Agreement with Siemens Aktiengesellschaft for long term supply contract for supplying the spare parts of gas turbines.

vii. Agreement with Phoenix Operation and Maintenance Company LLC for the operation and maintenance of the Sur IPP Project.

1 ACTIVITIES (continued)

1.2 SIGNIFICANT AGREEMENTS (continued)

viii. Agreement with Daewoo Engineering and Construction Co. Ltd for engineering, procurement and construction of the Sur IPP Project.

ix. Project Founders' Agreement dated 13 July 2011 made between Electricity Holding Company SAOG, Marubeni Corporation; Chubu Electric Power Co; Qatar Electricity and Water Company (Q.S.C.); and Multitech LLC.

x. Shareholders' Agreement dated 13 July 2011, amended and restated dated 28 November 2011 made between Electricity Holding Company SAOC, Axia Power Holdings B.V; Chubu Electric Power Sur B.V; Qatar Electricity and Water Company (Q.S.C.); and Multitech LLC.

2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

2.1 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 2021 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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

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

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

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 New and amended standards and interpretations (continued)

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

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

2.2 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
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- 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
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

Items included in the financial statements of the Company are measured and presented in US Dollars (US $) being the currency of the primary economic environment in which the Company operates.

These financial statements are presented in US Dollars and Rial Omani (RO), rounded to the nearest thousand. The RO amounts shown in the financial statement have been translated using exchange rate of US $ 1 = RO 0.3845 and are shown for the convenience of the reader.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of measurement

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments.

The significant accounting policies adopted by the Company are as follows:

3.3 Financial Instruments

Initial recognition and subsequent measurement

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

Financial assets

Initial recognition and measurement

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

The classification of debt 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, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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.

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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial Instruments (continued)

Financial assets (continued)

Subsequent measurement

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

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

Financial assets at amortised cost
This category is the most relevant to the Company. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in the statement of other comprehensive income is recognised in the profit or loss account.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial Instruments (continued)

Financial assets (continued)

Subsequent measurement (continued)

Derecognition (continued)

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

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

Impairment of financial assets

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

Measurement of loss allowances

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

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

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.

Expected credit losses are a probability-weighted estimate of credit losses.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial Instruments (continued)

Financial assets (continued)

Measurement of loss allowances (continued)

Financial assets that are not credit-impaired at the reporting date
Measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Financial assets that are credit-impaired at the reporting date
Measured as the difference between the gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in the profit or loss account as an impairment gain or loss.

Presentation of expected credit losses
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and is charged to the statement of profit or loss.

Financial liabilities

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

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

The Company's financial liabilities include accounts payable and accruals, loans and borrowings and derivative financial instruments.

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial Instruments (continued)

Financial liabilities (continued)

Derecognition

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

Offsetting

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.

Derivative financial instruments and hedging

The Company uses derivative financial instruments as trading investments to hedge its risks associated with interest rate, foreign currency, commodity price fluctuations and also to satisfy the requirements of its customers. 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 assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to the profit or loss account.

In accordance with IFRS 9, the Company applies hedge accounting only if all of the following conditions are met:

- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial Instruments (continued)

Derivative financial instruments and hedging (continued)

For the purpose of hedge accounting, hedge is classified as hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

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 hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The documentation also includes the hedge ratio and potential sources of ineffectiveness.

Hedges which meet the strict criteria for hedge accounting is accounted for as follows:

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss account.

Amounts recognised as OCI are transferred to the profit or loss account when the hedged transaction affects the profit or loss account, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss account.

The Company entered a derivative financial instrument to manage its exposure to interest rate risk, which include interest rate swaps. Further details of derivative financial instruments are disclosed in note 19.

3.4 Revenue

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.

The Company recognises revenue from the following major sources

- Capacity charge
- Variable charge

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Revenue (continued)

Capacity charge

Capacity charge include investment charge and fixed O&M charge. Investment charge is treated as revenue under operating lease and recognised on straight line basis over the lease term or another systematic basis which is more representative of the pattern in which benefit from the use of the underlying asset is diminished. Fixed O&M charge is recognised based on the capacity made available in accordance with contractual terms stipulated in PPA.

Variable charge

Energy charge and fuel charge are recognised when electricity are delivered; which is taken to be over time when the customer has accepted the deliveries, the control of utilities have been transferred to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the utilities.

The Company has a long-term agreement with OPWP which determines performance obligation, transaction price and allocates the transaction price to each of the separate performance obligations. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

The Company does not adjust any of the transaction prices for time value of money as the period between the transfer of the promised goods or services to the customer and payment by the customer does not exceed one year and the sales are made with agreed credit terms which is in line with the industry practice.

3.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

3.6 Income tax

Taxation is provided for in accordance with Omani fiscal regulations.

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

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

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

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Income tax (continued)

The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss.

3.7 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Capital work in progress is recorded at cost less impairment, 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, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs for long-term construction projects if the recognition criteria are met.

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

Depreciation is calculated using the straight-line method to allocate the cost less its residual value so as to write off items of property, plant and equipment over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of an item is depreciated separately.

The estimated useful lives are as follows:

	Years
Plant and machinery	40
Plant building	40
Strategic spares	15
Other assets	5

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase cost, and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.9 Foreign currencies

Transactions in foreign currencies are recorded at the spot rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rates of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss and other comprehensive income. 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.

3.10 Dividend

The Board of Directors takes into account appropriate parameters including the requirements of the Capital Market Authority while recommending the dividend. The Company recognises a liability to pay a dividend when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

3.11 Asset retirement obligation

The provision for asset retirement obligation arose on assets constructed on land under usufruct contracts with Public Establishment for Industrial Estate. A corresponding asset is recognised in property, plant and equipment. The asset retirement obligation is provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the asset retirement obligation. The unwinding of the discount is expensed as incurred and recognised as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

3.12 Account payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3.13 Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

3.14 Employees' end of service benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period and is payable under the Omani labor law issued under Royal Decree.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Employees' end of service benefits (continued)

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.

3.15 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 remeasurement 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. The recognised right of use assets are depreciated on a straight-line basis over the shorter of lease term and the estimated useful lives of the assets, as follows:

	Years
Land	35
Connection fee	35

Lease costs for the year ended 31 December 2021 relating to the right-of-use assets amounting to US $ 0.66 million (RO 0.25 million) are included under depreciation expenses. The right-of-use assets are also subject to impairment.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Leases (continued)

b. Lease liabilities (continued)
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.

3.16 Fair values

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 by 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Fair values (continued)

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. The fair value of unquoted derivatives is determined by reference to broker/dealer price.

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.

3.17 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic decisions maker.

The Company's operating activities are disclosed in note 1 to the financial statements. The strategic business unit offers similar products and services and is managed as one segment. For the strategic business unit, the Chief Executive Officer reviews internal management reports on a monthly basis.

Performance is measured based on the profit before income tax, as included in the internal management reports. The Chief Executive Officer considers the business of the Company as one operating segment and monitors accordingly.

3.18 Capital spares

Cost of capital spares relates to spare parts for plants and includes all expenditure directly attributable to the acquisition of capital spares. Capital spares are tested for impairment annually.

Spare parts which meets the definition of property, plant and equipment are recorded as capital spares upon purchase and depreciated over the useful life of related plant and equipment when it is put in use.

3.19 Current versus non-current classification

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Current versus non-current classification (continued)

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.

3.20 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Cash and cash equivalents

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

3.22 Critical accounting judgments and key sources of estimation uncertainty

The presentation of financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenditures. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 operating leases.

The following are the significant estimates used in the preparation of the financial statements:

a) 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. 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.

b) 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. The Company estimates that the costs would be incurred after the useful life of the plant and calculates the provision using the DCF method.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.22 Critical accounting judgments and key sources of estimation uncertainty (continued)

c) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to right of use and property, plant and equipment recognised by the Company.

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. When making the impairment assessment, the management has taken into account both internal and external factors including recent economic and regulatory development in the Sultanate of Oman. Based on management assessment, there is no indicator of impairment of plant and capital spares as at the reporting date.

d) Deferred taxation

Deferred tax asset amounting to US$ 2.1 million (2020: US$ 38.4 million) has not been recognised in profit or loss relating to the carried forward losses amounting to US$ 13.8 million (2020: US$ 255.9 million), which are expected to expire within a period of five years from the year of origination of taxable loss. The Company has accounted for a deferred tax asset only for the carried forward losses which are expected to be utilised against the taxable profits to be generated in future. The related details are set out in note 8.

e) 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 customisation to the leased asset).

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.22 Critical accounting judgments and key sources of estimation uncertainty (continued)

f) 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 (such as for subsidiaries that do not enter into financing transactions) 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 (such as the subsidiary's stand-alone credit ratings).

4 REVENUE AND OPERATNG SEGMENTS

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
Capacity charges	**66,723**	**173,531**	66,420	172,745
Energy charges	**79,455**	**206,644**	69,006	179,470
	146,178	**380,175**	135,426	352,215

Information regarding the Company's operating segments is set out below in accordance with IFRS 8 - Operating segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Company operates in one business segment that of generation of power. No geographical analysis has been disclosed as 100% of the Company's revenue is from its only customer Oman Power and Water Procurement Company SAOC (OPWP) based in the Sultanate of Oman.

5 OPERATING COSTS

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
Gas consumption	**76,265**	**198,349**	66,242	172,281
Depreciation of property, plant and equipment (note 10)	**15,860**	**41,249**	15,876	41,291
Operation and maintenance cost (note 25)	**10,197**	**26,519**	9,747	25,351
Contractual services maintenance cost	**7,034**	**18,295**	6,162	16,027
Insurance	**1,060**	**2,756**	752	1,956
Depreciation of right-of-use assets (note 11)	**252**	**655**	252	655
Connection, license fee and others	**107**	**277**	34	89
	110,775	**288,100**	99,065	257,650

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

5 OPERATING COSTS (continued)

Included in operation and maintenance cost are costs of inventories recognised as expense amounting to US$ 2.8 million (RO: 1.07 million) for the year ended 31 December 2021 [2020: US$ 0.7 million (RO: 0.3 million)].

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
Staff costs and other benefits	**561**	**1,458**	570	1,482
Legal and professional charges	**184**	**478**	137	356
Public company related costs	**142**	**369**	146	379
Corporate social responsibility	**40**	**103**	31	80
Short term lease rental	**31**	**81**	33	85
Depreciation of property, plant and equipment (note 10)	**4**	**10**	8	20
Other expenses	**165**	**430**	178	464
	1,127	**2,929**	1,103	2,866

7 FINANCE COSTS AND INCOME

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
Interest – term loans and swap settlements	**13,386**	**34,815**	15,017	39,057
Amortisation of transaction costs (note 18)	**799**	**2,076**	884	2,301
Asset retirement obligation - unwinding of discount (note 20)	**232**	**604**	221	575
Interest expense for lease liabilities (note 22)	**406**	**1,055**	411	1,068
Debt service commission	**125**	**325**	122	316
Exchange loss	**22**	**60**	112	290
	14,970	**38,935**	16,767	43,607
Interest Income	**7**	**17**	22	57

8 INCOME TAX

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
Deferred tax expense recognised in the statement of profit or loss	**(2,451)**	**(6,375)**	(2,128)	(5,534)
Deferred tax expense recognised in other comprehensive income	**(2,109)**	**(5,482)**	1,277	3,320

NOTES TO THE FINANCIAL STATEMENTS
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8 INCOME TAX (continued)

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.

a) Reconciliation of income tax expense

The following is a reconciliation of income tax on the accounting profit with the tax expenses at the applicable tax of 15% (2020:15%):

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
Profit before tax	**19,313**	**50,228**	18,513	48,149
Income tax at the rate mentioned above	**2,897**	**7,534**	2,777	7,223
Deferred tax not recognised during the year	**(446)**	**(1,159)**	(649)	(1,689)
	2,451	**6,375**	2,128	5,534

As of 31 December 2021, the Company's tax assessments for the year 2011 to 2017 have been completed by the Omani taxation authorities. The Company's assessment for the tax years 2018 to 2020 have not yet been finalised with the Secretariat General for Taxation at the Ministry of Finance. Management believes that additional taxes, if any, in respect of open tax years, would not be significant to the Company's financial position as at 31 December 2021.

b) Deferred tax liabilities

Recognised deferred tax asset and liabilities are attributable to the following items:

31 December 2021	**As at 1 January RO'000**	**Recognised In profit or loss RO'000**	**Recognised in other comprehensive income RO'000**	**As at 31 December RO'000**
Property, plant and equipment	**(44,307)**	**(1,953)**	**-**	**(46,260)**
Provision for asset retirement obligation	**711**	**48**	**-**	**759**
Lease liabilities	**1,331**	**23**	**-**	**1,354**
Losses carried forward	**5,057**	**(572)**	**-**	**4,485**
Exchange loss	**17**	**3**	**-**	**20**
Fair value adjustment of derivatives through equity (note 19)	**6,106**	**-**	**(2,109)**	**3,997**
Net deferred tax liabilities	**(31,085)**	**(2,451)**	**(2,109)**	**(35,645)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

8 INCOME TAX (continued)

b) Deferred tax liabilities (continued)

	US$'000	**US$'000**	**US$'000**	**US$'000**
Property, plant and equipment	**(115,231)**	**(5,082)**	**-**	**(120,313)**
Provision for asset retirement obligation	**1,848**	**126**	**-**	**1,974**
Lease liabilities	**3,462**	**59**	**-**	**3,521**
Losses carried forward	**13,152**	**(1,487)**	**-**	**11,665**
Exchange loss	**43**	**9**	**-**	**52**
Fair value adjustment of derivatives through equity (note 19)	**15,878**	**-**	**(5,482)**	**10,396**
Net deferred tax liabilities	**(80,848)**	**(6,375)**	**(5,482)**	**(92,705)**

31 December 2020	**RO'000**	**RO'000**	RO'000	RO'000
Property, plant and equipment	(41,681)	(2,626)	-	(44,307)
Provision for asset retirement obligation	664	47	-	711
Lease liabilities	1,308	23	-	1,331
Losses carried forward	4,646	411	-	5,057
Exchange loss	-	17	-	17
Fair value adjustment of derivatives through equity (note 19)	4,829	-	1,277	6,106
Net deferred tax liabilities	(30,234)	(2,128)	1,277	(31,085)

	US$'000	US$'000	US$'000	US$'000
Property, plant and equipment	(108,403)	(6,828)	-	(115,231)
Provision for asset retirement obligation	1,726	122	-	1,848
Lease liabilities	3,401	61	-	3,462
Losses carried forward	12,084	1,068	-	13,152
Exchange loss	-	43		43
Fair value adjustment of derivatives through equity (note 19)	12,558	-	3,320	15,878
Net deferred tax liabilities	(78,634)	(5,534)	3,320	(80,848)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

9 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year.

	2021 RO'000	**2021 US$'000**	2020 RO'000	2020 US$'000
Profit attributable to ordinary shareholders of the Company	**16,862**	**43,853**	16,385	42,615
Weighted average number of shares (in 000's)	**1,462,601**	**1,462,601**	1,462,601	1,462,601
Basic earnings per share (RO Baiza / US$ cents)	**0.011**	**0.03**	0.011	0.03

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

10 PROPERTY, PLANT AND EQUIPMENT

	Building RO'000	**Plant and equipment RO'000**	**Strategic spares RO'000**	**Asset retirement RO'000**	**Other assets RO'000**	**Total RO'000**
Cost						
At 1 January 2021	83,876	518,087	10,809	3,249	246	616,267
At 31 December 2021	83,876	518,087	10,809	3,249	246	616,267
Accumulated depreciation						
At 1 January 2021	12,703	78,454	4,368	626	235	96,386
Charge for the year	2,097	12,952	721	90	4	15,864
At 31 December 2021	14,800	91,406	5,089	716	239	112,250
Net book value						
At 31 December 2021	**69,076**	**426,681**	**5,720**	**2,533**	**7**	**504,017**

Cost	Building RO'000	Plant and equipment RO'000	Strategic spares RO'000	Asset retirement RO'000	Other assets RO'000	Total RO'000
At 1 January 2020	83,876	518,087	10,809	3,249	246	616,267
At 31 December 2020	83,876	518,087	10,809	3,249	246	616,267
Accumulated depreciation						
At 1 January 2020	10,606	65,502	3,647	536	211	80,502
Charge for the year	2,097	12,952	721	90	24	15,884
At 31 December 2020	12,703	78,454	4,368	626	235	96,386
Net book value						
At 31 December 2020	71,173	439,633	6,441	2,623	11	519,881

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	Plant building US$'000	**Plant and equipment US$'000**	**Strategic spares US$'000**	**Asset retirement US$'000**	**Other assets US$'000**	**Total US$'000**
Cost						
At 1 January 2021	218,142	1,347,432	28,113	8,450	637	1,602,774
At 31 December 2021	218,142	1,347,432	28,113	8,450	637	1,602,774
Accumulated depreciation						
At 1 January 2021	33,035	204,047	11,353	1,631	609	250,675
Charge for the year	5,454	33,685	1,874	235	11	41,259
At 31 December 2021	38,489	237,732	13,227	1,866	620	291,934
Net book value						
At 31 December 2021	**179,653**	**1,109,700**	**14,886**	**6,584**	**17**	**1,310,840**

	Plant building US$'000	*Plant and equipment US$'000*	*Strategic spares US$'000*	*Asset retirement US$'000*	*Other assets US$'000*	*Total US$'000*
Cost						
At 1 January 2020	218,142	1,347,432	28,113	8,450	637	1,602,774
At 31 December 2020	218,142	1,347,432	28,113	8,450	637	1,602,774
Accumulated depreciation						
At 1 January 2020	27,581	170,361	9,479	1,396	547	209,364
Charge for the year	5,454	33,686	1,874	235	62	41,311
At 31 December 2020	33,035	204,047	11,353	1,631	609	250,675
Net book value						
At 31 December 2020	185,107	1,143,385	16,760	6,819	28	1,352,099

Depreciation charged for the year is allocated as follows:

	2021 RO'000	**2021 US$'000**	2020 RO'000	2020 US$'000
Operating costs (note 5)	**15,860**	**41,249**	15,876	41,291
General and administrative expenses (note 6)	**4**	**10**	8	20
	15,864	**41,259**	15,884	41,311

The term loan facilities are secured by a comprehensive legal and commercial mortgage on all assets of the Company (note 18).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

11 RIGHT-OF-USE ASSETS

The Company has lease contracts for land lease under the Sub-Usufruct Agreement and Connection fee for the transmission through the system to the connection point under the Electrical Connection Agreement.

	Land lease RO'000	**Connection fee RO'000**	**Total RO'000**
Cost			
At 1 January 2020	1,814	6,995	8,809
At 31 December 2020	1,814	6,995	8,809
At 1 January 2021	1,814	6,995	8,809
At 31 December 2021	1,814	6,995	8,809
Accumulated depreciation			
At 1 January 2020	52	200	252
Charge for the year	52	200	252
At 31 December 2020	104	400	504
At 1 January 2021	104	400	504
Charge for the year	52	200	252
At 31 December 2021	156	600	756
Net book value			
At 31 December 2021	**1,658**	**6,395**	**8,053**
At 31 December 2020	1,710	6,595	8,305

	Land lease US$'000	**Connection fee US$'000**	**Total US$'000**
Cost			
At 1 January 2020	4,718	18,193	22,911
At 31 December 2020	4,718	18,193	22,911
At 1 January 2021	4,718	18,193	22,911
At 31 December 2021	4,718	18,193	22,911
Accumulated depreciation			
At 1 January 2020	135	521	656
Charge for the year	135	520	655
At 31 December 2020	270	1,041	1,311
At 1 January 2021	270	1,041	1,311
Charge for the year	135	520	655
At 31 December 2021	405	1,561	1,967
Net book value			
At 31 December 2021	**4,313**	**16,632**	**20,945**
At 31 December 2020	4,448	17,152	21,600

12 TRADE AND OTHER RECEIVABLES

	2021 RO'000	2021 US$'000	2020 RO'000	2020 US$'000
Trade receivables	**62,555**	**162,692**	70,177	182,514
Prepayments	**150**	**391**	11	29
Other receivables	**360**	**936**	62	162
	63,065	**164,019**	70,250	182,705

Trade receivables includes an amount of US$ 154.7 million (RO 59.5 million) relating to fuel component, from April 2021 to December 2021, not received from OPWP. Pursuant to the Natural Gas Sales Agreement signed with Ministry of Energy and Minerals (MEM) (formerly Ministry of Oil and Gas - MOG), the Company has accordingly not settled the corresponding fuel payments to MEM as the Company is liable to pay to MEM only on receipt of the corresponding PPA payment relating to gas portion from OPWP (note 21). 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 2020 have been set off. However, for the year 2021 similar agreements were executed subsequent to the reporting date on 1 February 2022 therefore no adjustment has been made to trade receivables and payables outstanding as at 31 December 2021. The impairment provision that is based on the ''Expected Credit Loss'' model under IFRS 9, is considered to be not material to the financial statements.

13 INVENTORIES

	2021 RO'000	2021 US$'000	2020 RO'000	2020 US$'000
Fuel	**5,355**	**13,928**	5,344	13,898
Maintenance spares	**3,518**	**9,149**	4,038	10,501
	8,873	**23,077**	9,382	24,399

The management has assessed that as at 31 December 2021, there are no slow moving inventories for which provision is required (2020: Nil).

14 CASH AND BANK BALANCES

	2021 RO'000	2021 US$'000	2020 RO'000	2020 US$'000
Cash	**1**	**1**	1	1
Bank balances	**10,317**	**26,833**	5,639	14,668
	10,318	**26,834**	5,640	14,669

Bank balances are placed with reputed financial institutions. Hence, the management believes that the ECL is immaterial to the financial statements as a whole.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

15 SHARE CAPITAL

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
Authorised, issued and fully paid up share capital of 1,462,601,460 shares (2021 and 2020 – 1,462,601,460 shares of RO 0.1 each)	**146,260**	**380,390**	146,260	380,390

16 LEGAL RESERVE

As required by the Commercial Companies Law of the Sultanate of Oman, 10% of annual profit of the Company is required to be transferred to legal reserve until the reserve is equal to one third of the issued share capital of the Company. The reserve is not available for distribution.

17 DIVIDENDS

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
At 1 January	**2,047**	**5,325**	2,925	7,608
Dividend proposed – 2.50 baizas per share (2020: 2.75 baizas per share)	**3,657**	**9,510**	4,022	10,461
Dividend proposed – 1.65 baizas per share (2020: 1.4 baizas per share)	**2,413**	**6,276**	2,047	5,325
	6,070	**15,786**	6,069	15,786
Payments during the year	**(5,704)**	**(14,835)**	(6,947)	(18,069)
At 31 December	**2,413**	**6,276**	2,047	5,325

Pursuant to shareholders' resolution dated 22 March 2021, the Board of Directors in their meetings held on 1 July 2021 and 25 October 2021 announced cash dividend of 2.50 baizas per share and 1.65 baizas per share, respectively for the year ended 31 December 2020. Accordingly, dividend amounting to US$ 9.5 million (RO 3.7 million) was paid in July 2021 and US$ 6.3 million (RO 2.4 million) is payable as of 31 December 2021 which was paid subsequently in January 2022.

In prior year, pursuant to shareholders' 20 May 2020, the Board of Directors in their meetings held on 23 June 2020 and 27 October 2020 announced cash dividend of 2.75 baizas per share and 1.4 baizas per share, respectively for the year ended 31 December 2019. Accordingly, dividend amounting to US$ 10.4 million (RO 4.1 million) was paid in July 2020 and US$ 5.3 million (RO 2.1 million) is payable as of 31 December 2020 which is paid during the year.

Subject to approval of the shareholders at the Annual General Meeting ("AGM"), the Board of Directors in their meeting held on 22 February 2022 proposed a cash dividend to the shareholders of the Company which will be paid in July 2022 and January 2023 for the year ended 31 December 2021, provided that the aggregate amount of such dividend shall not exceed 4.50 baizas per share.

18 INTEREST BEARING LOANS AND BORROWINGS

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
Term loans	**251,733**	**654,701**	281,117	731,124
Less: Unamortised transaction costs	**(2,801)**	**(7,286)**	(3,600)	(9,362)
	248,932	**647,415**	277,517	721,762
Less: Current portion of loans	**(31,700)**	**(82,444)**	(29,385)	(76,423)
Non-current portion of loans	**217,232**	**564,971**	248,132	645,339

Movement of interest bearing loans and borrowings:

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
At 1 January	**281,117**	**731,124**	310,484	807,500
Repayments of borrowings	**(29,384)**	**(76,423)**	(29,367)	(76,376)
At 31 December	**251,733**	**654,701**	281,117	731,124

Movement of unamortised transaction costs is as follows:

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
At 1 January	**3,600**	**9,362**	4,484	11,663
Amortisation	**(799)**	**(2,076)**	(884)	(2,301)
At 31 December	**2,801**	**7,286**	3,600	9,362

The Company had entered into secured term loan agreements in relation to the Sur IPP Project. The total amount of the term loan is US$ 1,194 million at LIBOR plus applicable margin.

The Company started drawdowns in 2012. The Company has fully drawn down the facility in 2014. The loans will be repayable in instalments of several denominations, every sixth month from 28 December 2014, the final instalment will be due on 28 December 2028. The Company in order to manage its interest rate risk has entered into certain interest rate swap arrangements, the details of which are set out in note 19.

The above facilities are secured by comprehensive legal and commercial mortgages on all the assets of the Company (note 10). The loan agreements contain certain restrictive covenants, which include, amongst other restrictions over debt service, pattern of shareholding, payment of dividends, asset sales/ transfers, and amendment to significant agreements entered by the Company and creation of additional security under charge. The Company is in compliance with the covenants.

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19 DERIVATIVE FINANCIAL INSTRUMENTS

	2021	2021	2020	2020
	RO'000	US$'000	RO'000	US$'000
Cumulative changes in fair value:				
Interest rate swap agreements	18,904	49,165	34,327	89,276
Forward foreign exchange contracts	7,744	20,143	6,373	16,575
Fair value of derivatives	26,648	69,308	40,700	105,851
Less: Deferred tax effect (note 8)	(3,997)	(10,396)	(6,106)	(15,878)
	22,651	58,912	34,594	89,973

The current and non-current portion of fair value of derivatives is as follows:

	2021	2021	2020	2020
	RO'000	US$'000	RO'000	US$'000
Non-current portion	18,265	47,502	31,630	82,263
Current portion	8,383	21,806	9,070	23,588
	26,648	69,308	40,700	105,851

Interest rate swap agreements

In accordance with the requirements of its Commercial facilities, NEXI facilities and Term Loan facilities agreement with Japan Bank for International Corporation ("Secured Term Loan agreements"), the Company has entered into seven interest rate hedging agreements with a view to cap the Company's exposure to fluctuating interest rates. The maximum loan amount covered during the tenure is US$ 1,152 million. Under the hedging agreements, the Company pays a fixed interest rate between 3.102% to 3.75% per annum as per the respective swap agreement and receives a floating interest rate based on US $ LIBOR with effective dates starting from 28 February 2013/28 March 2013 till 28 December 2028 As at 31 December 2021, an unrealised loss of US $ 49.2 million (RO 18.9 million) (2020: US $ 89.3 million (RO 34.3 million) relating to measuring the financial instrument at fair value is included in equity in respect of these contracts.

The following table shows the negative fair value of the derivative financial instrument relating to secured term loan agreements, which is equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

19 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

31 December 2021		**Notional amounts by term to maturity**			
	Negative fair value of derivatives	**Notional amount**	**1 - 12 Months**	**More than 1 up to 5 years**	**Over 5 years**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Interest rate swaps	**18,904**	**239,111**	**30,107**	**136,697**	**72,307**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Interest rate swaps	**49,165**	**621,876**	**78,302**	**355,520**	**188,054**

31 December 2020		Notional amounts by term to maturity			
	Negative fair value of derivatives	Notional amount	1 - 12 Months	More than 1 up to 5 years	Over 5 years
	RO'000	RO'000	RO'000	RO'000	RO'000
Interest rate swaps	34,327	267,023	27,912	131,676	107,435
	US$'000	US$'000	US$'000	US$'000	US$'000
Interest rate swaps	89,276	694,469	72,593	342,461	279,415

All of these interest rate swaps are designated as effective cash flow hedges and the fair value thereof has been dealt with in equity.

19 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Forward foreign exchange contracts

In order to reduce its exposure to foreign exchange rates fluctuations relating to payments to be made to contractor for services rendered under long term supply and services contract for gas turbines, the Company has entered into a foreign exchange swap agreement with a bank for the foreign exchange amounts which are required to be paid in future. As at 31 December 2021, an unrealised loss of US $ 20.1 million (RO 7.7 million) [2020: US $ 16.5 million (RO 6.3 million)] relating to measuring the financial instrument at fair value is included in equity in respect of these contracts. The related details are set out below:

31 December 2021		**Notional amounts by term to maturity**			
	Negative fair value of derivatives	**Notional amount**	**1 - 12 months**	**More than 1 up to 5 years**	**Over 5 years**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Forward foreign exchange contracts	**7,744**	**40,988**	**5,862**	**23,438**	**11,688**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Forward foreign exchange contracts	**20,143**	**106,600**	**15,245**	**60,957**	**30,398**

31 December 2020		Notional amounts by term to maturity			
	Negative fair value of derivatives	Notional amount	1 - 12 months	More than 1 up to 5 years	Over 5 years
	RO'000	RO'000	RO'000	RO'000	RO'000
Forward foreign exchange contracts	6,373	46,846	5,859	23,441	17,546
	US$'000	US$'000	US$'000	US$'000	US$'000
Forward foreign exchange contracts	16,575	121,837	15,237	60,964	45,636

20 PROVISION FOR ASSET RETIREMENT OBLIGATION

Under the Usufruct Agreement, the Company has a legal obligation to remove the plant at the end of its useful life and restore the land. The Company shall at its sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavation and return the surface to grade of the designated areas. The fair value of asset retirement obligation (ARO) provision has been calculated using an expected present value technique. This technique reflects assumptions such as costs, plant useful life, inflation and profit margin that third parties would consider to assume the settlement of the obligation.

20 PROVISION FOR ASSET RETIREMENT OBLIGATION (continued)

The movement in ARO provision is as follows:

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
As at 1 January	**4,644**	**12,079**	4,423	11,504
Unwinding of discount (note 7)	**232**	**604**	221	575
As at 31 December	**4,876**	**12,683**	4,644	12,079

21 ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
Trade accounts payable	**55,463**	**144,248**	62,958	163,741
Amounts due to related parties (note 25)	**2,902**	**7,548**	2,513	6,536
Accrued expenses	**8,367**	**21,759**	5,532	14,382
	66,732	**173,555**	71,003	184,659

Employees' end of service benefits

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
As at 1 January	**40**	**103**	55	142
Charge/(reversal) for the year	**7**	**19**	(15)	(39)
As at 31 December	**47**	**122**	40	103

22 LEASE LIABILITIES

The Company recognised lease liabilities in relation to lease of land and connection fee. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 31 December 2021.

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
Land	**1,754**	**4,563**	1,775	4,617
Connection fee	**6,764**	**17,592**	6,845	17,803
As at 31 December	**8,518**	**22,155**	8,620	22,420

NOTES TO THE FINANCIAL STATEMENTS
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22 LEASE LIABILITIES (continued)

Movement of lease liabilities recognised in the statement of financial position is as follows:

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
At 1 January	**8,620**	**22,420**	8,717	22,672
Interest expense (note 7)	**406**	**1,055**	411	1,068
Payments during the year	**(508)**	**(1,320)**	(508)	(1,320)
At 31 December	**8,518**	**22,155**	8,620	22,420

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
Non-current	**8,010**	**20,835**	8,112	21,100
Current lease	**508**	**1,320**	508	1,320
	8,518	**22,155**	8,620	22,420

The following are the amounts recognised in the statement of comprehensive income:

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
Depreciation of right-of-use assets (note 11)	**252**	**656**	252	655
Interest on finance lease (note 7)	**406**	**1,055**	411	1,068
	658	**1,711**	663	1,723

For leases where the Company is lessor, please refer note 26.

23 NET ASSETS PER SHARE

Net assets per share is calculated by dividing the equity attributable to the shareholders of the Company at the reporting date by the number of shares outstanding as follows:

	2021	**2021**	2020	2020
Net assets (RO '000s/US$'000s)	**202,899**	**527,696**	180,164	468,568
Number of shares outstanding at 31 December (in 000's)	**1,462,601**	**1,462,601**	1,462,601	1,462,601
Net assets per share (RO '000s/US$'000s)	**0.139**	**0.361**	0.123	0.320

24 CONTINGENCIES

At 31 December 2021, the Company had no contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise [2020: US$ nil (RO nil)].

25 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

The Company maintains balances with these related parties which arise in the normal course of business from the commercial transactions, and are entered into at terms and conditions agreed between the parties. Transactions with related parties are as follows:

Due to a related party	**2021**	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
Company under common control - Phoenix Operation and Maintenance Company LLC [note 21(a)]	**2,902**	**7,548**	2,513	6,536
Statement of comprehensive income transactions				
Consulting service fee charged:				
Axia Power Holdings - shareholder	**41**	**107**	41	107
JERA Co. Inc. – shareholder	**25**	**64**	25	64
	66	**171**	66	171
Operation and maintenance costs:				
Phoenix Operation and Maintenance Company LLC ("POMCO") (note 5)	**10,197**	**26,519**	9,747	25,351

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
Key management compensation:				
Short term benefits	**245**	**638**	258	671
End of service benefits	**16**	**42**	12	31
	261	**680**	270	702

26 COMMITMENTS

Operation and maintenance (O&M) commitments

As per the O&M Agreement, POMCO is scheduled to operate and maintain the plant until 31 March 2029. Under the O&M Agreement the Company has to pay the fixed fee which is subject to indexation based on Omani Price indices.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

26 COMMITMENTS (continued)

Operation and maintenance (O&M) commitments (continued)

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

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
Within one year	**1,730**	**4,500**	1,730	4,500
Between two and five years	**6,921**	**18,000**	6,921	18,000
After five years	**3,888**	**10,110**	5,618	14,610
	12,539	**32,610**	14,269	37,110

Other commitments

The Company has entered into agreements for purchase of natural gas with the Ministry of Oil and Gas, long term supply of spare parts of gas turbines with Siemens Aktiengesellschaft, maintenance service of gas turbines with Siemens LLC Oman, operation and maintenance of the Sur IPP Project with Phoenix Operation and Maintenance Company LLC.

Operating lease agreement for which the Company acts as a lessor

The Company has entered into a PPA with OPWP in July 2011 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 IFRIC 4 – Determining whether an arrangement conveys the right to use the asset. The Management further determined that such an arrangement in substance represents an operating lease. The lease commenced on 11 December 2014. The following is the total of minimum lease receipts expected to be received under the PPA, excluding indexation:

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
Within one year	**65,428**	**170,165**	65,428	170,165
Between two and five years	**196,368**	**510,711**	261,797	680,876
After five years	**203,793**	**530,019**	203,793	530,020
	465,589	**1,210,895**	531,018	1,381,061

27 FINANCIAL RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk

27 FINANCIAL RISK MANAGEMENT

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. 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:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. To manage this, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. The details of Company's interest rate swap agreements are set out in note 19.

A 10% change in US LIBOR rates at the reporting date would have increased/(decreased) equity and statement of profit or loss by the amounts of US$ 32.3 thousands (RO 12.41 thousands) [2020: US$ 40.2 thousands (RO 15.46 thousands)] before taking into account of interest rate swaps. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's majority of foreign currency transactions are denominated in US Dollar and Euro. As the Rial Omani is pegged to the US Dollar the transactions are not expected to have any significant currency risk. The Company has entered into forward foreign exchange contracts to hedge its Euro exchange risk arising on certain payments to be made in Euro as per its agreement with Siemens. The details of which are set out in note 19. The Company's certain bank balances are denominated in Euro. The Company's bank balance denominated in Euro as of 31 December 2021 amounted to US$ 123 thousands (RO 47 thousands) [(2020: US$ 418 thousands (RO 161 thousands)]. Should the exchange rate between Euro and RO fluctuate by ± 5%, the impact on the Company's results will be US$ 6 thousands (RO 2 thousands) [2020: US$ 21 thousands (RO 8 thousands)].

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

27 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash and cash equivalents, as well as credit exposures to customers. The Company has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Company requires bank guarantees on higher credit risk customers. The Company does not require collateral in respect of all other financial assets.

Investments are made in liquid securities and only with commercial banks in Oman. Management does not expect any of its investment counter parties to fail to meet its obligations.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The Company has significant concentrations of credit risk with the Government sector. At 31 December 2021, Government organisations in Oman accounted for 100% (2020 - 100%) of the outstanding trade receivables. At 31 December 2021, there were no other significant concentrations of credit risk.

Credit risk on other financial assets, including cash and cash equivalents arises from the risk of default of the counterparty, with a maximum exposure equal to the carrying amount of these balances. Cash and bank balances are placed on deposit with reputed financial institutions in the Sultanate of Oman.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
Trade receivables (note 12)	**62,555**	**162,692**	70,177	182,514
Bank balances (note 14)	**10,317**	**26,831**	5,639	14,668
	72,872	**189,523**	75,816	197,182

27 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Age analysis of trade receivables as at 31 December was:

	2021	**2021**	2020	2020
	RO'000 Trade receivables	**RO'000 Expected credit losses**	RO'000 Trade receivables	RO'000 Expected credit losses
Not past due	**6,793**	**-**	6,594	-
Past due 0 < 3 months	**18,332**	**-**	15,257	-
Past due > 3 months	**37,430**	**-**	48,326	-
	62,555	**-**	70,177	-
Nominal value in USD '000	**162,692**	**-**	182,514	-

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

		2021	**2021**	2020	2020
Description	Ratings	**RO'000**	**US$'000**	RO'000	US$'000
Bank balances	NP & P-2	**10,317**	**26,831**	5,639	14,668

(c) Liquidity risk

The Company maintains sufficient and approved bank credit limits to meet its obligations as they fall due for payment and is therefore not subjected to significant liquidity risk. The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	Less than 3 months RO'000	**3 to 12 months RO'000**	**1 to 5 years RO'000**	**More than 5 years RO'000**	**Total RO'000**
2021					
Accounts payable and accruals	63,830	-	-	-	63,830
Amounts due to related parties	2,902	-	-	-	2,902
Interest bearing loans and borrowings	-	43,807	175,339	80,864	300,010
Lease liabilities	507	-	2,029	14,177	16,713
	67,239	**43,807**	**177,368**	**95,041**	**383,455**

27 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	Less than 3months RO'000	3 to 12 months RO'000	1 to 5 years RO'000	More than 5 years RO'000	Total RO'000
2020					
Accounts payable and accruals	68,490	-	-	-	68,490
Amounts due to related parties	2,513	-	-	-	2,513
Interest bearing loans and borrowings	-	42,894	176,937	123,072	342,903
Lease liabilities	507	-	2,029	14,684	17,220
	71,510	42,894	178,966	137,756	431,126

	Less than 3 months US$'000	**3 to 12 months US$'000**	**1 to 5 years US$'000**	**More than 5 years US$'000**	**Total US$'000**
2021					
Accounts payable and accruals	166,007	-	-	-	166,007
Amounts due to related parties	7,548	-	-	-	7,548
Interest bearing loans and borrowings	-	113,933	456,017	210,310	780,260
Lease liabilities	1,319	-	5,278	36,870	43,467
	174,874	**113,933**	**461,295**	**247,180**	**997,282**

	Less than 3 months US$'000	3 to 12 months US$'000	1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
2020					
Accounts payable and accruals	178,123	-	-	-	178,123
Amounts due to related parties	6,536	-	-	-	6,536
Interest bearing loans and borrowings	-	111,559	460,175	320,084	891,818
Lease liabilities	1,319	-	5,278	38,190	44,787
	185,978	111,559	465,453	358,274	1,121,264

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

27 FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk 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.

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 2021.

The Company monitors capital using a gearing ratio, which is debt (interest bearing loans and borrowings) divided by total equity.

	2021	**2021**	2020	2020
	RO'000	**US$'000**	RO'000	US$'000
Debt (interest bearing loans and borrowings – note 18)	**248,932**	**647,415**	277,517	721,762
Equity before hedging reserve	**225,550**	**586,608**	214,758	558,541
Debt to equity ratio (times)	**1.10**	**1.10**	1.29	1.29

28 FAIR VALUE FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and derivatives.

Financial assets consist of cash and bank balances and other receivables. Financial liabilities consist of interest bearing loans and borrowings and payables. Derivatives consist of interest rate swap arrangements and forward foreign exchange currency contracts.

The fair values of financial instruments are not materially different from their carrying values. The derivatives are fair valued using level 2 technique with reference to broker/dealer price quotation.

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

Measurement of fair values

Type	**Valuation technique**
Derivative instrument (level 2)	Discounted cash flows technique. Estimates of future floating rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

29 FINANCIAL ASSETS AND LIABILITIES

	2021	**2021**	2020	2020
Financial assets	**RO'000**	**US$'000**	RO'000	US$'000
At amortised cost				
Trade and other receivables (excluding prepayments)	**62,915**	**163,628**	70,239	182,676
Cash and bank balances	**10,318**	**26,834**	5,640	14,669
	73,233	**190,462**	75,879	197,345
Financial liabilities at amortised cost				
Interest-bearing liabilities				
Interest bearing loans and borrowings	**248,932**	**647,415**	277,517	721,762
Lease liabilities	**8,518**	**22,155**	8,620	22,420
Dividend payable	**2,413**	**6,276**	2,047	5,325
Accounts payable and accruals	**66,732**	**173,555**	71,003	184,659
Financial liabilities at fair value				
Derivative instruments	**26,648**	**69,308**	40,700	105,851
	353,243	**918,709**	399,887	1,040,017

30 IMPACT OF COVID-19 OUTBREAK

The World Health Organisation 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 has started across the world.

The Company is closely monitoring the developing situation of the pandemic at country, regional and global level and will continue to evaluate and assess the effects of pandemic. The Company will continue to follow the various government policies and advice and, in parallel, will do its utmost to continue its operations in the best and safest way possible without jeopardizing the health of its employees.

The Company's management continues to deal with the risks posed by COVID19 in a proactive and responsible manner. Taking all reasonable precautions, only essential staff is allowed entry inside the plant while operations and maintenance teams stay onsite on a shift rotation basis to minimise the risk of business disruption due to infection.

Any costs incurred by the Company to mitigate the COVID 19 impact have been notified to 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.