MAZOON ELECTRICITY COMPANY SAOC

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2021

شركة كهرباء مزون ش.م.ع.م
MAZOON ELECTRICITY COMPANY S.A.O.C.

إحدى شركات مجموعة نماء
Member of Nama Group

Directors' Report

The Directors submit their report and the separate financial statements for the year ended 31 December 2021.

Principal activities

The Company is primarily undertaking regulated distribution and supply of electricity in the South Batina, Dakhiliyah, North Sharqiyah and South Sharqiyah governorates of Oman under a licence issued by the Authority for Public Services Regulation, Oman

Basis of preparation of separate financial statements

The accompanying audited separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Commercial Companies Law of 2019.

Results and appropriation

The results of the Company for the year ended 31 December 2021 are set out on pages 3 and 4 of the separate financial statements.

Auditors

The separate financial statements have been audited by Ernst & Young (EY)

On behalf of Board of Directors

Ibrahim Said Al Suleimani
Chairman

Faisal Khamis Al Daoudi
Director

Salim Said Al Kamyani
Chief Executive Officer

MAZOON ELECTRICITY COMPANY SAOC
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Contents

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PR No. HMH/15/2015; HMA/9/2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAZOON ELECTRICITY COMPANY SAOC

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Mazoon Electricity Company SAOC (the "Company"), which comprise the separate statement of financial position as at 31 December 2021, and the separate statement of profit or loss and comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the separate financial statements section of our report*. We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the separate 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.

Other matter

The financial statements of the Company for the year ended 31 December 2020 were audited by another auditor, who expressed an unmodified opinion on those financial statements on 15 March 2021 prior to the restatements disclosed in note 38.

Responsibilities of management for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRSs and the relevant requirements of the Commercial Companies Law of the Sultanate of Oman, as amended, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
MAZOON ELECTRICITY COMPANY SAOC (CONTINUED)

Report on the audit of the separate financial statements (continued)

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAZOON ELECTRICITY COMPANY SAOC (CONTINUED)

Report on other legal and regulatory requirements

In our opinion, the separate financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law of 2019 of the Sultanate of Oman.

Further, as required by the applicable provisions of the Commercial Companies Law of 2019 and the Ministerial Decision 146/2021, we report that:

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the Company has maintained accounting records and the separate financial statements are in agreement therewith;
- the company has carried out physical verification of inventories
- the financial information included in the Board of Directors' report is consistent with the books of accounts of the Company; and
- based on the information that has been made available to us, nothing has come to our attention, which causes us to believe that the Company has contravened, during the year ended 31 December 2021, any of the applicable provisions of the Commercial Companies Law of 2019 or its Articles of Association, which would materially affect the separate financial performance of the Company for the year ended 31 December 2021 or its separate financial position as at 31 December 2021.

Ernst & Young LLC

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ERNST & YOUNG LLC
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P.O. Box 1750 - P.C. 112, Sultanate of Oman

Mohamed Al Qurashi
24 March 2022
Muscat

MAZOON ELECTRICITY COMPANY SAOC

STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 RO'000	2020 RO'000 (Restated)	1 January 2020 RO'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	6	**889,452**	864,254	830,474
Right-of-use assets	7	**4,925**	5,312	5,704
Intangible assets	8	**433**	610	725
Investment in a subsidiary	9	**500**	500	500
Total non-current assets		**895,310**	870,676	837,403
Current assets				
Store and spares	10	**1,144**	1,532	1,552
Trade and other receivables	11	**109,783**	63,998	51,833
Government subsidy receivable		**4,940**	8,000	85,738
Cash and cash equivalents	12	**7,868**	4,184	25,248
Total current assets		**123,735**	77,714	164,371
TOTAL ASSETS		**1,019,045**	948,390	1,001,774
EQUITY AND LIABILITIES				
Equity				
Share capital	13	**150,000**	150,000	150,000
Legal reserve	14	**50,000**	50,000	50,000
General reserve	15	**19,717**	17,009	13,458
Retained earnings		**26,134**	28,802	26,599
		245,851	245,811	240,057
Cash flow hedge reserve	16	**(1,932)**	(4,647)	(1,737)
Total equity		**243,920**	241,165	238,320
LIABILITIES				
Non-current liabilities				
Term loans	17	**113,735**	132,452	151,150
Long term borrowings - Sukuks	18	**191,838**	191,724	191,610
Deferred revenue	19	**62,007**	58,891	49,896
Deferred tax liability	33	**51,172**	45,899	41,708
Lease liabilities	20	**4,905**	5,048	5,286
Fair value of derivative financial instruments	16	**2,273**	5,467	2,044
Employees' end of service benefits	21	**847**	1,097	1,260
Total non-current liabilities		**426,777**	440,578	442,954
Current liabilities				
Trade and other payables	22	**88,901**	96,585	181,500
Short term borrowings	23	**236,300**	141,200	107,375
Term loans - current	17	**18,718**	18,938	18,918
Tax payable	33	**-**	81	600
Deferred revenue - current	19	**3,203**	2,258	2,225
Lease liabilities - current	20	**774**	914	934
Bank overdrafts	24	**452**	6,672	8,948
Total current liabilities		**348,348**	266,648	320,500
Total liabilities		**775,125**	707,226	763,454
TOTAL EQUITY AND LIABILITIES		**1,019,045**	948,390	1,001,774

The financial statements were authorised for issue and approved by the Board of Directors on 27 February 2022 and were signed on their behalf by:

Ibrahim Said Al Suleimani
Chairman

Faisal Khamis Al Daoudi
Director

Salim Said Al Kamyani
Chief Executive Officer

The attached notes 1 to 42 form part of these financial statements.

MAZOON ELECTRICITY COMPANY SAOC

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

	Notes	***2021***	*2020*
		RO'000	*RO'000*
			(Restated)
Revenue	28	**369,217**	350,126
Operating costs	29	**(299,213)**	(281,311)
Gross profit		**70,004**	68,815
General and administrative expenses	30	**(28,330)**	(26,305)
Allowance for expected credit losses	11	**(169)**	(852)
Other income	31	**3,171**	4,169
Operating profit		**44,676**	45,827
Finance income		**47**	242
Finance costs	32	**(26,469)**	(23,611)
Profit before tax		**18,254**	22,458
Tax expense	33	**(4,714)**	(4,704)
PROFIT FOR THE YEAR		**13,540**	17,754
Other comprehensive income			
Items to be classified to profit or loss in subsequent period:			
Net movement in fair value of cash flow hedge	16	**3,194**	(3,423)
Tax effect	33	**(479)**	513
Other comprehensive income / (expense) for the year		**2,715**	(2,910)
TOTAL PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR		**16,255**	14,845
Earnings per share			
Basic earnings per share (Baizas)	37	**0.11**	0.10

The attached notes 1 to 42 form part of these financial statements.

MAZOON ELECTRICITY COMPANY SAOC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital RO'000	*Legal reserve RO'000*	*General reserve RO'000*	*Retained earnings RO'000*	*Cash flow hedge reserve RO'000*	*Total RO'000*
At 1 January 2020 - as previously restated	150,000	50,000	17,929	44,485	(1,737)	260,677
Restatement (note 38)	-	-	(4,471)	(17,886)	-	(22,357)
At 1 January 2020 - restated	150,000	50,000	13,458	26,599	(1,737)	238,320
Net profit for the year - restated	-	-	-	17,754	-	17,754
Other comprehensive income, net of income tax	-	-	-	-	(2,910)	(2,910)
Total comprehensive income for the year	-	-	-	17,754	(2,910)	14,845
Transfer to / (from) general reserve - restated (note 38)	-	-	3,551	(3,551)	-	-
Dividend (note 26)	-	-	-	(12,000)	-	(12,000)
At 1 January 2021 - restated	150,000	50,000	17,009	28,802	(4,647)	241,165
Net profit for the year	-	-	-	**13,540**	-	**13,540**
Other comprehensive income, net of income tax	-	-	-	-	**2,715**	**2,715**
Total comprehensive income for the year	-	-	-	**13,540**	**2,715**	**16,255**
Transfer to general reserve	-	-	**2,708**	**(2,708)**	-	-
Dividend (note 26)	-	-	-	**(13,500)**	-	**(13,500)**
At 31 December 2021	**150,000**	**50,000**	**19,717**	**26,134**	**(1,932)**	**243,920**

The attached notes 1 to 42 form part of these financial statements.

MAZOON ELECTRICITY COMPANY SAOC

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RO'000	2020 RO'000 (Restated)
Operating activities			
Profit before tax		**18,254**	22,458
Adjustments for:			
Depreciation of property, plant and equipment	6	**36,905**	35,082
Depreciation of right to use assets	7	**489**	471
Gain on disposal of property, plant and equipment	31	**-**	(60)
Amortisation of intangible assets	8	**323**	376
Provision for inventories obsolescence	10	**120**	40
Accruals for employees' end of service benefits	21	**21**	21
Allowance for expected credit losses	11	**169**	1,229
Finance costs	32	**26,469**	23,611
Finance income		**(47)**	(242)
		82,703	82,986
Working capital changes:			
Stores and spares		**268**	(20)
Trade and other receivables		**(45,628)**	(13,432)
Government subsidy receivable		**3,060**	77,738
Trade and other payables		**(7,685)**	(85,076)
Deferred revenue		**4,062**	9,028
Cash generated from operating activities		**36,781**	71,225
Tax paid	33	**-**	-
Employees' end of service benefits paid	21	**(271)**	(184)
Net cash flows generated from operating activities		**36,510**	71,041
Investing activities			
Acquisition of property, plant and equipment	6	**(62,104)**	(68,863)
Addition to intangible assets	8	**(146)**	(261)
Proceeds from disposal of property, plant and equipment		**-**	61
Net cash flows used in investing activities		**(62,250)**	(69,063)
Financing activities			
Repayment of term loans	17	**(19,455)**	(19,216)
Proceeds from short term borrowing - net	23	**217,100**	207,125
Repayment of short term borrowings	23	**(122,000)**	(173,300)
Finance cost paid		**(25,837)**	(22,959)
Finance income		**47**	242
Lease liabilities paid (principal and interest)	20	**(711)**	(658)
Dividends paid	26	**(13,500)**	(12,000)
Net cash (used in) / from financing activities		**35,644**	(20,766)
Net changes in cash and cash equivalents		**9,904**	(18,788)
Cash and cash equivalents at 1 January	12	**(2,488)**	16,300
Cash and cash equivalents at 31 December	12	**7,416**	(2,488)

The attached notes 1 to 42 form part of these financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Mazoon Electricity Company SAOC (the "Company") is a closely held Omani joint stock Company registered under the Commercial Companies Law of Oman. The establishment and operations of the Company are governed by the provisions of the Law for the Regulation and Privatisation of the Electricity and Related Water Sector (the Sector Law) promulgated by Royal Decree 78/2004. The registered office of the Company is in Saih Al Ahmer, Bid Bid,, Sultanate of Oman.

The Company is primarily undertaking regulated distribution and supply of electricity in the South Batinah, Dakhliyah, North Sharqiyah and South Sharqiyah governorates of Oman under a license issued by the Authority for Public Services Regulation (APSR), Oman.The Company commenced its operations on 1 May 2005 (the "Transfer Date") following the implementation of a decision of the Ministry of National Economy (the "Transfer Scheme") issued pursuant to Royal Decree 78/2004.

Mazoon Electricity Company SAOC is a 99.99% subsidiary of the Electricity Holding Company SAOC (EHC or the "Holding Company"); a Company registered in the Sultanate of Oman, whereas, remaining 0.01% is equally held by Numo Institute for Competency Development LLC and Nama Shared Services LLC which are wholly owned by EHC. The Ultimate Parent is the Government of Sultanate of Oman, as it holds 100% shareholding in the Holding Company through the Oman Investment Authority (OIA) which was formed during the period pursuant to the Royal Decree 61/2020 under which all the shareholdings owned by Ministry of Finance (MoF) in the Holding Company have been transferred to OIA.

In 2017, the Company has established a SPV, (Special Purpose Vehicle) Mazoon Assets Company SAOC, which is 99.99% owned by the Company.

2 BASIS OF ACCOUNTING

Fundamental Accounting Concept
As at 31 December 2021, the current liabilities of the Company exceeded its current assets by RO 224.6 million (31 December 2020: RO 188.9 million), which may indicate the existence of a material uncertainty relating to going concern as the Company will require additional funding and financial support to meet its financial obligations as they fall due and continue its operations for the foreseeable future.

Management believes that it is appropriate to prepare the financial statements on a going concern basis on the strength of continued financial support from the Holding Company including the undertaking from the Government, under the Sector Laws, to secure the availability of the necessary finance for the Company to undertake its activities and achieve its objectives as long as its capital is wholly owned by the Government. Further, the Company has generated an operating cash flows of RO 36.5 million (31 December 2020: RO 70.7 million) during current year, and unutilized short term borrowings of RO 42.87 million as at 31 December 2021.

The above factors will enable the Company to continue to operate as a going concern for the foreseeable future and to discharge its liabilities to other parties, as they fall due and management has no reason to doubt such support will continue. Accordingly, these financial statements are prepared on a going concern basis and management concluded that a material uncertainty in respect of going concern does not exist.

3 BASIS OF PREPARATION

a) Statement of compliance
These seperate financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as issued by the International Accounting Standards Board ("IASB"), and the requirements of the Commercial Companies Law of 2019, as amended.

3 BASIS OF PREPARATION (CONTINUED)

a) Statement of compliance (continued)

As allowed by IAS 27 - Separate Financial Statements, have been prepared on a stand-alone basis and represents the results of operations, financial position and cash flows of the Parent Company only and do not include the financial statements of its subsidiary (as listed in note 9). Mazoon Electricity Company SAOC is the parent company of Mazoon Assets Company SAOC ("the Group") and that consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards have been issued separately.

b) Basis of measurement

These separate financial statements are prepared on historical cost basis except for certain derivative financial instruments which are measured at fair value.

c) Presentation and functional currency

These separate financial statements are presented in Rial Omani ("RO"), which is the Company's functional as well as presentation currency. All amounts have been rounded to the nearest thousand (RO '000 and USD '000) except where otherwise stated.

d) Use of estimates and judgments

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

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

Measurement of fair value

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these separate financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in the active market for similar instruments, quoted market prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments that are valued based on quoted prices of similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As at 31 December 2021 the Company held interest rate swap derivatives instruments measured at fair value. The fair values of the interest swaps arrangements are determined using level 2 valuation technique.

3 BASIS OF PREPARATION (CONTINUED)

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

Revenue recognition
Due to the nature of the business, a certain portion of the Company's revenue is estimated rather than based on actual billing. Detailed computations were made on the basis of pre-determined billing patterns and unit usage related criteria in order to arrive at the estimated revenue from those customers where the Company is unable to obtain meter readings and differential days' revenue estimation for those customers billed before year end. If the actual meter readings for such customers differ from the estimates, the Company's revenue would be impacted to the extent of such differences.

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

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

At the reporting date, spares and consumables were RO'000 1,454 (2020: RO'000 1,722) with provisions for old and obsolete inventories of RO'000 310 (2020: RO'000 190). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit or loss and comprehensive income.

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.

Provision for current tax and deferred tax
Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company reviews the provision for tax on a regular basis. In determining the provision for tax, laws of particular jurisdictions (where applicable entity is registered) are taken into account. The management considers the provision for tax to be a reasonable estimate of potential tax liability after considering the applicable laws and past experience.

The Company has evaluated the available evidence about future taxable income and other possible sources of realisation of income tax assets, and the amount recognised has been limited to the amount that, based on management's best estimate, is more likely than not to be realised.

3 BASIS OF PREPARATION (continued)

Key sources of estimation uncertainties (continued)

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

Determining the lease terms
In determining the lease terms, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

4 CHANGES IN ACCOUNTING POLICIES

a) Standards and amendments issued but not yet effective

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

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

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

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

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

- Amendments to IFRS 3 - Reference to the Conceptual Framework

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

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

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

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

- Amendments to IAS 41 Agriculture - Taxation in fair value measurements

4 CHANGES IN ACCOUNTING POLICIES(continued)

a) Standards and amendments issued but not yet effective

- *Amendments to IAS 8 - Definition of Accounting Estimates*
- *Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies*

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

b) New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021.

- *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2.*
- *Amendments to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021*

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

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these separate financial statements are the same as those applied in the Company's separate financial statements as at and for the year ended 31 December 2021.

5.1 Leases

The Company leases various properties, offices and vehicles. Rental contracts are typically made for fixed periods of 2-50 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants except for use for specific purposes, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. At inception of a contract the Company assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset the Company assesses whether:

a) the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

b) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

c) the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

i) the Company has the right to operate the asset; or

ii) the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Company as a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses if any and adjusted for certain re measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.1 Leases (continued)

Lease payments included in the measurement of the lease liability comprise the following:

i) fixed payments, including in-substance fixed payments;

ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

iii) amounts expected to be payable under a residual value guarantee; and the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company presents right-of-use assets and lease liabilities in separately in the statement of financial position.

The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The principal estimated remaining useful lives used for this purpose are:

Assets	Years
Usufruct agreement	25 - 50
Building rent	4 - 5
Vehicles	6

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
The Company has not entered into any agreement in which it is acting as a lessor.

5.2 Currency

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the exchange rates prevailing at the dates of the transactions.

At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at the reporting date.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rates at the date of the transaction.

Translation gains and losses related to monetary items are recognized in the profit or loss and other comprehensive income in the year in which they arise, with the exception of those related to monetary items that qualify as hedging instruments in a cash flow hedge that are recognized initially in profit or loss and other comprehensive income to the extent that the hedge is effective.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.3 Financial Instruments

IFRS 9 Financial Instruments has principle-based requirements for the classification of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. The classification of financial assets under IFRS 9 is generally based on the business model in which the financial asset is managed and contractual cash flows characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

1) Trade and other receivables
2) Cash and cash equivalents
3) Amounts due from related parties
4) Government subsidy receivable
5) Term loans
6) Long term borrowings - sukuks
7) Short term borrowings
8) Bank overdrafts
9) Trade and other payables
10) Lease liabilities
11) Derivatives

Initial recognition

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income – debt instruments; fair value through other comprehensive income – equity instruments; or fair value through profit or loss account.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss account:

i) It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

ii) 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 fair value through other comprehensive income

Equity instruments which are not held for trading or issued as contingent consideration in business combination, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss. This election is made on an investment-by-investment basis.

Debt instruments where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

Financial assets at fair value through profit or loss account

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss account.

Financial assets, at initial recognition, may be designated at fair value through profit or loss, if the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.3 Financial Instruments (continued)

Financial liabilities
Financial liabilities are classified as measured at amortised cost or fair value through profit or loss account. A financial liability is classified as at fair value through profit or loss account if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities, at initial recognition, may be designated at fair value through profit or loss if the following criteria are met:

i) The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;

ii) The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or

iii) The financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities at fair value through profit or loss account are measured at fair value and net gains and losses, including any interest expense, are recognised in the profit or loss account.

Subsequent measurement of financial assets

Financial assets
Financial assets carried at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss account. Any gain or loss on derecognition is recognised in the profit or loss account.

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

The Company designates a financial liability as measured at FVTPL when it meets the definition of held for

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

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

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

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

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

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

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.3 Financial Instruments (continued)

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

i) The rights to receive cash flows from the asset have expired; or
ii) The Company retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
iii) The Company has transferred its rights to receive cash flows from the asset 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.

Any cumulative gain/loss recognised in the statement of other comprehensive income in respect of equity instrument designated as fair value through other comprehensive is not recognised in the profit or loss account on derecognition of such instrument. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

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

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

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss account.

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

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

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.3 Financial Instruments (continued)

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

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

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

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

i) the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
ii) full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

The Company provides for a loss allowance for full lifetime expected credit losses for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition. For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

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

Derivative financial instruments and hedge accounting
At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk.

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

i) there is formal designation and documentation of the hedging relationship at the inception of hedge;
ii) There is an economic relationship between the hedged item and hedging instrument;
iii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and
iv) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedge item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

As part of risk management strategies, the Company uses derivative financial instruments, such as interest rate swaps, to hedge interest rate sensitivities. These derivative financial instruments qualify for hedge accounting and are designated as cash flow hedges. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.3 Financial Instruments (continued)

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

a) the cumulative gain or loss on the hedging instrument from inception of the hedge; and
b) the cumulative change in fair value of the hedged item from inception of the hedge.

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

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

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

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

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

5.4 Property, plant and equipment

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and the difference is recognised in the profit and loss and other comprehensive income.

5.4 Property, plant and equipment (continued)

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

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

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

	Years
Buildings on leasehold land	30
Electricity distribution works	20 - 40
Lines and cables	20 - 40
Substations assets	20 - 40
Other plant and machinery	12 - 60
Furniture, fixtures and vehicles	5 - 7
Plant spares	20

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

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

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

5.5 Intangible assets

Recognition and measurement
Intangible assets represents softwares. These intangible assets are initially recognised at cost and subsequently remeasured at cost less accumulated amortisation and any impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and charged to statement of profit and loss in the period in which the expenditure is incurred.

Amortisation
Intangible assets with finite useful life are amortised over the estimated useful economic life and assessed for impairment whenever there is an indication that intangible asset may be impaired. The amortisation period and method is reviewed at each reporting date. Change in expected useful life on the expected pattern of consumption of future economic benefits embodied in the intangible asset is accounted for by changing the amortisation period or method, as appropriate and treated as change in accounting estimate and accordingly accounted for prospectively. The amortisation charge is recognised in the profit and loss in the expense category consistent with the function of intangible asset.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.6 Spares and consumables

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

5.7 Cash and cash equivalents

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

5.8 Trade and other payables

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

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

5.9 Employee terminal benefits

Obligations for contributions to a defined contribution retirement plan for Omani employees, in accordance with the Oman Social Insurance Scheme, are recognised as an expense in the statement of profit and loss as incurred. The Company's obligation in respect of terminal benefits of non-Omani employees is accrued as per the requirements of Omani Labour Laws or in accordance with the terms and conditions of the employment contract, whichever is higher. This is the amount of future benefit that such employees have earned in return for their service in the current and prior periods.

5.10 Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where some or all of the economic benefits required to settle a provision are expected to be recovered from third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5.11 Borrowing costs

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

5.12 Impairment

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

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.12 Impairment (continued)

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

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

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

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

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

5.13 Government grants

Grants from the Government are recognised at their value where there is a reasonable assurance that the grant will be received and the Company will comply with all the attached conditions. Government grants relating to the costs are deferred and recognised in the statement of profit and loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the construction of assets are included in deferred revenue as 'funding from Government sponsored projects' within non-current liabilities and are credited to profit and loss on straight line basis over the expected useful life of the related assets.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.14 Revenue from contracts with customers

The Company recognises revenue from contracts with customers based on the five step model:

Step 1 Identify the contract(s) with a customer
A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 Identify the performance obligations in the contract
A performance obligation is a unit of account and a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 Determine the transaction price
The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract
For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue
When (or as) the Company satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

i) The customer simultaneously receives and consumes the benefits provided by the Company's performance as and when the Company performs; or

ii) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

iii) The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue from supply of electricity
Revenue represents fair value of income receivable from supply of electricity, in the ordinary course of business, to the Government and private customers within the Company's operating area, including the estimated unbilled revenue during the period from the last billing date to the end of reporting period. The estimate is made using historical consumption patterns and included in trade receivables in these financial statements.

Deferred revenue

i) Installation and connection revenue

Before application of IFRS 15, the Company was recognizing the revenue from installation, connection and metering charges at point of time. Upon application of IFRS 15, it has been identified that there is no separate distinct performance obligation on the Company with regard to this revenue stream, and these services cannot be distinguished from the primary business activity of the Company i.e. supply of electricity. Accordingly, these revenues have been deferred and will be recognized throughout the useful life of the related assets (i.e. 25 years).

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.14 Revenue from contracts with customers (continued)

ii) Assets transfer from customers

Previously recorded revenue under IFRIC 18 - 'Assets transferred from customers', has now been covered under IFRS 15, and recognition of revenue at point of time i.e. when asset is received from customer, is no longer applicable. Under IFRS 15, it has been identified that there is no separate performance obligation with respect to customer-contributed assets other than supply of electricity in the future. Therefore, consideration received (or fair value of the assets transferred) should be treated as part of the transaction price (non-cash consideration) and revenue to be recognized as and when electricity is provided to the customer in future.

Accordingly, this revenue has been deferred and will be recognized throughout the useful life of the relevant assets transferred from customers.

The Company has estimated the average assets life to be 25 years based on the useful life of the Installation and connection asset. Following the adoption of IFRS 15 the Company recognizes the fee over 25 years.

iii) Government sponsored projects

It represents the funds received from the Government for the construction of assets for the benefit of public at large or specific Government authorities. These funds are deferred and recognised as revenue over the period of the useful life of the assets.

Variable consideration

Variable consideration amounts are estimated at either their expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not reverse.

Significant financing component

The Company evaluates significant financing component, if the period between customer payment and the transfer of goods/ services (both for advance payments or payments in arrears) is more than one year. The Company adjusts the promised amount of consideration for the time value of money using an appropriate interest rate reflecting the credit risk.

Contract modification

A contract modification occurs when the Company and the customer approve a change in the contract that either creates new enforceable rights and obligations or changes the existing enforceable rights and obligations. Revenue related to a modification is not recognised until it is approved. Approval can be in writing, oral, or implied by customary business practices.

The Company treats the contract modification as a separate contract if it results in the addition of a separate performance obligation and the price reflects the standalone selling price of that performance obligation. Otherwise, a modification (including those that only affect the transaction price) is accounted for as an adjustment to the original contract, either prospectively or through a cumulative catch-up adjustment.

The Company accounts for a modification prospectively if the goods or services in the modification are distinct from those transferred before the modification. Conversely, the Company accounts for a modification through a cumulative catch-up adjustment if the goods or services in the modification are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified.

Cost of obtainment and fulfilment

The Company capitalises incremental costs to obtain a contract with a customer except if the amortisation period for such costs is less than one year.

If the costs incurred in fulfilling a contract with a customer are not in the scope of other guidance - e.g. inventory, intangibles, or property, plant and equipment - then the Company recognises an asset only if the fulfilment costs meet the following criteria:

i) Relate directly to an existing contract or specific anticipated contract;
ii) Generate or enhance resources that will be used to satisfy performance obligations in the future; and
iii) Are expected to be recovered.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.14 Revenue from contracts with customers (continued)

If the costs incurred to fulfil a contract are in the scope of other guidance, then Company accounts for such costs using the other guidance.

The Company amortises the asset recognised for the costs to obtain and/or fulfil a contract on a systematic basis, consistent with the pattern of transfer of the good or service to which the asset relates. In the case of an impairment, the Company recognises these losses to the extent that the carrying amount of the asset exceeds the recoverable amount.

5.15 Government subsidy

The Company's revenue is regulated by the price control mechanism and the maximum allowed revenue is determined for every reporting period. The excess of economic cost over customer and other revenue is received as Government subsidy. In accordance with the price control mechanism actual regulated revenue includes, electricity sales to private and Government customers, Government subsidy and other income including installation and connection charges. Any reduction in the actual regulated revenue would be compensated by corresponding increase in Government subsidy.

Total revenue in excess / (short) of the maximum allowed revenue determined under the price control mechanism is shown as Government subsidy receivable.

5.16 Income tax

Income tax for the year comprises current and deferred tax, which is computed as per the fiscal regulations of the Sultanate of Oman. Income tax is recognised in the profit and loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

5.17 Dividends

The Board of Directors takes into account appropriate parameters including the requirements of the Commercial Companies Law while recommending the dividend. Dividends on ordinary shares are recognised when they are approved for payment.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.18 Directors' sitting fees and remuneration

Directors' sitting fees and remuneration are approved by the shareholders in the ordinary annual general meeting of the Company and are recognised as an expense in the profit and loss and other comprehensive income.

5.19 Earnings per share

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

5.20 Cash and cash equivalents

For the purpose of statement of cash flows, cash in hand, all bank balances and short term bank deposits with a maturity of three months or less from the date of placement are considered to be cash and cash equivalents.

5.21 Determination of fair value

Derivative financial instruments

Fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using yield curves of the respective currencies. The fair value of interest rate swaps is based on estimated future cash flows based on the terms and maturity of each contract and using market interest rates.

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

Non derivative financial liabilities

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

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings on leasehold land RO'000	*Electricity distribution networks RO'000*	*Lines and cables RO'000*	*Substation assets RO'000*	*Other plant and machinery RO'000*	*Furniture, fixtures and vehicles RO'000*	*Plants spares RO'000*	*Assets under finance lease RO'000*	*Capital work-in-progress RO'000*	*Total RO'000*
Cost										
1 January 2020	45,846	511,901	234,901	107,638	45,726	10,425	4,323	740	98,119	1,059,619
Additions	-	-	-	-	-	529	53	-	68,281	68,863
Transfers	2,628	35,886	12,958	13,776	2,586	-	(239)	-	(67,595)	-
Disposals	-	-	-	-	-	(327)		-	-	(327)
1 January 2021	**48,474**	**547,787**	**247,859**	**121,414**	**48,312**	**10,627**	**4,137**	**740**	**98,805**	**1,128,155**
Additions	-	-	-	-	-	**571**	**114**	-	**61,419**	**62,104**
Deletions	-	-	-	-	-	**(70)**	-	-	-	**(70)**
Transfers	**5,974**	**47,329**	**13,126**	**(1,149)**	**4,860**	-	-	-	**(70,140)**	-
31 December 2021	**54,448**	**595,116**	**260,985**	**120,265**	**53,172**	**11,128**	**4,251**	**740**	**90,084**	**1,190,189**
Accumulated depreciation										
1 January 2020	8,135	138,998	36,065	24,765	12,344	7,724	691	423	-	229,145
Charge for the year	1,685	20,254	6,011	3,421	2,297	1,144	217	53	-	35,082
Transfers	-	-	-	-	44	-	(44)	-	-	-
Related to disposals	-	-	-	-	-	(326)	-	-	-	(326)
1 January 2021	**9,820**	**159,252**	**42,076**	**28,186**	**14,685**	**8,542**	**864**	**476**	-	**263,901**
Charge for the year	**1,953**	**21,996**	**6,174**	**3,018**	**2,494**	**1,008**	**209**	**53**	-	**36,905**
Related to disposals	-	-	-	-	-	**(69)**	-	-	-	**(69)**
31 December 2021	**11,773**	**181,248**	**48,250**	**31,204**	**17,179**	**9,481**	**1,073**	**529**	-	**300,737**
Carrying amounts										
31 December 2021	**42,675**	**413,868**	**212,735**	**89,061**	**35,993**	**1,647**	**3,178**	**211**	**90,084**	**889,452**
31 December 2020	38,654	388,535	205,783	93,228	33,627	2,085	3,273	264	98,805	864,254

6 PROPERTY, PLANT AND EQUIPMENT (continued)

6.1 The Company's building and substations are constructed on lands leased from the Ministry of Housing, Government of Sultanate of Oman.

6.2 Capital work-in progress includes works which are in different stages of completion and relates to (a) construction and upgrading of substations and feeders, (b) electrical distribution works networks, (c) extension of power supply to customers, (d) furniture and fixtures, computers and software, and (e) other common assets.

6.3 Assets with Net book Value of RO 192.7 Million (2020: RO 192.7 Million) identified and described in the transaction documents and agreements between the Company and its 99.99 percent owned subsidiary Mazoon Assets Company SAOC, for the 10 Year US$ 500 Million Sukuk Certificate as on the date of the transaction, are continued to be shown under the respective assets categories, while recognizing the receipt of the proceeds from Mazoon Assets Co. SAOC as a long term borrowing. By virtue of the license issued by the Authority for Public Services Regulation, Oman (formerly known as Authority for Electricity Regulations (AER)), only the Company is authorized to operate and maintain the assets which forms part of the distribution network of the Company within the authorised area. The risk and rewards associated with the assets continue to be with the Company as per the transaction documents executed.

6.4 Depreciation charge for the year is allocated as follows:

	2021	*2020*
	RO'000	*RO'000*
Operating costs (note 29)	**35,633**	33,667
General and administration expenses (note 30)	**1,273**	1,415
	36,906	35,082

7 RIGHT-OF-USE ASSETS

	2021	*2020*
	RO'000	*RO'000*
Cost		
1 January	**6,174**	6,095
Additions	**102**	79
31 December	**6,276**	6,174
Accumulated depreciation		
1 January	**862**	391
Charge for the year	**489**	471
31 December	**1,351**	862
Carrying amounts	**4,925**	5,312

7.1 Depreciation charge on right of use assets is allocated as follows

	2021	*2020*
	RO'000	*RO'000*
Operating costs (note 29)	**109**	109
General and administration expenses (note 30)	**380**	362
	489	471

8 INTANGIBLE ASSETS - SOFTWARE

	2021	*2020*
	RO'000	*RO'000*
Cost		
At 1 January	**5,299**	5,038
Additions	**146**	261
At 31 December	**5,445**	5,299
Accumulated amortisation		
At 1 January	**4,689**	4,313
Charge for the year	**323**	376
At 31 December	**5,012**	4,689
Carrying amounts	**433**	610

The intangible assets are amortised over the period from 5 to 7 years on straight line basis.

9 INVESTMENT IN A SUBSIDIARY

Pursuant to the decision of the shareholders in the extra ordinary general meeting held on 20 August 2017, the Company established a special purpose vehicle for raising finance by issuance of Sukuk in the international market. Accordingly, Mazoon Assets Company SAOC, a Company registered under the Commercial Companies Law of the Sultanate of Oman was established with the shareholding as follows:

	Number of shares	***2021 RO'000***	*2020 RO'000*
Mazoon Electricity Company SAOC	499,950	**499,950**	499,950
Nama Shared Services LLC	25	**25**	25
Numo Institute for Competency Development LLC	25	**25**	25
	500,000	**500,000**	500,000

Investment represents the Company's investment in Mazoon Assets Company SAOC. The main objective of the Mazoon Assets Company as per the Memorandum and Articles of Association is to raise the finance. In addition to the 99.99 percent shareholding, the Company also exercises control over the affairs of the SPV Mazoon Assets Company SAOC with three of its senior executives as members in the five member board of directors. The other shareholders namely, Nama Shared Services LLC and Numo Institute for Competency Development LLC, who hold 0.005 percent shares each in Mazoon Assets Company SAOC are the companies within the Nama Holding Group and are wholly owned by the Electricity Holding Company.

10 STORES AND SPARES

	2021 RO'000	*2020 RO'000*
Spares and consumables	**1,454**	1,722
Provision for inventories obsolescence (note 10.1)	**(310)**	(190)
	1,144	1,532

10.1 The movement in provision for inventories obsolescence is as follows

	2021 RO'000	*2020 RO'000*
At 1 January	**190**	150
Provision of inventories obsolescence	**120**	40
At 31 December	**310**	190

The stores and spares include items which are used in maintenance of the Company's distribution network.

11 TRADE AND OTHER RECEIVABLES

	2021 RO'000	2020 RO'000
Amounts due from domestic customers	**34,767**	22,999
Amounts due from commercial customers	**12,342**	6,500
Amounts due from Government customers	**21,816**	17,202
Amount due from related parties (note 25.3)	**10,998**	3,846
VAT input tax receivable	**12,382**	-
Receivable on account of maximum allowed revenue	**4,330**	12,102
Receivable from Government	**1,194**	1,129
Prepayments	**585**	693
Other receivables (note 11.2)	**14,581**	2,570
	112,995	67,041
Allowance for expected credit losses (note 11.1)	**(3,212)**	(3,043)
	109,783	63,998

11.1 The movement in expected credit losses was as follows:

	2021	2020
At 1 January	**3,043**	2,568
Allowance for expected credit losses for the year	**169**	852
Receivables written-off	**-**	(377)
At 31 December	**3,212**	3,043

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured.

11.2 Oman Tax Authority has directed the distribution companies that 5% VAT is applicable upon entire amount of billing issued to the customers including subsidy part. The Tax Authority issued letter to APSR to agree on VAT mechanism in this respect. The Company has calculated VAT from 16 April 2021 (the date of VAT implementation) and recognized VAT payable and with same amount booked as receivable from Ministry of Finance amounting to RO 8.8 million as disclosed under note 22. Currently the Company is in process of issuing letters to MoF to discuss and agree on VAT recovery mechanism.

The information about the credit risk exposure as at 31 December 2021 and 2020 (on adoption of IFRS 9) on the Company's receivables using a provision matrix is set out in (note 35.2).

12 CASH AND CASH EQUIVALENTS

	2021 RO'000	2020 RO'000
Cash at banks	**7,843**	4,159
Cash in hand	**25**	25
Cash and cash equivalents for the purpose of statement of financial position	**7,868**	4,184
Bank overdraft (note 24)	**(452)**	(6,672)
Cash and cash equivalents for the purpose of cash flows	**7,416**	(2,488)

13 SHARE CAPITAL

The Company's authorised, issued and paid up share capital consist of 150,000,000 shares of RO 1 each. The details of shareholders are as follows:

	Number of shares	2021 RO	2020 RO
Electricity Holding Company SAOC	149,985,000	**149,985,000**	149,985,000
Nama Shared Services Company LLC	7,500	**7,500**	7,500
Numo Institute for Competency Development LLC	7,500	**7,500**	7,500
	150,000,000	**150,000,000**	150,000,000

14 LEGAL RESERVE

Article 132 of the Commercial Companies Law of 2019 requires that 10% of a Company's net profit after deduction of taxes to be transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to one-third of the Company's fully paid share capital.

No appropriation from the profit has been made during the current period as the Company has already achieved its minimum amount required in the legal reserve. This reserve is not available for distribution.

15 GENERAL RESERVE

In accordance with Article 133 of the Commercial Companies Law of 2019 and the Company's policy, an amount not exceeding 20% of the net profit of each financial year after deduction of taxes and transfer to legal reserve should be transferred annually to a general reserve until the balance of general reserve reach one half of the share capital. The reserve is available for distribution to the shareholders.

16 CASH FLOW HEDGING RESERVE

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss or included as a basis adjustment to the non-financial hedged item.

	2021	*2020*
	RO'000	*RO'000*
At 1 January	**5,467**	2,044
Change in fair value during the year	**(3,194)**	3,423
	2,273	5,467
Less: Related deferred tax assets (note 33)	**341**	820
At 31 December	**1,932**	4,647

At the reporting date, the Company has Interest Rates Swap (IRS) agreements covering 100% of the term loans. The swap rates vary from 2.02% and 2.42% per annum (2020: 2.02% and 2.42% per annum). The fair value of the interest rate swaps is based on market value of instruments on the reporting date. The interest rate swaps are designated as cash flow hedges and the fair value thereof has been dealt within equity.

The fair value of the interest rate swaps is based on market value of equivalent instruments of the reporting date and the fair value thereof has been dealt with in equity.

	Fair value	*Notional amount Total*	*Notional by term to maturity*	*more than*	
			1 - 12 months	*1 upto 5 years*	*Over 5 years*
	RO'000	*RO'000*	*RO'000*	*RO'000*	*RO'000*
31 December 2021					
Interest rate swaps	**2,273**	**68,992**	**9,856**	**39,424**	**19,712**
31 December 2020					
Interest rate swaps	5,467	78,848	9,856	39,424	29,568

Valuation techniques and significant unobservable inputs:
The following tables show the valuation techniques used in measuring Level 2 fair values for financial instruments in the statement of financial position and there are no significant unobservable inputs used.

16 CASH FLOW HEDGING RESERVE (CONTINUED)

Type	**Valuation techniques**
Other financial liabilities	Discounted cash flows: The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.
Interest rate swaps	Swap models: The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and LIBOR 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. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Company and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices. The interest rate swaps have been valued as the difference in Net Present Values of Fixed and Floating legs of the swaps. Floating rates are based on LIBOR rates with biannual coupon payments. The forward rates have been determined from the zero curve rates. These rates have been used to compute the cash flows for the swaps.

17 TERM LOANS

In 2015, the Company entered into a Dual Currency Term Loan Facility Agreement with a consortium of Lenders, with Ahli Bank acting as Facility Agent and Account bank, for an amount of RO 240 million. The loans are unsecured and are for a period of 11 years as follows:

a) RO 117 million, at a fixed interest rate for a period of 5 years from the date of first utilization of the RO tranche of the Term Loan, thereafter interest to be reviewed annually. At the reporting date, the balance of the facility availed amounted to RO 65.5 million (31 December 2020: RO 75.1 million).

a) USD 320 million (equivalent to RO 123 million), for a period of 11 years from the date of first utilization. At the reporting date, the balance of the facility availed amounted to RO 68.9 million (31 December 2020: RO 78.8 million).

17.1 The movement in term loans during the year was as follows

	2021	*2020*
	RO'000	*RO'000*
At 1 January	**153,968**	173,184
Less: repayments	**(19,455)**	(19,216)
	134,513	153,968
Less: unamortised transaction costs (note 17.2)	**(2,060)**	(2,578)
At 31 December	**132,453**	151,390

17.2 Unamortised transaction costs

	2021	*2020*
	RO'000	*RO'000*
At 1 January	**2,578**	3,116
Less: amortised during the year	**(518)**	(538)
At 31 December	**2,060**	2,578

17.3 Classification of term loans into current and non-current portion

	2021	*2020*
	RO'000	*RO'000*
Term loans-current portion	**19,216**	19,456
Unamortised costs - current portion	**(498)**	(518)
	18,718	18,938
Term loans - non-current portion	**115,297**	134,512
Unamortised costs - non current portion	**(1,562)**	(2,060)
	113,735	132,452
	132,453	151,390

17.4 Compliance with covenants

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

18 LONG TERM BORROWINGS - SUKUKS

During the year 2017, the Company raised long term finance to meet the capital expenditure needs through assets backed Sukuk route. In order to facilitate the funding the Company formed Mazoon Assets Company SAOC, a Special Purpose Vehicle (SPV) purely for the purpose of raising the Sukuk finance. On 1 November, 2017, Mazoon Assets Company SAOC successfully priced its debut Reg S/144A US$ 500 million 10-year Sukuk offering following the Shari'a compliant Ijara Structure. The profit rate payments are due on 8 May and 8 November every year during the tenure of the Sukuk certificate and the certificates are due for repayment in full on 8 November 2027.

The Certificates are listed on the Irish Stock Exchange and the issuance was managed by Mazoon Electricity Company SAOC and the Holding Company along with J.P. Morgan Securities plc, Bank Muscat SAOG, KFH Capital Investment Company KSCC, and First Abu Dhabi Bank PJSC acting as Joint Lead Managers and Noor Bank PJSC and Warba Bank (K.S.C.) acting as co-managers.

The scheme was executed on 8 November 2017. The legal form of contracts entered into for the purpose of raising, servicing and repayment of the Sukuk finance includes;

a) Sale by Mazoon Electricity Company SAOC and purchase by Mazoon Assets Company SAOC of PPE assets.
b) Lease back of these assets by Mazoon Electricity Company SAOC from Mazoon Assets Company SAOC under a Lease Agreement and Servicing Agency Agreement.
c) Subscription agreement.
d) Declaration of trust agreement.
e) Purchase undertaking agreement and sale and substitution agreement.

Mazoon Assets Company SAOC, which is a 99.99 percent owned subsidiary of Mazoon Electricity Company SAOC, has no economic purpose to serve other than to act as a Special Purpose Vehicle. As per agreement, Mazoon Electricity Company SAOC is obliged to bear all the initial issue costs as well as all recurring costs of operation.

Mazoon Electricity Company SAOC recognises the financial liability in respect of the Sukuk obligation while retaining the property, plant and equipment on its statement of financial position.

	2021	*2020*
	RO'000	*RO'000*
Long term borrowings - Sukuks	**192,500**	192,500
Less: unamortised transaction cost (note 18.1)	**(662)**	(776)
	191,838	191,724

18.1 Unamortised transaction cost

	2021	*2020*
	RO'000	*RO'000*
At 1 January	**776**	890
Amortised during the year	**(114)**	(114)
At 31 December	**662**	776

19 DEFERRED REVENUE

19.1 The movement in deferred revenue during the year is as follows

	Installation and connection charges RO'000 (Note 19.2)	*Government sponsored projects RO'000 (Note 19.3)*	*Customer contributed assets RO'000 (Note 19.3)*	*Regulatory base asset adjustment RO'000 (Note 19.4)*	*Total RO'000*
31 December 2021					
At the beginning of the year	**27,206**	**30,210**	**3,733**	**-**	**61,149**
Additions during the year	**2,798**	**955**	**-**	**2,809**	**6,562**
Amortised during the year (note 28)	**(1,554)**	**(654)**	**(293)**	**-**	**(2,501)**
At the end of the year	**28,450**	**30,511**	**3,440**	**2,809**	**65,210**
31 December 2020					-
At the beginning of the year	25,695	22,351	4,075	-	52,121
Additions during the year	2,954	8,550	(218)	-	11,286
Amortised during the year (note 28)	(1,443)	(691)	(124)	-	(2,258)
At the end of the year	27,206	30,210	3,733	-	61,149

19.2 Installation and connection charges:

Installation and connection revenue represent the fee collected for the activities to provide services to the customer contracted for supply of electricity. Accordingly, the installation and connection revenue is recognized over the period of time as per IFRS 15. 'The Company has estimated the average asset life to be 25 years based on the useful life on connection and installation assets and recognized installation and connection fee over this period. Following the adoption of IFRS 15 the Company recognizes the installation and connection fee over 25 years.

19.3 Government sponsored projects/customers contributed assets:

The Government provide funding towards the cost of property, plant and equipment and customer contributed assets. These funding/contributions are deferred over the life of the relevant property, plant and equipment.

19.4 Regulatory asset base adjustment:

Regulatory asset base adjustment relates to excess of maximum allowed revenue arising from the difference in price control allowed capex and actual capex outturn that will be adjusted while setting the future price control.

19.5 Classification of deferred revenue into current and non-current portion:

The following table includes revenue to be expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2021.

	2021 RO'000	*2020 RO'000*
Current portion		
Installation and connection charges	**1,554**	1,443
Government sponsored projects	**742**	606
Customer contributed assets	**205**	209
Regulatory base adjustment	**702**	-
	3,203	2,258
Non-current portion		
Installation and connection charges	**26,896**	25,763
Government sponsored projects	**24,718**	27,311
Customer contributed assets	**8,286**	5,817
Regulatory base adjustment	**2,107**	-
	62,007	58,891
	65,210	61,149

20 LEASE LIABILITIES

Lease liabilities represents leasehold land (right to use assets) acquired under the usufruct agreements with the Government of the Sultanate of Oman. The lease facilities carry an interest of 3.5% (31 December 2020: 3.5%) per annum implicit in the lease on reducing balance method and is repayable in monthly installments over 6 years. Amounts due within a year from the end of reporting period are disclosed as a current liability.

20.1 The movement in lease liabilities during the year is as follows:

	2021	*2020*
	RO'000	*RO'000*
At 1 January	**5,962**	6,218
Interest on lease liabilities (note 32)	**325**	323
Additions	**102**	79
Payment (interest and principal)	**(711)**	(658)
At 31 December	**5,678**	5,962

20.2 Lease liabilities are classified into current and non-current portion as follows:

	2021	*2020*
	RO'000	*RO'000*
Current portion	**774**	914
Non-current portion	**4,905**	5,048
	5,679	5,962

20.3 Following are the amounts recognised in the statement of profit and loss and other comprehensive income:

	2021	*2020*
	RO'000	*RO'000*
Depreciation on right to use assets (note 7.1)	**489**	471
Interest on lease liabilities (note 32)	**325**	323
	814	794

The maturity analysis of lease liabilities are disclosed in note 35.3.

21 EMPLOYEES' END OF SERVICE BENEFITS

	2021	*2020*
	RO'000	*RO'000*
At 1 January	**1,097**	1,260
Charge for the year	**21**	21
Payments during the year	**(271)**	(184)
At 31 December	**847**	1,097

22 TRADE AND OTHER PAYABLES

	2021 RO'000	2020 RO'000
Amount due to related parties (note 25.4)	**21,364**	22,705
Creditors for capital projects	**25,850**	44,737
Accruals and other payables	**11,083**	20,617
Trade payables	**21,837**	8,526
VAT payable on government subsidy (note 11)	**8,767**	-
	88,901	96,585

22.1 Terms and conditions of the above financial liabilities:

i) Creditors for capital projects and trade payables are non-interest bearing liabilities and normally settled on 30 to 60 days term.
ii) Trade payables are non-interest bearing liabilities and normally settled on 30 to 60 days term.
iii) Other payables are non-interest bearing liabilities and normally settled on 30 to 60 days term.
iv) For terms and conditions with related parties, refer note 25.

For explanation on the Company's liquidity risk management process, refer note 35.3.

23 SHORT TERM BORROWINGS

23.1 The Break up of short term borrowings is as follows

	2021 RO'000	2020 RO'000
Working capital facilities (note 23.3)	**90,825**	91,200
Bridge loan facilities (note 23.4)	**145,475**	50,000
	236,300	141,200

23.2 The movement in short term borrowings

	2021 RO'000	2020 RO'000
At 1 January	**141,200**	107,375
Addition during the year	**217,100**	207,125
Less: repayments during the year	**(122,000)**	(173,300)
31 December	**236,300**	141,200

23.3 Working capital facilities

a) The Company has entered into a revolving loan facility agreement dated 8 December 2016 with a consortium of banks with Arab Banking Corporation acting as the Agent Bank, for an amount of USD 120 million. The facility was renewed for a period of 12 months vide amendment agreement dated 3rd December 2017. The facility was further renewed vide amendment agreement dated 28 November 2018 for another 12 month period with an enhanced limit of USD 175 million (equivalent to RO 67.4 million). During 2019 the Company renewed the facility for another 12 month period with a reduced limit of USD 120 million which was further renewed, amended and restated on 3rd December 2020. During the year this facility was renewed and restated on 28 November 2021. At 31 Dec 2021, the availed facility is equivalent to RO 46.2 million (31 December 2020: RO 46.2 million).

b) During the year 2019 the Company entered into a short term working capital facility with Bank Muscat for an amount of Rial Omani 40 million vide an agreement dated 11 November 2019. The facility was renewed during the year 2020 and 2021 and as at 31 Dec 2021, the availed facility is equivalent to RO 15 million (31 December 2020: RO 40 million)

23 SHORT TERM BORROWINGS (CONTINUED)

23.3 Working capital facilities (continued)

c) During the year 2020 the Company vide an agreement dated 2nd April 2020 entered into a intercompany working capital facility with Electricity Holding Company SAOC for an amount of RO 17.6 million. During the year this facility was amended and renewed for a period until 31st December 2022. At 31 December 2021 the availed balance under this facility is RO 17.6 million (31 December 2020 : Nil)

d) During the year 2020 the Company vide an agreement dated 2nd September 2020 entered into a intercompany working capital facility with Electricity Holding Company SAOC for an amount of RO 12 million. During the year this facility was amended and renewed for a period until 31st December 2022. At 31 December 2021 the availed balance under this facility is RO 12 million (31 December 2020 : Nil)

e) During the year 2015 the Company entered into a working capital facility (overdraft and revolving short term loan and bank guarantee) agreement with Ahli bank SAOG for an aggregate limit of RO 15 million which was renewed from time to time. At 31 December 2021 the availed balance under the revolving short term loan under this facility is Nil (31 December 2020 : RO 5 million)

23.4 Bridge loan facilities

a) During the year 2020 the Company vide an agreement dated 2nd April 2020 entered into a intercompany bridge loan facility with Electricity Holding Company SAOC for an amount of RO 30 million which was renewed for a further period of one year and as at 31 December 2021, the availed and balance under this facility is RO 30 million (31 December 2020 : RO 30 million).

b) During the year 2020 the Company vide an agreement dated 29th December 2020 entered into a intercompany bridge loan facility with Electricity Holding Company SAOC for an amount of RO 20 million. The facility was repaid during the year and as at 31 December 2021 the balance under this facility is Nil (31 December 2020 : RO 20 million)

c) During the period the Company raised a bridge loan to meet the capital expenditure needs through an asset backed Ijara Loan. The agreement was executed on 16 March 2021. The legal form of contracts entered into for the purpose of raising, servicing and repayment of the Ijara Loan finance includes;

i) Sale by Mazoon Electricity Company SAOC and purchase by Bank Muscat SAOG (Investment Agent) of PPE assets.
ii) Lease back of these assets by Mazoon Electricity Company SAOC from Investment Agent under a Lease Agreement and Servicing Agency Agreement.
iii) Declaration of trust agreement.
iv) Purchase undertaking agreement and sale undertaking agreement.

At 31 December 2021, the availed balance under this facility is RO 90.475 million (31 December 2020 :

d) During the year 2021 the Company vide an agreement dated 2nd December 2021 entered into a intercompany bridge loan facility with Electricity Holding Company SAOC for an amount of RO 25 million and as at 31 December 2021, the availed and balance under this facility is RO 25 million.

24 BANK OVERDRAFTS

	2021 RO'000	2020 RO'000
Bank overdrafts	452	6,672

The Company has availed a working capital facility (overdraft and revolving short term loan) and bank guarantee from Ahli Bank SAOG for an amount of RO 15 million. The overdraft limit of RO 10 million is interchangeable between overdraft and revolving short term loan upon a condition that the combined utilisation of both the facilities not to exceed RO 15 million at any point of time. The facilities are unsecured, payable on demand and carry interest rate at the rate of 3.5% to 4 % (31 December 2020: 3.5% to 4%) per annum.

25 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise the shareholders, directors, key management personnel, business entities that have the ability to control or exercise significant influence over financial and operating decisions of the Company and entities over which certain shareholders are able to exercise significant influence.

The Government is a related party of the entity as it is the ultimate controlling party. The entity in the ordinary course of business transacts with other government owned entities. However, in view of the exemption from disclosure requirements set out in IFRS in relation to related party transactions and outstanding balances with the Government, that has control or joint control of, or significant influence over the Company and an entity that is a related party of the same government, the Company has applied the exemptions in IAS 24, related to government entities and only disclosed certain information to meet the disclosure requirements of IAS 24. The Company maintains balances with the related parties which arise in the normal course of business. The related party transactions are carried out based on mutually agreed terms. Outstanding balances at period end are unsecured and settlement occurs in cash.

Prices and terms of these transactions, which are entered into in the normal course of business, are on mutually agreed terms and conditions.

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

	2021 RO'000	2020 RO'000
Other related parties:		
Oman Power and Water Procurement Company SAOC		
Purchase of electricity (note 29)	210,738	198,200
Oman Electricity Transmission Company		
Transmission connection charges (note 29)	8,538	8,040
Transmission use of system charges (note 29)	36,375	34,728
Mazoon Assets Company SAOC		
Sukuk profits rate paid	10,010	10,010
Shareholders:		
Electricity Holding Company SAOC		
Short term loan	84,625	50,000
Interest on short term loan	2,872	1,705
Shareholders service charges	45	45
Numo Institute for Competency Development LLC		
Training expenses / (adjustment)	5	15
Nama Shared Services LLC		
IT Support service charges	401	389

25 RELATED PARTY TRANSACTIONS (Continued)

25.2 Key Management benefits

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise). The compensation for key management personnel during the period comprises of following:

	2021	*2020*
	RO'000	*RO'000*
Salaries and other short term benefits	**526**	554
End of service benefits	**44**	38
Directors' remuneration and sitting fees (note 30)	**16**	39
	586	631
Number of persons in key management	**8**	8

25.3 Amounts due from related parties

	2021	*2020*
	RO'000	*RO'000*
Oman Power and Water Procurement Company SAOC	**10,757**	3,637
Muscat Electricity Distribution Company SAOC	**199**	199
Oman Electricity Transmission Company SAOC	**5**	5
Ghubra Power & Desalination Company SAOC	**3**	3
Rural Areas Electricity Company SAOC	**1**	2
Electricity Holding Company SAOC	**34**	
	10,998	3,846

25.4 Amounts due to related parties

	2021	*2020*
	RO'000	*RO'000*
Oman Power and Water Procurement Company	**532**	532
Oman Electricity Transmission Company SAOC	**12,756**	16,088
Electricity Holding Company SAOC	**5,682**	2,455
Mazoon Assets Company SAOC	**1,506**	3,184
Muscat Electricity Distribution Company	**5**	5
Majan Electricity Company SAOC	**6**	5
Rural Areas Electricity Company	**218**	172
Numo Institute for Competency Development LLC	**96**	19
Nama Shared Services LLC	**563**	245
	21,364	22,705

26 DIVIDENDS

A cash dividend of RO 0.07 per share on 150 million shares aggregating RO 10.5 million has been proposed from the profit of the year ended 31 December 2021 (a cash dividend or RO 0.09 per share on 150 million shares aggregating to RO 13.5 million was proposed and paid in 2021 from the profits of the year ended 31 December 2020).

27 COMMITMENTS AND CONTINGENT LIABILITIES

	2021	*2020*
	RO'000	*RO'000*
Capital commitments (note 27.1)	**24,222**	31,152
Letter of guarantee	**741**	741
	24,963	31,893

27.1 Significant capital expenditure contracted for at the end of the reporting period but not provided are RO 24.2 million (2020: RO 31.15 million).

28 REVENUE

Disaggregation of revenue

Point in time

	2021 RO'000	2020 RO'000
Commercial customers	**73,032**	70,331
Private customers	**64,690**	43,152
Government customers	**35,372**	25,473
Government subsidy	**204,922**	202,211
	378,016	341,167
Add/(less): Revenue short/(excess) of maximum allowed as per price control formula	**(3,606)**	12,579
Add: System and security penalties	**(6,977)**	(5,098)
	367,433	348,648
Over period of time		
Installation and connection charges (note 19.1)	**1,554**	1,443
Funds for Government sponsored projects (note 19.1)	**654**	691
Customer contributed assets (note 19.1)	**293**	124
Other adjustments	**(717)**	(780)
	1,784	1,478
	369,217	350,126

29 OPERATING COSTS

	2021 RO'000	2020 RO'000
Electricity purchases (note 25.1)	**210,738**	198,200
Transmission use of system charges (note 25.1)	**36,375**	34,728
Transmission connection charges (note 25.1)	**8,538**	8,040
Depreciation on property, plant and equipment (note 6.4)	**35,633**	33,667
Depreciation on right of use assets (note 7.1)	**109**	109
Maintenance and repairs expenses	**6,906**	5,358
Spares and consumable expenses	**906**	1,205
Other direct costs	**8**	4
	299,213	281,311

30 GENERAL AND ADMINISTRATIVE EXPENSES

	2021 RO'000	2020 RO'000
Employees' costs (note 30.1)	**12,942**	12,800
Services expenses	**4,865**	4,657
Meter reading, billing and collection charges	**7,507**	5,668
Depreciation on property, plant and equipment (note 6.4)	**1,273**	1,415
Depreciation on right of use assets (note 7.1)	**380**	362
Amortisation on intangible assets (note 8)	**323**	376
Directors' remuneration and sitting fees (note 25.2)	**16**	39
Provision for Inventories obsolescence	**120**	40
Other expenses	**904**	948
	28,330	26,305

30.1 *Employees' costs*

Wages and salaries	**10,923**	11,373
Other allowances and benefits	**1,997**	1,406
Accruals for end of service benefits	**22**	21
	12,942	12,800

31 OTHER INCOME

	2021 RO'000	2020 RO'000
Penalties and fines	**1,851**	1,770
Gain on sale of scrap sales	**1**	948
Amortisation of deferred revenue (note 19)	**-**	815
Gain on disposal of property, plant and equipment	**(1)**	60
Miscellaneous income	**1,205**	489
Sale of government contracts forms & tenders	**115**	87
	3,171	4,169

32 FINANCE COSTS

	2021 RO'000	2020 RO'000
Interest on term loans	**7,092**	7,025
Interest on long term loans-sukuks	**10,010**	10,010
Interest on short-term borrowings	**7,821**	5,393
Amortized transaction cost - term loans (note 17.2)	**518**	538
Amortized transaction cost - long term loans - sukuks (18.1)	**114**	114
Finance charges on lease assets (note 20.3)	**325**	323
Interest on bank overdrafts	**146**	100
Interest on loan from a shareholder	**404**	63
Bank charges	**39**	45
	26,469	23,611

33 TAXATION

33.1 Tax expense recognised in the statement of profit and loss and other comprehensive income.

	2021	*2020*
	RO'000	*RO'000*
		(Restated)
Current tax	(81)	-
Deferred tax	4,795	4,704
	4,714	**4,704**

The Company is subject to income tax at the rate of 15% (2020-15%) of taxable income in accordance with the Income Tax Law of the Sultanate of Oman. No current tax has been provided due to tax deductible losses for current and prior years. The deferred tax on all temporary differences have been calculated and dealt with in the statement of profit and loss and other comprehensive income.

33.2 *Movement in current tax and deferred tax payable during the year was as follows*

	Current tax		*Deferred tax*	
	2021	*2020*	***2021***	*2020*
	RO'000	*RO'000*	***RO'000***	*RO'000*
		(Restated)		*(Restated)*
At 1 January	**81**	600	**45,899**	41,708
Charge/ (Reversal) for the year	**(81)**	-	**5,274**	4,191
Payment during the year	-	(519)	-	-
At 31 December	-	81	**51,172**	45,899

33.3 Reconciliation of income tax expense

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

	2021	*2020*
	RO'000	*RO'000*
		(Restated)
Profit before tax	**18,254**	22,458
Income tax as per applicable tax rate	**2,738**	3,369
Prior years adjustments - deferred tax	**(226)**	61
Unrecognized deferred tax on tax losses	**2,283**	1,274
Tax charge for the year	**4,795**	4,704

No deferred tax has been recognised on tax losses of RO 63 million (2020: RO 60 million) which are expected to expire in the years between 2022 - 2026 (2020: years between 2021 - 2025), as it is probable that future taxable profits will not be available against which the Company can use the benefits there from.

The Company's effective tax rate for the year ended 31 December 2021 was 15% (31 December 2020: 14.53%).

33 TAXATION (continued)

33.4 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2020: 15%). Deferred tax asset of RO 3.43 million (2020: RO 3.59 million) on carry forward tax losses for the current period has not been recognized as management foresee remote chances of having taxable income until year 2025 due to higher tax depreciation charge which would result in a lapse of current year carry forward losses. Recognized deferred tax assets and liabilities are attributable to the following:

	At 1 January RO'000 (Restated)	*Recognised during the year RO'000*	*Recognised in OCI RO'000*	*At 31 December RO'000*
31 December 2021				
Deferred tax assets				
Allowance for expected credit losses	**(456)**	**(26)**	**-**	**(482)**
IFRS 15 restatement (note 38)	**(4,151)**	**196**	**-**	**(3,955)**
Provision for stores and spares obsolescence	**(29)**	**(18)**	**-**	**(47)**
Lease liabilities (including usufruct charges)	**(339)**	**(17)**	**-**	**(356)**
Fair value adjustment of cash flow hedge (note 16)	**(820)**	**-**	**479**	**(341)**
	(5,796)	**135**	**479**	**(5,182)**
Deferred tax liabilities				
Transaction cost - term loans	**386**	**(77)**	**-**	**309**
Transaction costs - long term loans - sukuks	**117**	**(18)**	**-**	**99**
Accelerated depreciation	**51,191**	**4,755**	**-**	**55,946**
	51,694	**4,660**	**-**	**56,354**
	45,899	**4,795**	**479**	**51,172**

	At 1 January RO'000 (Restated)	*Recognised during the year RO'000*	*Recognised in OCI RO'000*	*At 31 December RO'000 (Restated)*
31 December 2020				
Deferred tax assets				
Allowance for expected credit losses	(385)	(71)	-	(456)
IFRS 15 restatement (note 38)	(3,992)	(159)	-	(4,151)
Provision for inventories obsolescence	(23)	(6)	-	(29)
Lease liabilities (including usufruct charges)	(299)	(40)	-	(339)
Fair value adjustment of cash flow hedge (note 16)	(307)	-	(513)	(820)
	(5,006)	(276)	(513)	(5,796)
Deferred tax liabilities				
Transaction cost - term loans	467	(81)	-	386
Transaction costs - long term loans - sukuks	134	(17)	-	117
Accelerated depreciation	46,113	5,078	-	51,191
	46,714	4,980	-	51,694
	41,708	4,704	(513)	45,899

33 TAXATION (continued)

33.5 Status of assessments

The tax assessments for the years 2017 to 2018 has been completed with disallowance of few expenses. The management has filed an objection to the assessments for disallowance of certain expenses and the additional tax demand will be adjusted against the carried losses of the future years, hence no provision has been recognised in these financial statements.

Tax assessments for the years 2019 to 2020 have not yet been assessed by tax authorities. The management of the Company believes that additional taxes, if any, related to the open tax year would not be significant to the Company's financial position as at 31 December 2021.

34 CAPITAL MANAGEMENT

For the purpose of the Company's capital management, the capital comprise of share capital, reserves and retained earnings. There was no change in Company's approach to the capital management during the year. The primary objective of the Company's capital management is to maximise the shareholders' value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividends payment to the shareholders, return capital to the shareholders or issue new share capital. The Company monitors capital using a gearing ratio which is 'net debt' divided by total capital plus net debt. The Company's policy is to keep the gearing ratio not exceeding 233% for debt. The Company includes within net debt, interest bearing term loans and short term borrowings, lease liabilities, bank guarantee less cash and cash equivalents.

	2021	*2020*
	RO'000	*RO'000*
		(Restated)
Net debt		
Term loans	**132,453**	151,390
Long term borrowings - sukuks	**191,838**	191,724
Lease liabilities	**5,679**	5,962
Short term borrowings	**236,300**	141,200
Bank overdrafts	**452**	6,672
Less: cash and cash equivalents	**(7,868)**	(4,184)
	558,854	492,764
Equity (excluding cash flow hedge reserve)		
Share capital	**150,000**	150,000
Legal reserve	**50,000**	50,000
General reserve - restated	**19,717**	17,009
Retained earnings - restated	**26,134**	28,802
	245,851	245,811
Equity and net debt	**804,705**	738,575
Gearing ratio	**69.4%**	66.7%

In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets it financial covenants attached to the interest bearing term loans and borrowings that defines capital structure requirements. Breaches in meeting the financial covenants would permit the lenders to immediately call term loans and short term borrowings. There have been no breaches of the financial covenants of any interest bearing term loans and short term borrowings at current year end.

35 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 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.

35.1 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.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The tariff for distribution of electricity is determined by long term agreements with customers or under the permitted Tariff Regulations issued by the Authority for Public Services Regulations (APSR). Accordingly, the Company is not exposed to significant price risk.

Interest rate risk

The Company has borrowings which are interest bearing and exposed to changes in underlying interest rates. The Company has entered into interest rate swaps to hedge its interest rate risk exposure on its term loans and short term borrowings.

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

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

	2021	*2020*
	RO'000	*RO'000*
Financial liabilities		
Term loans	**132,453**	151,390
Long term borrowings - sukuks	**191,838**	191,724
Lease liabilities	**5,679**	5,962
Short term borrowings	**236,300**	141,200
Bank overdrafts	**452**	6,672
	566,270	490,276

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in the variable interest ratees at the reporting date would have increased/(decreased) equity and statement of profit or loss and other comprehensive income by the amounts of RO 57 K (2020: RO 49 K). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 Market risk (Continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of change in foreign exchange rates. The Company is exposed to foreign currency risk arising from currency exposure primarily with respect to the US Dollar. The Rial Omani is effectively pegged to the US Dollar and since most of the foreign currency transactions are in US Dollar, the management believes that exchange rate fluctuations would have an insignificant impact on the Company's profit.

35.2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash balances and short term deposits held with banks.

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

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

	2021	*2020*
	RO'000	*RO'000*
Amounts due from domestic customers	**34,767**	22,999
Amounts due from commercial customers	**12,342**	6,500
Amounts due from government customers	**21,816**	17,202
Amounts due from related parties	**10,998**	3,846
Other receivables	**14,581**	2,570
Government subsidy receivable	**4,940**	8,000
Cash and cash equivalents	**7,843**	4,159
	107,287	65,276

The management believes that the impact of ECL (if any) on financial assets other than trade receivables is immaterial. Accordingly no provision has been made in these separate financial statements.

Trade receivables

The Company's exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer. The Company has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of the receivables. Trade receivables primarily represent amounts due from domestic, commercial and government customers. The expected credit loss for trade receivables has been computed under the simplified model of IFRS 9. The Company has a significant concentration of credit risk as follows:

	2021	*2020*
	RO'000	*RO'000*
Amounts due from domestic customers	**34,767**	22,999
Amounts due from commercial customers	**12,342**	6,500
Amounts due from government customers	**21,816**	17,202
	68,925	46,701

35 FINANCIAL RISK MANAGEMENT (continued)

35.2 Credit risk (continued)

The age of trade receivables and related impairment loss at the reporting date is:

	2021			2020		
	Gross RO'000	Impairment RO'000	Past due but not impaired RO'000	Gross RO'000	Impairment RO'000	Past due but not impaired RO'000
Not past due	10,331	(79)	10,252	7,039	(95)	6,944
Past due:		-		-	-	-
Less than one month	7,458	(55)	7,403	6,763	(119)	6,644
31 to 90 days	16,879	(273)	16,607	11,048	(338)	10,710
91 to 365 days	27,113	(1,146)	25,967	11,876	(894)	10,982
Above one year	7,144	(1,659)	5,484	9,974	(1,597)	8,377
	68,925	(3,212)	65,712	46,701	(3,043)	43,658

Credit quality disclosure

	ECL Model	12 months or Lifetime ECL	Gross amounts RO'000	ECL RO'000	Net carrying amounts RO'000
31 December 2021					
Trade and other receivables	**Provision matrix**	**Lifetime**	**68,925**	**(3,212)**	**65,712**
Cash and cash equivalents	**External rating**	**12 month**	**7,843**	**-**	**7,843**
31 December 2020					
Trade and other receivables	Provision matrix	Lifetime	46,701	(3,043)	43,658
Cash and cash equivalents	External rating	12 month	4,159	-	4,159

For trade receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience show significantly different loss patterns for different customer segments, i.e. government and private customers (electricity) and water customer hence the provision for loss allowance based on past due status is further distinguished between the Company's different customer base.

35 FINANCIAL RISK MANAGEMENT (continued)

35.2 Credit risk (continued)

Due from domestic customers	*Expected credit loss rate*	*Gross carrying amount RO'000*	*Expected credit loss RO'000*	*Net carrying value RO'000*	*Credit impaired*
31 December 2021					
Not past due	**0.36%**	**4,381**	**(16)**	**4,365**	**No**
Past due:					
Less than one month	**0.48%**	**5,061**	**(25)**	**5,036**	**No**
31 to 90 days	**1.40%**	**8,949**	**(125)**	**8,824**	**No**
91 to 365 days	**6.43%**	**12,891**	**(828)**	**12,063**	**No**
1 to 2 years	**16.21%**	**1,436**	**(233)**	**1,203**	**Yes**
2 to 3 years	**16.21%**	**786**	**(127)**	**659**	**Yes**
3 to 4 years	**16.21%**	**492**	**(80)**	**413**	**Yes**
Above 4 years	**100.00%**	**770**	**(770)**	**-**	**Yes**
		34,767	**(2,204)**	**32,563**	
31 December 2020					
Not past due	1.04%	4,701	(49)	4,652	No
Past due:					
Less than one month	1.53%	4,291	(66)	4,225	No
31 to 90 days	3.37%	5,965	(201)	5,764	No
91 to 365 days	10.80%	4,266	(461)	3,805	No
1 to 2 years	23.07%	1,800	(415)	1,385	Yes
2 to 3 years	23.07%	879	(203)	676	Yes
Above 3 years	23.07%	1,097	(254)	843	Yes
		22,999	(1,648)	21,351	
Due from commercial					
31 December 2021					
Not past due	**1.2%**	**3,813**	**(47)**	**3,766**	**No**
Past due:					
Less than one month	**1.7%**	**1,065**	**(18)**	**1,047**	**No**
31 to 90 days	**3.6%**	**2,479**	**(90)**	**2,390**	**No**
91 to 365 days	**3.0%**	**3,077**	**(93)**	**2,984**	**No**
1 to 2 years	**7.5%**	**583**	**(44)**	**539**	**Yes**
2 to 3 years	**7.5%**	**570**	**(43)**	**527**	**Yes**
3 to 4 years	**7.5%**	**513**	**(39)**	**474**	**Yes**
Above 4 years	**100.0%**	**242**	**(242)**	**-**	**Yes**
		12,342	**(615)**	**11,726**	
31 December 2020					
Not past due	2.6%	890	(23)	867	No
Past due:					
Less than one month	2.8%	1,049	(29)	1,020	No
31 to 90 days	4.8%	1,344	(65)	1,279	No
91 to 365 days	9.3%	1,293	(121)	1,172	No
1 to 2 years	10.0%	858	(86)	772	Yes
2 to 3 years	10.1%	740	(75)	665	Yes
Above 3 years	10.2%	326	(33)	293	Yes
		6,500	(432)	6,068	

35 FINANCIAL RISK MANAGEMENT (continued)

35.2 Credit risk (continued)

Amounts due from Government customers	*Expected credit loss rate*	*Gross carrying amount RO'000*	*Expected credit loss RO'000*	*Net carrying value RO'000*	*Credit impaired*
31 December 2021					
Not past due	**0.93%**	**1,774**	**(16)**	**1,757**	**No**
Past due:					
Less than one month	**0.91%**	**1,332**	**(12)**	**1,320**	**No**
31 to 90 days	**1.06%**	**5,451**	**(58)**	**5,393**	**No**
91 to 365 days	**1.95%**	**11,508**	**(225)**	**11,283**	**No**
1 to 2 years	**4.67%**	**764**	**(36)**	**728**	**Yes**
2 to 3 years	**4.67%**	**887**	**(41)**	**846**	**Yes**
3 to 4 years	**4.67%**	**64**	**(3)**	**61**	**Yes**
Above 4 years	**4.67%**	**36**	**(2)**	**34**	**Yes**
		21,816	**(393)**	**21,422**	
31 December 2020					
Not past due	1.60%	1,447	(23)	1,424	No
Past due:					
Less than one month	1.66%	1,424	(24)	1,400	No
31 to 90 days	1.93%	3,739	(72)	3,667	No
91 to 365 days	4.94%	6,314	(312)	6,002	No
1 to 2 years	12.42%	3,705	(460)	3,245	Yes
2 to 3 years	12.42%	477	(59)	418	Yes
Above 3 years	12.42%	96	(12)	84	Yes
		17,202	(962)	16,240	

Bank balances and short term bank deposits

The Company limits its credit risk with respect to bank deposits by only dealing with banks with high credit rating. The Company's bank accounts are placed with reputed financial institutions with a minimum credit rating of Ba3 (2020: Ba3) Moody's Investors Service ratings.The table below shows the balances with banks categorised by short term credit ratings as published by Moody's Service at the reporting date.

	2021 RO'000	*2020 RO'000*
Bank balances:		
Bank Muscat SAOG	**6,920**	3,971
Ahli Bank	**464**	5
National Bank of Oman	**459**	183
	7,843	4,159

35 FINANCIAL RISK MANAGEMENT (continued)

35.3 Liquidity risk

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

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. The following are the contractual maturities of financial liabilities, including interest payments:

	Carrying amount	*Contractual cash flow*	*Less than 3 months*	*3 months to 1 year*	*More than 1 year*
31 December 2021	***RO'000***	***RO'000***	***RO'000***	***RO'000***	***RO'000***
Non-interest bearing					
Trade and other payables	67,537	67,537	67,537	-	-
Amounts due to related parties	21,364	21,364	21,364	-	-
	88,901	88,901	88,901	-	-
Interest bearing					
Term loan	134,513	153,276	-	25,504	127,772
Long term loans - sukuks	192,500	252,560		10,010	242,550
Short term borrowings	236,300	244,121	-	244,121	-
Lease liabilities	5,679	13,467	150	500	12,817
Bank overdrafts	452	598	598	-	-
	569,444	664,022	748	280,135	383,139
	658,345	**752,923**	**89,649**	**280,135**	**383,139**
31 December 2020					
Non-interest bearing					
Trade and other payables	73,880	73,880	73,880	-	-
Amounts due to related parties	22,705	22,705	22,705	-	-
	96,585	96,585	96,585	-	-
Interest bearing					
Term loan	153,968	182,539	5,044	14,412	163,083
Long term loans - sukuks	192,500	262,580	-	10,010	252,570
Short term borrowing	141,200	146,593	5,000	141,593	-
Lease liabilities	5,962	14,363	229	721	13,413
Bank overdrafts	6,672	6,772	6,772	-	-
	500,302	612,847	17,045	166,736	429,066
	596,887	709,432	113,630	166,736	429,066

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

35 FINANCIAL RISK MANAGEMENT (continued)

Fair value hierarchy:
The carrying amounts of financial liabilities with a maturity of less than one year are assumed to approximate to their fair values. As at 31 December 2021, the Company held interest rate swap derivatives instruments measured at fair value. The fair values of the interest rate swaps arrangements is classified under level 2 and the Company uses the derivative counterparties valuation statement to obtain fair values of the derivatives. Further, details are included in note 16.

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

Measurement of fair values

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

36 NET ASSET PER SHARE - ADJUSTED

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

	2021 RO'000	*2020 RO'000*
Net assets - shareholder funds	**245,851**	245,811
Weighted average number of shares outstanding during the year (number of shares in thousands)	**150,000**	150,000
Net assets per share - adjusted	**1.64**	1.64

37 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2021 RO'000	*2020 RO'000*
Total profit and comprehensive income for the year	**16,255**	14,845
Weighted average number of shares outstanding during the year (number of shares in thousands)	**150,000**	150,000
Basic earnings per share (Baizas)	**0.11**	0.10

38 PRIOR YEARS RESTATEMENT

Before application of IFRS15, the Company was recognizing the revenue from installation and connection fee at point of time. Upon application of IFRS15, it has been identified that there is no separate distinct performance obligation on the Company with regard to this revenue stream, and these services cannot be distinguished from the primary business activity of the Company i.e. supply of electricity. Accordingly, these revenues have been deferred and will be recognized through out the useful life of the related assets (i.e. 25 years).

In prior years subsequent to implementation of IFRS 15, while recognizing the deferred revenue relating to installation and connection fee the company also recognized the increase in entitlement to additional revenue to compensate to meet the maximum allowed revenue as a deferred asset with the title of 'other assets' which was also amortised over the same period. As a result, the other assets and retained earnings were overstated as at 1 January 2020 and 31 December 2020 and revenue / net profits were overstated for the year ended 31 December 2020. During the current year management reassessed these accounting policies and decided to derecognize the other assets from the financial statements. As a result, the management considered these as correction of accounting errors, and accordingly decided to restate comparative numbers as at 1 January 2020 and 31 December 2020 and statement of profit & loss and other comprehensive income for the year ended 31 December 2020. Following are the details of restatements of comparative information.

	As previously reported RO'000	*Restatement RO'000*	*As restated RO'000*
31 December 2020			
Statement of financial position			
Other assets derecognised	27,206	(27,206)	-
Deferred tax liability (net)	49,414	(3,515)	45,899
Retained earnings	47,754	(18,952)	28,802
General reserve	21,747	(4,738)	17,009
Statement of comprehensive income			
Revenue	351,636	(1,510)	350,126
Income tax expense	(4,881)	177	(4,704)
Profit for the year	19,087	(1,333)	17,754
1 January 2020			
Other assets derecognised	25,695	(25,695)	-
Deferred tax liability (net)	45,046	(3,338)	41,708
Retained earnings	44,485	(17,886)	26,599
General reserve	17,929	(4,471)	13,458

39 SEGMENT REPORTING

The CEO and executive management team are the Company's Chief Operating Decision-Makers (CODM). The principal activities of the Company are distribution and supply of electricity in the South Batinah, Dakhliyah, North Sharqiyah and South Sharqiyah governorates of Oman. Substantially all of the Company's revenue and profit are derived from 'electricity sales'. There are no other economic characteristics within the Company that will lead to determination of other operating segments. Accordingly, CODM has determined that the Company has only one operating segment, which is consistent with the internal reporting and performance measurement.

40 IMPACT OF COVID-19 OUTBREAK

The rapid spread of the novel coronavirus pandemic (COVID-19) is adversely affecting economies and businesses around the world. The unprecedented measures (lockdown, closure of commercial establishments and industries) aimed to curb the outbreak of pandemic has marginally impacted the revenue stream and cashflow due to demand profile change during the reporting period. The impact is only marginal as the overall revenue of the Company is protected through the maximum allowed revenue model. The government of Oman has announced policy reforms aimed to soften the economic impact and help individuals and businesses navigate these unprecedented times. The management has assessed all the uncertainties that could impact the performance and financial position and, in this regard, initiated several austerity measures to tide over the situation. The management believes that these measures will enable the Company to meet its financial commitments for the foreseeable future when they become due.

The situation is fast evolving and management has considered all the uncertainties into account for the assessment of impact on the financial position and performance and believes that the Company has sufficient liquidity available to continue to meet its financial commitments for the foreseeable future when they become due.

41 RESTRUCTURING OF BUSINESS

The Oman Investment Authority (OIA), has received a letter from H.E. Mohammed Al Rumhi, Minister of Energy and Minerals and Chairman of the Authority for Public Services Regulation relating to initiatives aimed at reducing the operational costs and increasing efficiency in the electricity sector (the Notification). The Notification sets out, in very broad terms, plans to reorganise the distribution and supply companies in Oman, with the exception of the Dhofar Governorate and in this regard stipulates: "combining the distribution and supply companies into two companies (a supply company and another distribution in all governorates of the Sultanate except for the Governorate of Dhofar) to enhance efficiency and reduce operational and administrative costs" (DISCO Reorganisation).

42 COMPARATIVE AMOUNTS

In addition to the restatement of comparative figures as disclosed in note 38, certain corresponding figures for the year ended 31 December 2020 have been reclassified in order to conform to the presentation for the current year. Such reclassification do no affect previously reported profit or shareholder's equity.