

PHOENIX POWER COMPANY SAOG

FINANCIAL STATEMENTS

31 DECEMBER 2022

PHOENIX POWER COMPANY SAOG

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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 2022, 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 2022 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
<p>Hedge accounting</p> <p>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. Due to the significance of derivative financial instruments and the related estimation uncertainty, this is considered a key audit matter.</p> <p>The accounting policies and disclosures relating to derivative financial instruments are set out in notes 3.3 and 19 to the financial statements, respectively.</p>	<p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none"> - 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. <p>These contracts are recorded at fair value and qualify for hedge accounting. These contracts give rise to derivative financial asset and liability as disclosed in note 19 to financial statements in accordance with IFRS.</p>

Other information included in the Company's 2022 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 2022 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 2022 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 2022 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.

**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


Mohamed Al Qurashi
Muscat
22 February 2023



PHOENIX POWER COMPANY SAOG

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RO'000	2022 USD'000	2021 RO'000	2021 USD'000
Revenues	4	149,159	387,929	146,178	380,175
Direct costs	5	(111,202)	(289,209)	(110,775)	(288,100)
GROSS PROFIT		37,957	98,720	35,403	92,075
General and administrative expenses	6	(1,256)	(3,269)	(1,127)	(2,929)
PROFIT BEFORE INTEREST AND TAX		36,701	95,451	34,276	89,146
Finance costs	7	(13,521)	(35,163)	(14,970)	(38,935)
Finance income	7	247	643	7	17
PROFIT BEFORE TAX		23,427	60,931	19,313	50,228
Income tax	8	(3,065)	(7,972)	(2,451)	(6,375)
PROFIT FOR THE YEAR		20,362	52,959	16,862	43,853
OTHER COMPREHENSIVE INCOME					
<i>Items that may be reclassified to profit and loss in subsequent periods:</i>					
Net movement in fair value of cash flow hedges	19	24,253	63,077	14,052	36,543
Income tax effect	8	(3,638)	(9,461)	(2,109)	(5,482)
Other comprehensive income		20,615	53,616	11,943	31,061
TOTAL PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR		40,977	106,575	28,805	74,914
BASIC AND DILUTED EARNINGS PER SHARE (RO BAIZA/USD CENTS)	9	0.014	0.036	0.011	0.030

The attached notes 1 to 29 form part of these financial statements.

PHOENIX POWER COMPANY SAOG


STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 RO'000	2022 USD'000	2021 RO'000	2021 USD'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	488,166	1,269,612	504,017	1,310,840
Right-of-use assets	11	7,800	20,288	8,053	20,945
Capital spares		2,404	6,251	2,384	6,200
Derivative financial instruments	19(a)	4,594	11,948	-	-
		<u>502,964</u>	<u>1,308,099</u>	<u>514,454</u>	<u>1,337,985</u>
Current assets					
Trade and other receivables	12	7,933	20,631	63,065	164,019
Inventories	13	8,961	23,302	8,873	23,077
Cash and bank balances	14	20,259	52,688	10,318	26,834
Derivative financial instruments	19(a)	1,020	2,652	-	-
		<u>38,173</u>	<u>99,273</u>	<u>82,256</u>	<u>213,930</u>
TOTAL ASSETS		<u>541,137</u>	<u>1,407,372</u>	<u>596,710</u>	<u>1,551,915</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	15	146,260	380,390	146,260	380,390
Legal reserve	16	15,033	39,098	12,997	33,802
Retained earnings		78,037	202,961	66,293	172,416
Equity before hedging reserve		<u>239,330</u>	<u>622,449</u>	<u>225,550</u>	<u>586,608</u>
Hedging reserve	19	(2,036)	(5,296)	(22,651)	(58,912)
Total equity		<u>237,294</u>	<u>617,153</u>	<u>202,899</u>	<u>527,696</u>
LIABILITIES					
Non-current liabilities					
Interest bearing loans and borrowings	18	183,690	477,734	217,232	564,971
Derivative financial instruments	19(b)	6,553	17,042	18,265	47,502
Provision for asset retirement obligation	20	5,120	13,317	4,876	12,683
Deferred tax liabilities	8	42,348	110,138	35,645	92,705
Lease liabilities - non current	22	7,931	20,626	8,010	20,835
Employees' end of service benefits	21(b)	32	83	47	122
		<u>245,674</u>	<u>638,940</u>	<u>284,075</u>	<u>738,818</u>
Current liabilities					
Interest bearing loans and borrowings	18	34,253	89,085	31,700	82,444
Dividend payable	17	3,045	7,917	2,413	6,276
Accounts payable and accruals	21(a)	18,908	49,169	66,732	173,555
Derivative financial instruments	19(b)	1,456	3,789	8,383	21,806
Lease liabilities	22	507	1,319	508	1,320
		<u>58,169</u>	<u>151,279</u>	<u>109,736</u>	<u>285,401</u>
Total liabilities		<u>303,843</u>	<u>790,219</u>	<u>393,811</u>	<u>1,024,219</u>
TOTAL EQUITY AND LIABILITIES		<u>541,137</u>	<u>1,407,372</u>	<u>596,710</u>	<u>1,551,915</u>
Net assets per share					
(RO BAIZA/USD CENTS)	23	<u>0.162</u>	<u>0.422</u>	<u>0.139</u>	<u>0.361</u>

The financial statements were authorised for issue and approved by the Board of Directors on 20 February 2023 and were signed on their behalf by:


Director


Director

The attached notes 1 to 29 form part of these financial statements.

PHOENIX POWER COMPANY SAOG

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RO'000	2022 USD'000	2021 RO'000	2021 USD'000
OPERATING ACTIVITIES					
Profit before tax		23,427	60,931	19,313	50,228
Adjustments for:					
Depreciation of property, plant and equipment	10	15,865	41,263	15,864	41,259
Depreciation of right-of-use assets	11	253	657	252	655
Interest - term loans and swap settlements	7	12,041	31,317	13,386	34,815
Amortisation of transaction costs	7	711	1,848	799	2,076
Interest expense for lease liabilities	7	401	1,042	406	1,055
Asset retirement obligation - unwinding of discount	7	244	634	232	604
Accruals for employees' end of service benefits	21(b)	9	23	7	19
		52,951	137,715	50,259	130,711
Working capital changes:					
Inventories		(108)	(276)	487	1,265
Trade and other receivables		55,132	143,388	7,185	18,686
Accounts payable and accruals		(47,824)	(124,386)	(4,271)	(11,104)
Cash generated from operations		60,151	156,441	53,660	139,558
Finance costs paid		(12,041)	(31,317)	(13,386)	(34,815)
Employees' end of service benefit paid	21(b)	(24)	(62)	-	-
Net cash flows from operating activities		48,086	125,062	40,274	104,743
INVESTING ACTIVITY					
Additions to property, plant and equipment	10	(14)	(35)	-	-
Net cash flows used in investing activity		(14)	(35)	-	-
FINANCING ACTIVITIES					
Dividend paid	17	(5,950)	(15,477)	(5,704)	(14,835)
Repayment of interest bearing loans and borrowings	18	(31,700)	(82,444)	(29,384)	(76,423)
Payment of lease liabilities (principal and interest)	22	(481)	(1,252)	(508)	(1,320)
Net cash flows used in financing activities		(38,131)	(99,173)	(35,596)	(92,578)
Net increase in cash and cash equivalents		9,941	25,854	4,678	12,165
Cash and cash equivalents at 1 January		10,318	26,834	5,640	14,669
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	20,259	52,688	10,318	26,834

The attached notes 1 to 29 form part of these financial statements.

PHOENIX POWER COMPANY SAOG

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Notes	Share capital RO'000	Legal reserve RO'000	Hedging reserve RO'000	Retained earnings RO'000	Total RO'000
Balance at 1 January 2021		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
Profit for the year		-	-	-	20,362	20,362
Other comprehensive income		-	-	20,615	-	20,615
Total comprehensive income for the year		-	-	20,615	20,362	40,977
Transfer to legal reserve	16	-	2,036	-	(2,036)	-
Dividends	17	-	-	-	(6,582)	(6,582)
Balance at 31 December 2022		146,260	15,033	(2,036)	78,037	237,294

	Notes	Share capital USD'000	Legal reserve USD'000	Hedging reserve USD'000	Retained earnings USD'000	Total USD'000
Balance at 1 January 2021		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
Profit for the year		-	-	-	52,959	52,959
Other comprehensive income		-	-	53,616	-	53,616
Total comprehensive income for the year		-	-	53,616	52,959	106,575
Transfer to legal reserve	16	-	5,296	-	(5,296)	-
Dividends	17	-	-	-	(17,118)	(17,118)
Balance at 31 December 2022		380,390	39,098	(5,296)	202,961	617,153

The attached notes 1 to 29 form part of these financial statements.

PHOENIX POWER COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

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,

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 2022, the current liabilities of the Company exceeded its current assets by USD 52.0 million (RO 20.0 million) [31 December 2021: USD 71.5 million (RO 27.5 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.
- 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 SAOC, 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.

PHOENIX POWER COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2022

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 2022 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision).

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

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

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

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

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

PHOENIX POWER COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2022

2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 New and amended standards and interpretations (continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the financial statements of the Company as it is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

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 (*Effective for reporting periods beginning on or after 1 January 2023*)
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (*Effective for reporting periods beginning on or after 1 January 2023*)
- Definition of Accounting Estimates - Amendments to IAS 8 (*Effective for reporting periods beginning on or after 1 January 2023*)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (*Effective for reporting periods beginning on or after 1 January 2023*)
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (*Effective for reporting periods beginning on or after 1 January 2023*)

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

PHOENIX POWER COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

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 (USD) 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 USD 1 = RO 0.3845 and are shown for the convenience of the reader.

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.

PHOENIX POWER COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial Instruments (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

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

Subsequent measurement

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

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

Financial assets at amortised cost

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.

PHOENIX POWER COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS
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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial Instruments (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.

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.

PHOENIX POWER COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial Instruments (continued)

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.

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.

PHOENIX POWER COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial Instruments (continued)

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.

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.

PHOENIX POWER COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial Instruments (continued)

Derivative financial instruments and hedging (continued)

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

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.

PHOENIX POWER COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Income tax (continued)

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.

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.

PHOENIX POWER COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Property, plant and equipment (continued)

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

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.

PHOENIX POWER COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2022

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 2022 relating to the right-of-use assets amounting to USD 0.66 million (RO 0.25 million) [2021: USD 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.

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.

PHOENIX POWER COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS
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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Leases (continued)

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.

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.

PHOENIX POWER COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Fair values (continued)

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.

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.

PHOENIX POWER COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Current versus non-current classification (continued)

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.

3.21 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.

PHOENIX POWER COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2022

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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 USD Nil (2021: USD 2.1 million) has not been recognised in profit or loss relating to the carried forward losses amounting to USD Nil (2021: USD 13.8 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.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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).

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).

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4 REVENUE AND OPERATING SEGMENTS

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Capacity charges	67,360	175,188	66,723	173,531
Energy charges	81,799	212,741	79,455	206,644
	149,159	387,929	146,178	380,175

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

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Gas consumption	78,463	204,065	76,265	198,349
Depreciation of property, plant and equipment (note 10)	15,860	41,249	15,860	41,249
Operation and maintenance cost (note 25)	8,342	21,695	10,197	26,519
Contractual services maintenance cost	6,998	18,200	7,034	18,295
Insurance	1,189	3,092	1,060	2,756
Depreciation of right-of-use assets (note 11)	253	657	252	655
Connection, license fee and others	97	251	107	277
	111,202	289,209	110,775	288,100

Included in operation and maintenance cost are costs of inventories recognised as expense amounting to USD 1.46 million (RO: 0.56 million) for the year ended 31 December 2022 [2021: USD 2.8 million (RO: 1.07 million)].

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Staff costs and other benefits	631	1,642	561	1,458
Legal and professional charges	178	463	184	478
Public company related costs	137	357	142	369
Office related expenses	135	352	67	175
Corporate social responsibilities	30	78	40	103
Short term lease rental	30	77	31	81
Depreciation of property, plant and equipment (note 10)	5	14	4	10
Other expenses	110	286	98	255
	1,256	3,269	1,127	2,929

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7 FINANCE COSTS AND INCOME

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Interest - term loans and swap settlements	12,041	31,317	13,386	34,815
Amortisation of transaction costs (note 18)	711	1,848	799	2,076
Asset retirement obligation - unwinding of discount (note 20)	244	634	232	604
Interest expense for lease liabilities (note 22)	401	1,042	406	1,055
Debt service commission	124	322	125	325
Exchange loss	-	-	22	60
	13,521	35,163	14,970	38,935
Interest income	194	504	7	17
Exchange gain	53	139	-	-
	247	643	7	17

8 INCOME TAX

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Deferred tax expense recognised in the statement of profit or loss	(3,065)	(7,972)	(2,451)	(6,375)
Deferred tax expense recognised in other comprehensive income	(3,638)	(9,461)	(2,109)	(5,482)

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% (2021:15%):

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Profit before tax	23,427	60,931	19,313	50,228
Income tax at the rate mentioned above	3,514	9,140	2,897	7,534
Deferred tax not recognised during the year	(449)	(1,168)	(446)	(1,159)
	3,065	7,972	2,451	6,375

As of 31 December 2022, the Company's tax assessments for the year 2011 to 2019 have been completed by the Omani taxation authorities. The Company's assessment for the tax years 2020 to 2021 have not yet been finalised with the Tax Authority. 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 2022.

PHOENIX POWER COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS
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8 INCOME TAX (continued)

	<i>As at 1 January</i>	<i>Recognised In profit or loss</i>	<i>Recognised in other comprehensive income</i>	<i>As at 31 December</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
31 December 2022				
Property, plant and equipment	(46,260)	(1,381)	-	(47,641)
Provision for asset retirement obligation	759	50	-	809
Lease liabilities	1,354	26	-	1,380
Losses carried forward	4,485	(1,768)	-	2,717
Exchange loss	20	8	-	28
Fair value adjustment of derivatives through equity (note 19)	3,997	-	(3,638)	359
Net deferred tax liabilities	<u>(35,645)</u>	<u>(3,065)</u>	<u>(3,638)</u>	<u>(42,348)</u>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Property, plant and equipment	(120,313)	(3,592)	-	(123,905)
Provision for asset retirement obligation	1,974	131	-	2,105
Lease liabilities	3,521	67	-	3,588
Losses carried forward	11,665	(4,598)	-	7,067
Exchange loss	52	20	-	72
Fair value adjustment of derivatives through equity (note 19)	10,396	-	(9,461)	935
Net deferred tax liabilities	<u>(92,705)</u>	<u>(7,972)</u>	<u>(9,461)</u>	<u>(110,138)</u>
31 December 2021	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
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	<u>(31,085)</u>	<u>(2,451)</u>	<u>(2,109)</u>	<u>(35,645)</u>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
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	<u>(80,848)</u>	<u>(6,375)</u>	<u>(5,482)</u>	<u>(92,705)</u>

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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.

	2022 RO'000	2022 USD'000	2021 RO'000	2021 USD'000
Profit attributable to ordinary shareholders of the Company	20,362	52,959	16,862	43,853
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 / USD cents)	0.014	0.036	0.011	0.030

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 2022	83,876	518,087	10,809	3,249	246	616,267
Addition during the year	-	-	-	-	14	14
Disposal during the year	-	-	-	-	(9)	(9)
At 31 December 2022	83,876	518,087	10,809	3,249	251	616,272
Accumulated depreciation						
At 1 January 2022	14,800	91,406	5,089	716	239	112,250
Charge for the year	2,097	12,952	721	90	5	15,865
Disposal during the year	-	-	-	-	(9)	(9)
At 31 December 2022	16,897	104,358	5,810	806	235	128,106
Net book value						
At 31 December 2022	66,979	413,729	4,999	2,443	16	488,166

PHOENIX POWER COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2022

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	<i>Building RO'000</i>	<i>Plant and equipment RO'000</i>	<i>Strategic spares RO'000</i>	<i>Asset retirement RO'000</i>	<i>Other assets RO'000</i>	<i>Total RO'000</i>
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
	<i>Building USD'000</i>	<i>Plant and equipment USD'000</i>	<i>Strategic spares USD'000</i>	<i>Asset retirement USD'000</i>	<i>Other assets USD'000</i>	<i>Total USD'000</i>
Cost						
At 1 January 2022	218,142	1,347,432	28,113	8,450	637	1,602,774
Addition during the year	-	-	-	-	35	35
Disposal during the year	-	-	-	-	(24)	(24)
At 31 December 2022	218,142	1,347,432	28,113	8,450	648	1,602,785
Accumulated depreciation						
At 1 January 2022	38,489	237,732	13,227	1,866	620	291,934
Charge for the year	5,453	33,686	1,875	235	14	41,263
Disposal during the year	-	-	-	-	(24)	(24)
At 31 December 2022	43,942	271,418	15,102	2,101	610	333,173
Net book value						
At 31 December 2022	174,200	1,076,014	13,011	6,349	38	1,269,612
	<i>Building USD'000</i>	<i>Plant and equipment USD'000</i>	<i>Strategic spares USD'000</i>	<i>Asset retirement USD'000</i>	<i>Other assets USD'000</i>	<i>Total USD'000</i>
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

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10 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation charged for the year is allocated as follows:

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Operating costs (note 5)	15,860	41,249	15,860	41,249
General and administrative expenses (note 6)	5	14	4	10
	15,865	41,263	15,864	41,259

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

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	Connection fee	Total	Land lease	Connection fee	Total
	RO'000	RO'000	RO'000	USD'000	USD'000	USD'000
Cost						
At 1 January 2021	1,814	6,995	8,809	4,718	18,193	22,911
At 31 December 2021	1,814	6,995	8,809	4,718	18,193	22,911
At 1 January 2022	1,814	6,995	8,809	4,718	18,193	22,911
At 31 December 2022	1,814	6,995	8,809	4,718	18,193	22,911
Accumulated depreciation						
At 1 January 2021	104	400	504	270	1,041	1,311
Charge for the year	52	200	252	135	520	655
At 31 December 2021	156	600	756	405	1,561	1,966
At 1 January 2022	156	600	756	405	1,561	1,966
Charge for the year	52	201	253	135	522	657
At 31 December 2022	208	801	1,009	540	2,083	2,623
Net book value						
At 31 December 2022	1,606	6,194	7,800	4,178	16,110	20,288
At 31 December 2021	1,658	6,395	8,053	4,313	16,632	20,945

12 TRADE AND OTHER RECEIVABLES

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Trade receivables	7,166	18,636	62,555	162,692
Prepayments	328	854	150	391
Other receivables	439	1,141	360	936
	7,933	20,631	63,065	164,019

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12 TRADE AND OTHER RECEIVABLES (continued)

In prior year, trade receivables included an amount of USD 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 accordingly did not settle the corresponding fuel payments to MEM as the Company was liable to pay to MEM only on receipt of the corresponding PPA payment relating to gas portion from OPWP (note 21). The Company was successful in concluding fuel charge settlement agreements between the Company, OPWP and MEM on 1 February 2022. 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

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Fuel	5,433	14,130	5,355	13,928
Maintenance spares	3,528	9,172	3,518	9,149
	8,961	23,302	8,873	23,077

The management has assessed that as at 31 December 2022, there are no slow moving inventories for which provision is required (2021: RO Nil).

14 CASH AND BANK BALANCES

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Cash	-	-	1	1
Bank balances	20,259	52,688	10,317	26,833
	20,259	52,688	10,318	26,834

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

15 SHARE CAPITAL

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Authorised, issued and fully paid up share capital of 1,462,601,460 shares (2022 and 2021 - 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. During the year ended 31 December 2022, the Company transferred RO 2.0 million (USD 5.3 million) [2021: RO 1.7 million (USD 4.4 million)] to the legal reserve.

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17 DIVIDENDS

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
At 1 January	2,413	6,276	2,047	5,325
Dividend proposed - 2.50 baizas per share (2021: 2.50 baizas per share)	3,657	9,510	3,657	9,510
Dividend proposed - 2.0 baizas per share (2021: 1.65 baizas per share)	2,925	7,608	2,413	6,276
	6,582	17,118	6,070	15,786
Payments during the year	(5,950)	(15,477)	(5,704)	(14,835)
At 31 December	3,045	7,917	2,413	6,276

Pursuant to shareholders' resolution dated 17 March 2022, the Board of Directors in their meetings held on 21 April 2022 and 26 October 2022 announced cash dividend of 2.50 baizas per share and 2.0 baizas per share, respectively for the year ended 31 December 2021. Accordingly, dividend amounting to USD 15.5 million (RO 6 million) was paid in July 2022 and USD 7.9 million (RO 3 million) is payable as of 31 December 2022 which was paid subsequently in January 2023.

In prior year, pursuant to shareholders' 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 USD 14.8 million (RO 5.7 million) was paid in July 2021 and USD 6.3 million (RO 2.4 million) is payable as of 31 December 2021 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 20 February 2023 proposed a cash dividend to the shareholders of the Company which will be paid in July 2023 and January 2024 for the year ended 31 December 2022, provided that the aggregate amount of such dividend shall not exceed 5.25 baizas per share.

18 INTEREST BEARING LOANS AND BORROWINGS

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Term loans	220,033	572,257	251,733	654,701
Less: unamortised transaction costs	(2,090)	(5,438)	(2,801)	(7,286)
	217,943	566,819	248,932	647,415
Less: current portion of loans	(34,253)	(89,085)	(31,700)	(82,444)
Non-current portion of loans	183,690	477,734	217,232	564,971

Movement of interest bearing loans and borrowings:

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
At 1 January	251,733	654,701	281,117	731,124
Repayments of borrowings	(31,700)	(82,444)	(29,384)	(76,423)
At 31 December	220,033	572,257	251,733	654,701

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18 INTEREST BEARING LOANS AND BORROWINGS (continued)

Movement of unamortised transaction costs is as follows:

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
At 1 January	2,801	7,286	3,600	9,362
Amortisation	(711)	(1,848)	(799)	(2,076)
At 31 December	<u>2,090</u>	<u>5,438</u>	<u>2,801</u>	<u>7,286</u>

The Company had entered into secured term loan agreements in relation to the Sur IPP Project. The total amount of the term loan is USD 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.

19 DERIVATIVE FINANCIAL INSTRUMENTS

(a) Positive fair values:

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Cumulative changes in positive fair value:				
Interest rate swap agreements	5,614	14,600	-	-
Positive fair value of derivatives	5,614	14,600	-	-
Less: deferred tax effect (note 8)	(843)	(2,191)	-	-
	<u>4,771</u>	<u>12,409</u>	<u>-</u>	<u>-</u>

The current and non-current portion of positive fair value of interest rate swap agreements is as follows:

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Non-current portion	4,594	11,948	-	-
Current portion	1,020	2,652	-	-
	<u>5,614</u>	<u>14,600</u>	<u>-</u>	<u>-</u>

Interest rate swap agreements

The following table shows the positive 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.

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19 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(a) Positive fair values (continued):

31 December 2022

	<i>Positive fair value of derivatives</i>	Notional amounts by term to maturity			
		<i>Notional amount</i>	<i>1 - 12 Months</i>	<i>More than 1 up to 5 years</i>	<i>Over 5 years</i>
Interest rate swaps (RO'000)	<u>5,614</u>	<u>209,004</u>	<u>35,203</u>	<u>141,265</u>	<u>32,536</u>
Interest rate swaps (USD'000)	<u>14,600</u>	<u>543,574</u>	<u>91,556</u>	<u>367,399</u>	<u>84,619</u>

(b) Negative fair values:

	<i>2022 RO'000</i>	<i>2022 USD'000</i>	<i>2021 RO'000</i>	<i>2021 USD'000</i>
Cumulative changes in negative fair value:				
Interest rate swap agreements	-	-	18,904	49,165
Forward foreign exchange contracts	<u>8,009</u>	<u>20,831</u>	<u>7,744</u>	<u>20,143</u>
Negative fair value of derivatives	<u>8,009</u>	<u>20,831</u>	<u>26,648</u>	<u>69,308</u>
Less: deferred tax effect (note 8)	<u>(1,202)</u>	<u>(3,126)</u>	<u>(3,997)</u>	<u>(10,396)</u>
	<u>6,807</u>	<u>17,705</u>	<u>22,651</u>	<u>58,912</u>

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

	<i>2022 RO'000</i>	<i>2022 USD'000</i>	<i>2021 RO'000</i>	<i>2021 USD'000</i>
Non-current portion	<u>6,553</u>	<u>17,042</u>	<u>18,265</u>	<u>47,502</u>
Current portion	<u>1,456</u>	<u>3,789</u>	<u>8,383</u>	<u>21,806</u>
	<u>8,009</u>	<u>20,831</u>	<u>26,648</u>	<u>69,308</u>

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 USD 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 USD LIBOR with effective dates starting from 28 February 2013/28 March 2013 till 28 December 2028. As at 31 December 2022, an unrealised gain of USD 14.6 million (RO 5.6 million) [2021: Unrealised loss of USD 49.2 million (RO 18.9 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.

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19 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(b) Negative fair values (continued)

31 December 2021

	Notional amounts by term to maturity				
	<i>Negative fair value of derivatives</i>	<i>Notional amount</i>	<i>1 - 12 Months</i>	<i>More than 1 up to 5 years</i>	<i>Over 5 years</i>
Interest rate swaps (RO'000)	<u>18,904</u>	<u>239,111</u>	<u>30,107</u>	<u>136,697</u>	<u>72,307</u>
Interest rate swaps (USD'000)	<u>49,165</u>	<u>621,876</u>	<u>78,302</u>	<u>355,520</u>	<u>188,054</u>

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

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 2022, an unrealised loss of USD 20.8 million (RO 8.0 million) [2021: USD 20.1 million (RO 7.7 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 2022

	Notional amounts by term to maturity				
	<i>Negative fair value of derivatives</i>	<i>Notional amount</i>	<i>1 - 12 Months</i>	<i>More than 1 up to 5 years</i>	<i>Over 5 years</i>
Forward foreign exchange contracts (RO'000)	<u>8,009</u>	<u>35,126</u>	<u>5,838</u>	<u>23,438</u>	<u>5,850</u>
Forward foreign exchange contracts (USD'000)	<u>20,831</u>	<u>91,355</u>	<u>15,183</u>	<u>60,957</u>	<u>15,215</u>

31 December 2021

	Notional amounts by term to maturity				
	<i>Negative fair value of derivatives</i>	<i>Notional amount</i>	<i>1 - 12 Months</i>	<i>More than 1 up to 5 years</i>	<i>Over 5 years</i>
Forward foreign exchange contracts (RO'000)	<u>7,744</u>	<u>40,988</u>	<u>5,862</u>	<u>23,438</u>	<u>11,688</u>
Forward foreign exchange contracts (USD'000)	<u>20,143</u>	<u>106,600</u>	<u>15,245</u>	<u>60,957</u>	<u>30,398</u>

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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

The movement in ARO provision is as follows:

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
As at 1 January	4,876	12,683	4,644	12,079
Unwinding of discount (note 7)	244	634	232	604
As at 31 December	5,120	13,317	4,876	12,683

21 ACCOUNTS PAYABLE AND ACCRUALS

(a) Accounts payable and accruals

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Trade accounts payable	6,790	17,659	55,463	144,248
Amounts due to a related party (note 25)	3,377	8,782	2,902	7,548
Accrued expenses	8,741	22,728	8,367	21,759
	18,908	49,169	66,732	173,555

(b) Employees' end of service benefits

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
As at 1 January	47	122	40	103
Charge for the year	9	23	7	19
Payments during the year	(24)	(62)	-	-
As at 31 December	32	83	47	122

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 2022.

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Land	1,758	4,573	1,754	4,563
Connection fee	6,680	17,372	6,764	17,592
As at 31 December	8,438	21,945	8,518	22,155

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22 LEASE LIABILITIES (continued)

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

	2022 RO'000	2022 USD'000	2021 RO'000	2021 USD'000
At 1 January	8,518	22,155	8,620	22,420
Interest expense (note 7)	401	1,042	406	1,055
Payments during the year	(481)	(1,252)	(508)	(1,320)
At 31 December	8,438	21,945	8,518	22,155
	2022 RO'000	2022 USD'000	2021 RO'000	2021 USD'000
Non-current	7,931	20,626	8,010	20,835
Current	507	1,319	508	1,320
	8,438	21,945	8,518	22,155

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

	2022 RO'000	2022 USD'000	2021 RO'000	2021 USD'000
Depreciation of right-of-use assets (note 11)	253	657	252	656
Interest on finance lease (note 7)	401	1,042	406	1,055
	654	1,699	658	1,711

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:

	2022	2022	2021	2021
Net assets (RO'000s/USD'000s)	237,295	617,153	202,899	527,696
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/USD'000s)	0.162	0.422	0.139	0.361

24 CONTINGENCIES

At 31 December 2022, 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 [2021: USD 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.

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25 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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	2022 RO'000	2022 USD'000	2021 RO'000	2021 USD'000
Company under common control - Phoenix Operation and Maintenance Company LLC [note 21(a)]	<u>3,377</u>	<u>8,782</u>	<u>2,902</u>	<u>7,548</u>
Statement of comprehensive income transactions	2022 RO'000	2022 USD'000	2021 RO'000	2021 USD'000
Consulting service fee charged:				
- Axia Power Holdings - shareholder	41	107	41	107
- JERA Co. Inc. - shareholder	<u>25</u>	<u>64</u>	<u>25</u>	<u>64</u>
	<u>66</u>	<u>171</u>	<u>66</u>	<u>171</u>
Operation and maintenance costs: Phoenix Operation and Maintenance Company LLC ("POMCO") (note 5)	<u>8,342</u>	<u>21,695</u>	<u>10,197</u>	<u>26,519</u>
	2022 RO'000	2022 USD'000	2021 RO'000	2021 USD'000
Key management compensation:				
Short term benefits	200	520	245	638
End of service benefits	<u>3</u>	<u>8</u>	<u>16</u>	<u>42</u>
	<u>203</u>	<u>528</u>	<u>261</u>	<u>680</u>

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.

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

	2022 RO'000	2022 USD'000	2021 RO'000	2021 USD'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	<u>2,157</u>	<u>5,610</u>	<u>3,888</u>	<u>10,110</u>
	<u>10,808</u>	<u>28,110</u>	<u>12,539</u>	<u>32,610</u>

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26 COMMITMENTS (continued)

Other commitments

The Company has entered into agreements for purchase of natural gas with the Ministry of Energy and Minerals, 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:

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Within one year	65,428	170,165	65,428	170,165
Between two and five years	196,286	510,496	196,368	510,711
After five years	138,447	360,069	203,793	530,019
	<u>400,161</u>	<u>1,040,730</u>	<u>465,589</u>	<u>1,210,895</u>

27 FINANCIAL RISK MANAGEMENT

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

- Market risk
- Credit risk
- Liquidity risk

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

PHOENIX POWER COMPANY SAOG
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27 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

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 USD 28.0 thousands (RO 10.77 thousands) [2021: USD 32.3 thousands (RO 12.41 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 2022 amounted to USD 5 thousands (RO 2 thousands) [(2021: USD 123 thousands (RO 47 thousands))]. Should the exchange rate between Euro and RO fluctuate by $\pm 5\%$, the impact on the Company's results will be USD 0 thousands (RO 0 thousands) [2021: USD 6 thousands (RO 2 thousands)].

(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 2022, Government organisations in Oman accounted for 100% (2021 - 100%) of the outstanding trade receivables. At 31 December 2022, there were no other significant concentrations of credit risk.

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27 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Credit risk on other financial assets, including bank balances arises from the risk of default of the counterparty, with a maximum exposure equal to the carrying amount of these balances. The 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:

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Trade receivables (note 12)	7,166	18,636	62,555	162,692
Bank balances (note 14)	20,259	52,688	10,317	26,831
	27,425	71,324	72,872	189,523

Age analysis of trade receivables as at 31 December was:

	2022	2022	2021	2021
	RO'000	RO'000	RO'000	RO'000
		Expected		Expected
	Trade	credit	Trade	credit
	receivables	losses	receivables	losses
Not past due	7,166	-	6,793	-
Past due 0 < 3 months	-	-	18,332	-
Past due > 3 months	-	-	37,430	-
	7,166	-	62,555	-
Nominal value in USD '000	18,636	-	162,692	-

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

Description	Ratings	2022	2022	2021	2021
		RO'000	USD'000	RO'000	USD'000
Bank balances	Ba3 & A-1	20,259	52,688	10,317	26,831

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27 FINANCIAL RISK MANAGEMENT (continued)

(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:

	<i>Less than 3 months RO'000</i>	<i>3 to 12 months RO'000</i>	<i>1 to 5 years RO'000</i>	<i>More than 5 years RO'000</i>	<i>Total RO'000</i>
2022					
Accounts payable and accruals	15,531	-	-	-	15,531
Amounts due to related parties	3,377	-	-	-	3,377
Interest bearing loans and borrowings	-	44,720	173,030	38,453	256,203
Lease liabilities	507	-	2,029	13,669	16,205
Dividend payable	3,045	-	-	-	3,045
	22,460	44,720	175,059	52,122	291,316
	<i>Less than 3 months RO'000</i>	<i>3 to 12 months RO'000</i>	<i>1 to 5 years RO'000</i>	<i>More than 5 years RO'000</i>	<i>Total RO'000</i>
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
Dividend payable	2,413	-	-	-	2,413
	69,652	43,807	177,368	95,041	385,868
	<i>Less than 3 months USD'000</i>	<i>3 to 12 months USD'000</i>	<i>1 to 5 years USD'000</i>	<i>More than 5 years USD'000</i>	<i>Total USD'000</i>
2022					
Accounts payable and accruals	40,387	-	-	-	40,387
Amounts due to related parties	8,782	-	-	-	8,782
Interest bearing loans and borrowings	-	116,306	450,012	100,009	666,327
Lease liabilities	1,319	-	5,278	35,551	42,148
Dividend payable	7,917	-	-	-	7,917
	58,405	116,306	455,290	135,560	765,561
	<i>Less than 3 months USD'000</i>	<i>3 to 12 months USD'000</i>	<i>1 to 5 years USD'000</i>	<i>More than 5 years USD'000</i>	<i>Total USD'000</i>
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
Dividend payable	6,276	-	-	-	6,276
	181,150	113,933	461,295	247,180	1,003,558

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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 2022.

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

	2022	2022	2021	2021
	RO'000	USD'000	RO'000	USD'000
Debt (interest bearing loans and borrowings - note 18)	220,033	572,257	248,932	647,415
Equity before hedging reserve	239,330	622,449	225,550	586,608
Debt to equity ratio (times)	0.92	0.92	1.10	1.10

28 FAIR VALUE OF 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.

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29 FINANCIAL ASSETS AND LIABILITIES

	2022	2022	2021	2021
Financial assets	RO'000	USD'000	RO'000	USD'000
At amortised cost				
Trade and other receivables (excluding prepayments)	7,605	19,777	62,915	163,628
Cash and bank balances	20,259	52,688	10,318	26,834
Financial assets at fair value				
Derivative instruments	5,614	14,600	-	-
	33,478	87,065	73,233	190,462
Financial liabilities at amortised cost				
Interest-bearing liabilities				
Interest bearing loans and borrowings	217,942	566,819	248,932	647,415
Lease liabilities	8,438	21,945	8,518	22,155
Dividend payable	3,045	7,917	2,413	6,276
Accounts payable and accruals	18,908	49,169	66,732	173,555
Financial liabilities at fair value				
Derivative instruments	8,010	20,831	26,648	69,308
	256,343	666,681	353,243	918,709