Centralized Utilities Company LLC

Report and financial statements
for the year ended 31 December 2021

Centralized Utilities Company LLC

Report and financial statements for the year ended 31 December 2021

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Centralized Utilities Company LLC

MANAGEMENT'S REPORT

The Management submits this report and the financial statements for the year ended 31 December 2021.

Principal activities

The principal activities of the Company are electric and power generation, operations and maintenance of power and desalination plants.

Basis of preparation of accounts

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of 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 these financial statements.

Auditors

The financial statements have been audited by KPMG who offer themselves for reappointment.

On behalf of the Centralized Utilities Company LLC

Authorized signatory

Centralized Utilities Co. LLC
marafiq
CR: 1188385
Sultanate Of Oman

KPMG

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Independent auditors' report

To the Shareholders of Centralized Utilities Company LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Centralized Utilities Company LLC ("the Company"), which comprise the separate statement of financial position as at 31 December 2021, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants *International* Code of Ethics for Professional Accountants *(including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Managements' report which is set out on page 1.

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

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Continued from page 2(a)

Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and their preparation in compliance with the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Continued on page 2 (c)

KPMG

Continued from page 2 (b)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

— 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

We report that these financial statements comply, in all material respects, with the applicable provisions of the Commercial Companies Law of 2019.

27 June 2022

KPMG LLC

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Centralized Utilities Company LLC
Separate statement of profit or loss and comprehensive income

for the year ended 31 December

	Notes	**2021 RO**	2020 RO
Revenue	***5***	**4,057,400**	1,266,380
Cost of sales	***8***	**(2,217,313)**	(963,487)
Gross profit		**1,840,087**	302,893
General and administrative expenses	***9***	**(935,332)**	(291,918)
Impairment	***16***	**(511,222)**	(30,105)
Other income	***6***	**226,612**	286,791
Operating profit for the year		**620,145**	267,661
Finance income	***7***	**6,237,235**	1,651,606
Finance expense	***11***	**(6,232,574)**	(1,643,252)
Profit before tax		**624,806**	276,015
Taxation	***26***	**(28,169)**	(195,560)
Total comprehensive income for the year		**596,637**	80,455

The notes to the financials statements on pages 7 to 30 form part of these financial statements.

The independent auditors' report is set forth on pages 2 (a) - 2 (c).

Centralized Utilities Company LLC
Statement of financial position

as at 31 December

	Notes	2021 RO	2020 RO
Assets			
Non-current assets			
Property and equipment	12	**92,872**	12,724
Right of use assets	13	**3,685,342**	3,314,442
Investment in subsidiary	15	**23,915,492**	17,183,824
Loan to subsidiary	25	**146,462,821**	113,282,595
		174,156,527	133,793,585
Current assets			
Inventories	14	**58,410**	9,296
Trade and other receivables	16	**1,104,336**	231,276
Due from related party	23	**3,579,402**	481,789
Cash and cash equivalents	17	**1,073,025**	3,154,873
		5,815,173	3,877,234
Total assets		**179,971,700**	137,670,819
Equity and liabilities			
Equity			
Share capital	18	**7,001,625**	7,001,625
Legal reserve	19	**358,579**	298,915
Equity accounted surplus	24	**9,206,383**	8,707,289
Retained earnings		**8,723,198**	1,953,651
Total equity		**25,289,785**	17,961,480
Non-current liabilities			
Employees' end of service benefits	20	**176,744**	446,953
Lease liabilities	21	**2,003,878**	2,681,556
Loan from shareholders	24	**146,462,821**	113,282,595
Deferred tax liability	26	**-**	67,601
		148,643,443	116,478,705
Current liabilities			
Current portion of lease liabilities	21	**1,180,503**	635,411
Loan from related party	23	**1,416,581**	1,416,581
Due to related parties	23	**1,302,415**	360,854
Trade and other payables	22	**1,892,945**	653,024
Income tax payable	26	**246,028**	164,764
		6,038,472	3,230,634
Total liabilities		**154,681,915**	119,709,339
Total equity and liabilities		**179,971,700**	137,670,819

These financial statements were approved by the shareholders on 27/ 6/ 2022 and signed on their behalf by:

Authorized Signatory

The notes to the financials statements on pages 7 to 30 form part of these financial statements.
The independent auditors' report is set forth on pages 2 (a) - 2 (c).

شركة المرافق المركزية ش.م.م
Centralized Utilities Co. LLC
marafiq
C.R. 1186285
Sultanate Of Oman

Centralized Utilities Company LLC
Separate statement of cash flows

for the year ended 31 December

	Notes	2021 RO	2020 RO
Operating Activities			
Profit before tax		**624,806**	276,015
Adjustments for:			
Depreciation	**12**	**4,821**	251,920
Depreciation for ROU		**492,732**	(1,643,252)
Finance cost on shareholder loans		**6,232,574**	1,643,252
Interest income on loan to subsidiary		**(6,232,574)**	17,234
Loss on sale of plant and equipment		**-**	
Finance cost on lease liabilities		**193,908**	133,659
Employees' end of service benefits	**20**	**8,535**	115,242
		1,324,802	794,069
Operating cash flows before working capital changes			
Working capital changes:			
Trade and other receivables		**(873,060)**	(202,222)
Due from related party		**(3,097,613)**	2,847,036
Due to related party		**941,561**	-
Inventories		**(49,114)**	(9,296)
Trade and other payables		**1,239,921**	68,408
Cash used in operations		**(1,838,305)**	2,703,926
Employees' end of service benefits paid		**(278,744)**	(43,374)
Income tax payment		**(14,506)**	
Net cash (used in)/generated from operating activities		**(806,753)**	3,454,621
Investing activities			
Purchase of property and equipment	**12**	**(84,969)**	(9,893)
Loan to subsidiary		**(33,679,320)**	(15,838,404)
Investment in subsidiary		**-**	(3,662,639)
Net cash (used in)/generated from investing activities		**(33,764,289)**	(19,510,936)
Financing activities			
Loan from shareholders		**33,679,320**	15,838,404
Proceeds from issue of share capital		**-**	3,662,640
Lease payment		**(1,190,126)**	(330,714)
Net cash used in/generated from financing activities		**32,489,194**	19,170,330
Changes in cash and cash equivalents		**(2,081,848)**	3,114,014
Cash and cash equivalents at the beginning of the year		**3,154,873**	40,860
Cash and cash equivalents at 31 December		**1,073,025**	3,154,873

The notes to the financials statements on pages 7 to 30 form part of these financial statements.

The independent auditors' report is set forth on pages 2 (a) - 2 (c).

Centralized Utilities Company LLC
Separate statement of changes in equity

for the year ended 31 December

	Share capital RO	Legal reserve RO	Equity accounted surplus RO	Retained earnings RO	Total equity RO
Balance at 1 January 2020	3,338,985	290,869	-	237,990	3,867,844
Total comprehensive income for the year	-	-	-	80,455	80,455
Transactions with owners recognised in equity					
Shares issued	3,662,640	-	-	-	3,662,640
Transfer to legal reserve *(note 19)*	-	8,046	-	(8,046)	-
Present value adjustment on shareholder loan (Note	-	-	10,350,541	-	10,350,541
Transfer to retained earnings	-	-	(1,643,252)	1,643,252	-
Balance at 31 December 2020	7,001,625	298,915	8,707,289	1,953,651	17,961,480
Balance at 1 January 2021	**7,001,625**	**298,915**	**8,707,289**	**1,953,651**	**17,961,480**
Shares issued	-	-	-	-	-
Total comprehensive income for the yeaı	-	-	-	**596,637**	**596,637**
Transactions with owners recognised in equity					
Transfer to legal reserve (note 19)	-	**59,664**	-	**(59,664)**	-
Present value adjustment on shareholder loan	-	-	**6,731,668**	-	**6,731,668**
Transfer to retained earnings	-	-	**(6,232,574)**	**6,232,574**	-
Balance at 31 December 2021	**7,001,625**	**358,579**	**9,206,383**	**8,723,198**	**25,289,785**

The notes to the financials statements on pages 7 to 30 form part of these financial statements.

The independent auditors' report is set forth on pages 2 (a) - 2 (c).

1 Legal status and principal activities

Centralized Utilities Company LLC ("the Company") is registered in the Sultanate of Oman, as a limited liability company. The Company is engaged in providing various utility services in Duqm area. The Company is joint venture between Oman Oil Facilities Development Company LLC (OOFDC) and Gulf International Holding Pte LTD (GIH), Singapore having 51% and 49% of share respectively. Oman Oil Facilities Development Company LLC is 99% owned by OQ SAOC which is wholly owned by the Government of Sultanate of Oman through Oman Investment Authority.

2 Basis of preparation

2.1 Statement of compliance

These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the applicable provisions of the Commercial Companies Law of 2019.

These financial statements are the separate financial statements and the Company do not consolidate the results of operations, assets and liabilities of Duqm Power Company LLC (Subsidiary of the company), which is in accordance with International Financial Reporting Standard 10, "Consolidated

The Company has not prepared consolidated financial statements based on the following:

- The Company is owned by OOFDC and GIH, OOFDC is owned by OQ SAOC and OQ SAOC is consolidating the results of both the Companies;
- The Company has no debt or equity instruments traded in a public market, including stock exchanges and over-the-counter markets;
- The Company has not filed, and is not in the process of filing, its financial statements with a regulatory organization for the purpose of issuing any class of instruments in a public market; and the OQ SAOC, produces consolidated financial statements that comply with IFRSs and are publicly available on stock exchange

2.2 Basis of measurement

These financial statements have been prepared under historical cost basis unless otherwise stated.

2.3 Functional and presentation currency

These financial statements are presented in Rials Omani (RO) which is the functional and presentation currency of the Company.

3 Adoption of new and revised International Financial Reporting Standards (IFRS)

New and amended IFRS that are effected for the current year

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021.

•COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16);
•Interest rate benchmark Reform – Phase 2: Amended for IFRS 9, IAS 39, IFRS 7, IFRS 4 and 16.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New and revised IFRS issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

•Onerous Contracts – Cost of fulfilling a contract (Amendments to IAS 37)
•Annual Improvements to IFRS Standards 2018-2020

3 Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)
New and revised IFRS issued but not yet effective (continued)

•Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
•Reference to the Conceptual Framework (Amendments to IFRS 3)
•Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
•Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
•Definition of Accounting Estimates (Amendments to IAS 8)
•Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

There are no other standard amendments or interpretation that are expected to have a material inspection to the company.

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

4 Significant accounting policies

Income tax

Income tax expense comprises current tax and deferred tax. Taxation is performed in accordance with Omani fiscal regulations.

Current tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in Sultanate of Oman.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates ruling at the reporting date.

Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The tax effects on the temporary differences are disclosed under non-current liabilities as deferred tax.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits 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.

Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes the amount of cash and cash equivalents paid or the fair value of other consideration given to acquire an asset at the date of acquisition or construction. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised.

Depreciation is calculated so as to write-off the cost of property and equipment other than capital work-in-progress over their estimated economic useful lives, using the straight line method, from the date the asset is brought in to its intended use.

Where components of an item of property and quipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Major repairs are depreciated over the remaining useful life of the related asset or to the date of the next major repair, whichever is shorter.

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

	Years
Office and IT equipment	4
Computer equipment	1-4
Furniture and fixtures	5

4 Significant accounting policies (continued)

Capital work-in-progress

Capital work-in-progress is stated at cost less any impairment losses. When commissioned, capital work-in-progress is transferred to the appropriate plant and equipment category and depreciated in accordance with depreciation policies of the Company.

Interest costs on borrowings to finance the construction of qualifying assets are capitalised, during the period that is required to complete and prepare the asset for its intended use. All other finance costs are charged to the statement of profit or loss and other comprehensive income using the effective interest method.

Finance income and expenses

All finance and other costs incurred in connection with borrowings are expensed as incurred, as part of financing costs and are accounted on an accrual basis, except that the interest expense during the construction period on borrowings specifically undertaken to finance the construction of qualifying assets are capitalised along with the cost of the asset.

Finance income is recognised in statement of profit or loss and other comprehensive income as it accrues, considering the effective yield on the asset.

Inventories

Inventories are stated at lower of cost and net realisable value. Cost is determined using the weighted-average cost method. Net realisable value is the estimated selling prices in the ordinary course of business, less applicable variable selling expenses.

Provisions

A provision is recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and reliable estimate can be made thereof. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Events after the reporting date

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Any post year-end events that are non-adjusting are disclosed on the financial statements when material.

Fair value measurement

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 financial statements is determined on such a basis.

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 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except for changes in accounting policies as stated below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

4 Significant accounting policies (continued)

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement for expatriate employees to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service year.

For Omani employees, the entitlement to end of service benefits is equal to 12% of the employees' basic salary of that year. The expected costs of these benefits are accrued over the years of employment.

Further, with respect to its Omani employees, the Company makes contributions to the Public Authority for Social Insurance under Royal Decree 72/91 calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Investment in subsidiary

Investments in subsidiary are stated at cost less accumulated impairment in the Company's separate financial statements.

Impairment of non-financial assets

At the end of each reporting period, the Management assesses if there is any indication of impairment of non-financial assets. If an indication exists, the Management estimates the recoverable amount of the asset and recognises an impairment loss in the statement of comprehensive income.

The Management also assess if there is any indication that an impairment loss recognised in prior periods no longer exists or has reduced. The resultant impairment loss or reversals are recognised immediately in the statement of comprehensive income.

Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consist of bank balances and cash in hand.

Provisions

A provision is recognized in the statement of financial position 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Leases

The Company as a lessee

The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the statement of financial position.

4 Significant accounting policies (continued)

Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period (unless they are directly attributable to qualifying assets under construction) so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Compnay did not make any such adjsutments during periods presented.

The Company as a lessee (continued)

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line concession fees in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

Asset	*Years*
Plant	20

Short term leases and leases of low value assets
The Company has elected not to recognise right-of-use assets and lease liabilities for short term assets of IT equipment that have a lease term of 12 months or less and leases of low-value assets.

The Company recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

Foreign currencies

Foreign currency transactions are translated into Rials Omani at the exchange rates prevailing at the time of the transactions. Monetary assets and liabilities in foreign currency at the end of the reporting period are translated at the rates prevailing at the end of the reporting period. Exchange differences arising are reported as part of the results for the year.

4 Significant accounting policies (continued)

Financial Instruments

Classification and measurement of financial assets and financial liabilities

Recognition and Initial measurement of financial instruments

All financial assets and liabilities are initially recognised on the trade date, i.e. the date that the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. 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:

- Trade receivables;
- Due from related party;
- Cash and cash equivalents;
- Loan to subsidiary;
- Due to related parties;
- Trade payables;
- Lease liabilities;
- Loan from shareholders; and
- Loan from related party.

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

Financial assets at 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

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.

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.

4 Significant accounting policies (continued)

Financial Instruments (continued)

Financial liabilities

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss 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:

a) 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;

b) 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

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

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

Subsequent measurement and gain or losses

Financial assets

Financial assets 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. Any gain or loss on derecognition is recognised in the profit or loss.

Financial assets at fair value through other comprehensive income

Debt instruments

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the profit or loss. Other net gains and losses are recognised in the statement of other comprehensive income. On derecognition, gains and losses accumulated in the statement of other comprehensive income are reclassified to the profit or loss.

Equity instruments

These assets are subsequently measured at fair value. Dividends are recognised as income in the profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Other net gains and losses are recognised in other comprehensive income and are never reclassified to the profit or loss.

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the profit or loss.

4 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method, if applicable. The effective interest method is the method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gain or loss on derecognition is also recognised in the profit or loss.

Reclassification

Financial assets

Company only reclassify financial assets if, and only if, the objective of the business model for managing those financial assets is changed. Such changes are expected to be very infrequent as these changes must be significant to the Company's operations and demonstrable to external parties.

Company determines that its business model has changed in a way that is significant to its operations, than it reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

Financial liabilities

Company determines the classification of financial liabilities on initial recognition. Subsequent reclassification is not allowed.

Derecognition

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:

a)The rights to receive cash flows from the asset have expired; or
b) 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
c) The Company has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards, or (ii) 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.

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.

4 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Derecognition *(continued)*

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.

Offsetting

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

Impairment of financial asset

The Company recognises expected credit loss allowances on financial assets measured at amortised cost.

Measurement of loss allowances

The Company measures loss allowances on either of the following bases:

The financial assets at amortized cost consist of trade receivables, due from related parties and cash and cash equivalents. Under IFRS 9, loss allowances are measured on either of the following bases:

-12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

-Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since the initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The term 'significant increase in credit risk' is not defined in IFRS 9. An entity decides how to define it in the context of its specific types of instruments. An entity assesses at each reporting date whether the credit risk on a financial instrument has increased significantly since initial recognition. To make the assessment, an entity considers changes in the risk of default instead of changes in the amount of expected credit losses.

4 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Measurement of loss allowances *(continued)*

An entity assesses whether there has been a significant increase in credit risk at each reporting date. The impairment model in IFRS 9 is symmetrical, and assets can move into and out of the lifetime expected credit losses category.

To be 'significant', a larger absolute increase in the risk of default is required for an asset with a higher risk of default on initial recognition than for an asset with a lower risk of default on initial recognition. Expected credit losses are a probability-weighted estimate of credit losses.

The Company assumes that the credit risk on a financial asset has significantly increased since initial recognition and while estimating expected credit loss, when there is objective evidence or indicator for the financial assets. Examples of such indicators include:

•Significant financial difficulty of the borrower or issuer;
•Delinquency by borrower;
• Restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a borrower or issuer wi enter bankruptcy;
•The disappearance of an active market for a security (if any); or
•If it past due for more than 90 days.

Loss allowances for trade and other receivables, contract assets and lease receivable without significant financing are always measured at an amount equal to lifetime expected credit loss.

IFRS 9 does not define the term ‘default’, but instead requires each entity to do so. The definition has to be consistent with that used for internal credit risk management purposes for the relevant financial instrument, and has to consider qualitative indicators – e.g. breaches of covenants – when appropriate.

The Company considers a financial asset to be in default when the counter party is unlikely to pay its credit obligations to the Company in full (based on indicator above), without recourse by the Company to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

Lifetime expected credit losses: These losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, if there is significant increase in credit risk or under simplified approach 12-month expected credit losses: These losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk. An asset is credit-impaired if one or more events have actually occurred and have a detrimental impact on the estimated future cash flows of the asset.

The impairment model in IFRS 9 is symmetrical, and assets can move into and out of the lifetime expected credit losses category.

To be 'significant', a larger absolute increase in the risk of default is required for an asset with a higher risk of default on initial recognition than for an asset with a lower risk of default on initial recognition.

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

Financial assets that are not credit-impaired at the reporting date

Measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

4 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Measurement of loss allowances *(continued)*

Financial assets that are credit-impaired at the reporting date

Measured as the difference between the gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in the profit or loss as an impairment gain or loss.

Presentation of expected credit losses

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

Write – off

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

Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue from contracts with customers based on the five-step model set out in IFRS 15:

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.

4 Significant accounting policies (continued)

Revenue (continued)

Step 5 Recognise revenue:

An entity recognizes revenue when (or as) it satisfies a performance obligation by transferring a good or service to a customer. An entity 'transfers' a good or service to a customer when the customer obtains control of that good or service.

Indicators that control has passed include the customer having:

- A present obligation to pay;
- Physical possession;
- Legal title;
- The risks and rewards of ownership; and
- Accepted the asset.

Nature and timing of satisfaction of performance obligations, including significant payment terms:

Customers obtain control of goods when the water is filled in tanker and leaves the delivery point. Invoices are generated at that point in time and payable within 45 days.

Revenue recognition:

Tank filling station sales
The Company recognizes revenue at a point in time for tank filling station sales.
Company is recognizing revenue at a point in time for tank filling station sales as customers has control of the utilities and obtain substantially all of the remaining benefits from the services.Revenue is not recognised if there are significant uncertainties regarding recovery of the consideration due and associated cost.

Network sales
The Company recognizes revenue over time for network sales.
Revenue associated with network sales which is recognized over time by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is assessed by reference to billing sheets on the completion of performance obligation as per the contract and approved by customers.

Use of estimates and judgments

The preparation of the separate financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis primarily for impairment of investment in a subsidiary. Revisions to accounting estimates are recognised prospectively.

Determining the lease term

In determining the lease term, 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).

Discounting of lease payments

The lease payments are discounted using the Company’s incremental borrowing rate (“IBR”). Management has applied judgments and estimates to determine the IBR at the commencement of lease where implicit rate of lease is not available.

5 Revenue	**2021**	2020
	RO	RO
Sales from tank filling station *(note 5.1)*	**643,582**	966,200
Network sales *(note 5.2)*	**3,413,818**	300,180
	4,057,400	1,266,380

The revenue of the Company comprise of sale of processed sea water despatched at the rate approved by the Public Authority for Water (PAW) 'the Regulator'. All sales are made locally.

5.1 Company is recognizing revenue at a point in time for tank filling station sales as customers have control of the utilities and obtain substantially all of the remaining benefits from the services.

5.2 Revenue associated with network sales is recognized over time by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is assessed by reference to billing sheets on the completion of performance obligation as per the contract and approved by customers.

6 Other income	**2021**	2020
	RO	RO
Net income from new connection fees *(note 6.1)*	**137,526**	30,344
Price control tarrif adjustment *(note 6.2)*	**-**	255,560
Others	**89,086**	887
	226,612	286,791

6.1 This relates to the one time fees/charges received by the Company at the time customer applies for a new connection under network sales.

6.2 Public Authority of Water (PAW) "regulator" approved the additional tariff for which the amount was already received from the customers.

7 Finance income	**2021**	2020
	RO	RO
Interest income loan to subsidiary *(note 25)*	**6,232,574**	1,643,252
Interest income on call account	**4,531**	6,216
Foreign exchange gain	**130**	2,138
	6,237,235	1,651,606

8 Cost of sales		
Variable running cost of plant	**1,022,696**	360,456
Fixed running cost of plant	**318,743**	166,872
Maintainance expense	**141,296**	33,366
Other direct cost	**47,938**	22,550
Amortization on right of use assets *(note 13)*	**492,732**	246,584
Finance expense on lease liabilities *(note 21)*	**193,908**	133,659
	2,217,313	963,487

Cost of sales are mainly attributed to lease contracts with subcontractor for water production "Global Chemicals" and 'PAW'.

9 General and administrative expenses

	2021 RO	2020 RO
Salaries and allowances *(note 10)*	**459,185**	165,951
Information technology expenses	**177,874**	466
Professional fees	**132,535**	87,030
Office expenses and utilities	**45,399**	204
Bank charges and LC charges	**48,088**	7,377
Miscellaneous	**31,910**	183
Advertisement and business promotion	**28,963**	6,700
Business travel	**6,557**	1,438
Depreciation *(note 12)*	**4,821**	5,335
Loss on disposal of asset	**-**	17,234
	935,332	291,918

10 Salaries and allowances

	2021 RO	2020 RO
Salaries and allowances	**405,519**	156,281
Other employee related costs	**26,784**	-
Contributions to defined contribution scheme	**18,347**	3,766
Employees' end of service benefits *(note 20)*	**8,535**	5,904
	459,185	165,951

11 Finance expense

	2021 RO	2020 RO
Interest on loan from shareholder *(note 24)*	**6,232,574**	1,643,252
	6,232,574	1,643,252

12 Property and equipment

	Computer equipment RO	Office and IT equipment RO	Capital Work in Progress RO	Total RO
Cost:				
At 1 January 2020	3,996	9,050	25,893	38,939
Additions	8,748	1,145	-	9,893
Disposal	-	-	(25,893)	(25,893)
At 31 December 2020	12,744	10,195	-	22,939
At 1 January 2021	**12,744**	**10,195**	**-**	**22,939**
Additions	**-**	**886**	**84,083**	**84,969**
At 31 December 2021	**12,744**	**11,081**	**84,083**	**107,908**
Accumulated depreciation:				
At 1 January 2020	834	4,046	-	4,880
Charge for the year	2,427	2,908	-	5,335
At 31 December 2020	3,261	6,954	-	10,215
At 1 January 2021	**3,261**	**6,954**	-	**10,215**
Charge for the year	**2,427**	**2,394**	-	**4,821**
At 31 December 2021	**5,688**	**9,348**	-	**15,036**
Net carrying amount:				
At 31 December 2021	**7,056**	**1,733**	**84,083**	**92,872**
At 31 December 2020	9,483	3,241	-	12,724

Capital work in progress includes expenses incurred and capitalized on the Design and build of a distribution network upgrade in the rock garden area and connection to the PDC logistic area in Duqm and Consultancy services for the wastewater development plan for SEZD.

13 Right of use assets

The plant relates to an arrangement entered in 2018, whereby the supplier set up an reverse osmosis plant that the Company will use to desalinate sea water to produce potable water for a period of 6 years. The Company pays a fixed annual fee over the term of the arrangement, plus a variable charge based on the quantity of portable water produced.

The lease contains variable lease payments that are based on the quantity of water produced. Hence, they are charged to cost of sales in the respective period of production. The amount charged in cost of sales during the year in respect of variable lease payments is RO 1,022,696 (2020: 360,456)

	2021	2020
	RO	RO
Cost:		
At 1 January	**3,494,501**	1,671,513
Additions	**863,632**	3,264,487
Disposal	-	(1,441,499)
At 31 December	**4,358,133**	3,494,501
Accumulated depreciation:		
At 1 January	**180,059**	132,969
Charge for the year	**492,732**	246,584
Disposal	-	(199,494)
At 31 December	**672,791**	180,059
Net carrying amount:		
At 31 December	**3,685,342**	3,314,442

The Company has entered into a lease agreements for water processing plants, generator for plant and water tank which are utilised for business pupose for a period of 6 years at an incremental borrowing rate of 6.02%.

14 Inventories

	2021	2020
	RO	RO
Water	**6,263**	9,296
Stores and spares	**52,147**	-
	58,410	9,296

15 Investment in subsidiary

The Company has the following investment in subsidiary incorporated in Sultanate of Oman;

		Holding		**Carrying value**	
Company Name	**Business**	**2021**	**2020**	**2021**	2020
				RO	RO
Duqm Power Company LLC	Power generation	**100%**	100%	**23,915,492**	17,183,824

15 Investment in subsidiary (continued)

Movement in investment in subsidiary is as follow;

	2021	2020
	RO	RO
Opening balance	**17,183,824**	3,170,644
Addition during the year *(note 24)*	**-**	3,662,639
Fair value of loan	**6,731,668**	10,350,541
	23,915,492	17,183,824

On 30 June 2020, the Company purchased 2,792,152 shares i.e. 45% shareholding in DPC from GIH at RO 3,370,527 and 241,986 shares i.e. 3.9% shareholding in DPC from OOFDC at RO 292,112.

16 Trade and other receivables

	2021	2020
	RO	RO
Trade receivables	**1,249,756**	252,664
Impairment allowance	**(541,327)**	(30,105)
	708,429	222,559
Contract asset	**5,674**	-
Other receivables and prepayments	**390,233**	8,717
	1,104,336	231,276

Movement in impairment allowance;

Opening balance	**30,105**	-
Charge for the year	**511,222**	30,105
Closing balance	**541,327**	30,105

17 Cash and cash equivalents

Cash at bank		
- Call deposits	**262,714**	2,977,278
- Current account	**809,979**	177,195
	1,072,693	3,154,473
Cash in hand	**332**	400
	1,073,025	3,154,873

Call deposits of RO 262,714 (2020: RO 2,977,278) are placed in accounts with financial institutions operating in Sultanate of Oman, having an effective interest rate of 1% (2020:1%) per annum.

18 Share capital

The share capital comprises 7,001,625 fully paid ordinary shares of RO 1 each (2020: 7,001,625 fully paid ordinary shares of RO 1 each). On 30 June 2020, the Company issued 3,662,640 shares at the rate of RO 1 to Oman Oil Facilities Development LLC (OOFDC) which signed joint venture agreement with Gulf International Holding Pte Ltd (GIH) and accordingly OOFDC transferred 3,430,796 shares to GIH.

	Shareholding %		**No. of shares held**	
	2021	2020	**2021**	2020
Oman Oil Facilities Development Company LLC	**51**	51	**3,570,829**	3,570,829
Gulf International Holding Pte Ltd	**49**	49	**3,430,796**	3,430,796
	100	100	**7,001,625**	7,001,625

19 Legal reserve

As per Article 274 of the Commercial Companies Law of the Sultanate of Oman, 10% of the profit for the year is required to be transferred to a statutory reserve until the reserve is equal to one third of the issued share capital. This reserve is not available for distribution. During 2021, RO 52,626 was transferred to legal reserve (2020: RO 8,045).

20 Employees' end of service benefits

Movements in the liability recognised in the statement of financial position are as follows:

	2021 **RO**	2020 RO
At 1 January	**446,953**	375,086
Transferred during the period	**-**	109,337
Charge for the year	**8,535**	5,904
Paid during the year	**(278,744)**	(43,374)
At 31 December	**176,744**	446,953

This includes employees' end of service benefit as charged during the year for the employees of Centralized Utilities Company LLC and for the employees of its subsidiary Duqm Power Company LLC amounting RO 110,272 (2020: 109,328).

21 Lease liabilities

Maturity analysis of lease liabilities is as follow;

	Future minimum lease payments		**Interest**		**Present value of minimum lease payments**	
	2021 **RO**	2020 RO	**2021** **RO**	2020 RO	**2021** **RO**	2020 RO
Less than one year	**1,342,130**	810,116	**161,627**	174,705	**1,180,503**	635,411
Between one and five years	**2,179,028**	2,989,144	**175,150**	307,588	**2,003,878**	2,681,556
	3,521,158	3,799,260	**336,777**	482,293	**3,184,381**	3,316,967

The movement in lease liability during the year is as follows:

	2021 **RO**	2020 RO
At 1 January	**3,316,967**	1,495,756
Additions	**863,632**	3,484,287
Finance expense	**193,908**	133,659
Disposals	**-**	(1,438,976)
Payments made during the year	**(1,190,126)**	(357,759)
As at 31 December	**3,184,381**	3,316,967
Analysed as:		
Current portion	**1,180,503**	635,411
Non current portion	**2,003,878**	2,681,556
	3,184,381	3,316,967

22 Trade and other payables

	2021 RO	2020 RO
Accrued expenses *(note 22.1)*	**1,064,046**	490,806
Trade payables	**685,214**	48,219
Advance from customers	**32,530**	36,982
Other employee benefits payable	**111,155**	77,017
	1,892,945	653,024

Accrued expenses comprise mainly the additional amounts collected from customers on the approval of PAW which will be paid to PAW at date to be agreed at a later stage.

23 Related party transactions

The Company enters into transactions with related parties in the ordinary course of business. The related party transactions are entered into at mutually agreed terms. Prices and terms of payment of these transactions are at mutually agreed terms.

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

	Receivables		Payables	
	2021 RO	2020 RO	2021 RO	2020 RO
Duqm Power Company LLC	**3,579,402**	481,789	**-**	59,686
OQ Gas Networks SAOC	**-**	-	**1,265,111**	294,717
OQ SAOC	**-**	-	**37,304**	6,451
	3,579,402	481,789	**1,302,415**	360,854

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2021, the Company has not recorded any impairment of amounts owed by related parties (2020: nil).

The related party transactions during the year were as follows:

Year end balances arising from the related party transactions are included within receivables, payables, and loans to and from related parties:

	2021 RO	2020 RO
OQ SAOC	**(37,304)**	(32,454)
OQ Gas Networks SAOC	**(1,265,111)**	(1,100,647)
Duqm Power Company LLC	**3,579,402**	3,114,080

Loan from related party

The Company had obtained a loan of RO 1,416,581 from OOFDC to fund development cost. The loan is interest free and is repayable on demand.

24 Loan from shareholders

The loan obtained from the shareholders are as follow;

	2021 RO	2020 RO
Oman Oil Facilities Development Company LLC	**79,394,786**	62,218,321
Gulf International Holding Pte Ltd	**76,274,418**	59,771,563
	155,669,204	121,989,884

The Company has obtained loan from shareholders to fund the construction of the project by DPC (the subsidiary). This loan is interest free until the Commercial Operations Date ("COD"). The Company shall repay the loan at the times and in the amounts to be agreed at a later date with the shareholders but only once the COD of DPC has occurred. Accordingly, these loans have been classified as non-current in these separate financial statements.

24 Loan from shareholders (continued)

The interest on loan shall be charged at the rate of 5% from the commercial operation date (COD). The Company measures its shareholder's loans at fair value at initial recognition. The fair value differential, being the difference between the amount of the shareholders advances and its fair value, is initially recognized as credit to equity contributed surplus with a corresponding decrease in shareholders loan liability. At the end of each year, fair value differential is unwound to statement of comprehensive income and recorded as finance costs with a corresponding entry to shareholder's loan. The Company transfers an equivalent amount recorded as finance costs from equity contributed surplus to retained earnings, considering equity contributed surplus as a distributable reserve. Consequently, the loan has been discounted at the rate of 5% to reflect its fair value as at 31 December 2021.

Detail of the movement of this loan is as follows:

	2021	2020
	RO	RO
Opening Balance	**121,989,884**	106,151,480
Loan received during the year	**33,679,320**	15,838,404
	155,669,204	121,989,884
Present value adjustment of interest free loan	**(17,082,209)**	(10,350,541)
Unwinding of discount *(note 9)*	**7,875,826**	1,643,252
	146,462,821	113,282,595

Movement in equity contributed surplus is as follow:

	2021	2020
Present value adjustment		
Opening Balance	**10,350,541**	-
Present value adjustment on loan novated during the year	**-**	9,093,365
Present value adjustment due to change in loan duration	**2,815,094**	-
Present value adjustment on loan received during the year	**3,916,574**	1,257,176
	17,082,209	10,350,541
Unwinding of discount		
Opening balance	**1,643,252**	-
Unwinding of discount for the year	**6,232,574**	1,643,252
	7,875,826	1,643,252
At 31 December	**9,206,383**	8,707,289

The Company has received a loan from shareholders of the Company by way of novation agreement dated 7 September 2020. The said loans were already given to DPC LLC, that was acquired in 2020, by the shareholders of the Company vide agreement dated 13 February 2019. However, in prior year as the Company had acquired the DPC LLC, consequently the loans were also transferred in the books of the Company. To this effect the Company has recorded the loan from shareholders and also recorded loans given to DPC LLC.

At the start of the project the Commercial operation date (COD) was estimated on 8 July 2022. However, during the period considering the current status of the project, the same has been restimated to 1 April 2023. Resultantly, due to change in COD present value of loan has been adjusted accordingly.

25 Loan to subsidiary

The Company has provided loan to its subsidiary Duqm Power Company LLC (DPC).

The loan was provided by the Company to DPC to fund the construction of the power and water project. This loan is interest free until the Commercial Operations Date ("COD"). The DPC shall repay the loan at the times and in the amounts from time to time to be agreed at a later date with the Company but only once the COD has occurred. Accordingly, the loan has been classified as non-current asset as a part of investment in subsidiary. The interest on loan shall be charged at the rate of 5% from the commercial operation date (COD). Consequently, the loan has been discounted at the rate of 5% to reflect its fair value at loan origination date.

25 Loan to subsidiary (continued)

Detail of the movement of this loan is as follows:	**2021**	2020
	RO	RO
Opening balance	**121,989,884**	106,151,480
Loan given during the year	**33,679,320**	15,838,404
	155,669,204	121,989,884
Present value adjustment of loan recognized as investment in subsidiary	**(17,082,209)**	(10,350,541)
Unwinding of discount	**7,875,826**	1,643,252
Closing balance	**146,462,821**	113,282,595
Present value adjustment		
Opening balance	**10,350,541**	-
Present value adjustment on loan novated during the year	**-**	9,093,365
Present value adjustment due to change in loan duration	**2,815,094**	-
Present value adjustment on loan received during the year	**3,916,574**	1,257,176
	17,082,209	10,350,541
Unwinding of discount		
Opening balance	**1,643,252**	-
Unwinding of discount for the year	**6,232,574**	1,643,252
	7,875,826	1,643,252

26 Taxation

	2021	2020
	RO	RO
Current tax:		
- In respect of current year	**95,770**	164,764
Deferred tax:		
- In respect of current year	**(1,691)**	30,796
- In respect of prior year	**(65,910)**	-
	(67,601)	30,796
	28,169	195,560

Tax reconciliation

The following is a reconciliation of income taxes calculated on accounting profits at the applicable tax rate with the income tax expense for the year. The reconciliation of the accounting profit with the taxation charge in the separate financial statements is as follows:

	2021	2020
	RO	RO
Profit before tax	**624,806**	276,015
Taxation @ 15% (2020: 15%)	**93,721**	41,402
Add tax effect of:		
Non-deductible expenses	**225**	154,158
Deferred tax-prior year	**(70,632)**	-
	23,314	195,560

26 Taxation (continued)

Deferred tax asset / (liability)

	At 1 January	Charged during the year	At 31 December
	RO	RO	RO
At 31 December 2021			
Property and equipment	**(1,731)**	**1,731**	**-**
Provisions	**(66,249)**	**66,249**	**-**
Leases	**379**	**(379)**	**-**
	(67,601)	**67,601**	**-**
At 31 December 2020			
Property and equipment	-	(1,731)	(1,731)
Provisions	(36,805)	(29,444)	(66,249)
Leases	-	379	379
	(36,805)	(30,796)	(67,601)

The Company has not recognized deferred tax assets of RO 4,855 2019: Nil.

27 Risk Management

The following note presents information on the risks, arising from the Company's use of financial instruments namely credit risk, liquidity risk and market risk that the Company is exposed to, its objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these separate financial statements.

Risk management policies and systems are reviewed regularly to ensure that they reflect any changes in market conditions and the Company's activities. The Company, through its induction and training program, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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 deposits with banks and receivables from customers. The carrying amount of financial assets represents the maximum credit exposure. The Company's deposits are maintained with reputable banks that have appropriate financial strength and meet the minimum credit ratings set by the management.

The Company provides significant financial support to its subsidiaries. Management monitors the ability of repayment and establishes appropriate provisions.

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for companies of similar assets in respect of losses that have been incurred but not yet identified.

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	RO
Loan to subsidiary	**146,462,821**	113,282,595
Trade recievables	**708,429**	222,559
Contract asset	**5,674**	-
Due from related parties	**3,579,402**	481,789
	150,756,326	113,986,943

27 Risk Management (continued)

Credit Risk (continued)

	2021	2020	2021	2020
	Internal credit ratings		**RO**	RO
Cash at bank				
Bank Dhofar SAOG	**Ba3**	Ba3	**586,738**	3,148,778
National Bank of Oman SAOG	**Ba3**	Ba3	**485,955**	5,695
			1,072,693	3,154,473
			151,829,019	117,141,416

Impairment allowance

The aging of trade receivables at the reporting date was:

	Expected weighted average loss rate	Gross carrying amount	ECL	Net carrying amount
		RO	RO	RO
31 December 2021				
0 - 90 days	**0%**	**537,549**	**-**	**537,549**
91- 180 days	**67%**	**522,559**	**351,679**	**170,880**
181 above days	**100%**	**189,648**	**189,648**	**-**
		1,249,756	**541,327**	**708,429**
31 December 2020				
0 - 90 days	12%	252,664	30,105	222,559
91- 180 days	0%	-	-	-
181 above days	0%	-	-	-
		252,664	30,105	222,559

Liquidity risk

Liquidity risk is the risk that a company may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit limits. The Company maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the Company's financial liabilities based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Total carrying amount	Total contractual cash flows	Up to 1 year	More than 1 year
	RO	RO	RO	RO
31 December 2021				
Loan from shareholders	**113,282,595**	**121,989,884**	**-**	**121,989,884**
Lease liabilities	**3,316,967**	**3,521,158**	**1,342,130**	**2,179,028**
Loan from related party	**1,416,581**	**1,416,581**	**1,416,581**	**-**
Due to a related party	**360,854**	**360,854**	**360,854**	**-**
Trade payables	**48,219**	**48,219**	**48,219**	**-**
	118,425,216	**127,336,696**	**3,167,784**	**124,168,912**

27 Risk Management (continued)

Liquidity risk (continued)	**Total carrying amount**	**Total contractual cash flows**	**Up to 1 year**	**More than 1 year**
	RO	**RO**	**RO**	**RO**
31 December 2020				
Loan from shareholders	113,282,595	121,989,884	-	121,989,884
Lease liabilities	3,316,967	3,799,260	810,116	2,989,144
Loan from related party	1,416,581	1,416,581	1,416,581	-
Due to a related party	360,854	360,854	360,854	-
Trade payables	48,219	48,219	48,219	-
	118,425,215	127,614,798	2,635,770	124,979,028

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 optimizing the return.

Foreign currency risk

The majority of the Company's financial assets and financial liabilities are either denominated in local currency (Rials Omani) or currencies fixed against Rials Omani. Hence the Management believes that there would not be a material impact on the profitability if these foreign currencies weakens or strengthens against the Omani Rial with all other variables held constant.

Financial risk factors

Capital management

The Company's objectives when managing capital is to enable the entity to continue as a going concern, so that it can continue to provide adequate returns to the members. There are no externally imposed capital requirements binding on the Company.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to the members, return capital to members or issue additional capital.

28 Cash flows from financing activities

	Liabilties		**Equity**
	Loan from shareholders	**Lease liabilities**	**Share capital**
	RO	**RO**	**RO**
Balance at 1 January 2021	**113,282,595**	**3,316,967**	**7,001,625**
Changes from financing cash flows			
Proceeds	**33,679,320**		
Repayment	**-**	**(1,190,126)**	
Total changes from financing cash flows	**146,961,915**	**2,126,841**	**7,001,625**
Other changes			
Interest accrued	**6,232,574**	**193,908**	
Present value adjustment	**(6,731,668)**	**-**	
Additional lease	**-**	**863,632**	
Total other changes	**(499,094)**	**1,057,540**	**-**
Balance as at 31 December 2021	**146,462,821**	**3,184,381**	**7,001,625**

28 Cash flows from financing activities (continued)

	Liabilties		Equity
	Loan from shareholders RO	Lease liabilities RO	Share capital RO
Balance as at 1 January 2020	-	1,495,756	3,338,985
Changes from financing cash flows			
Proceeds	15,838,404	-	3,662,640
Repayment	-	(357,759)	-
Total changes from financing cash flows	15,838,404	1,137,997	7,001,625
Other changes			
Loan novated	106,151,480	-	-
Interest accrued	1,643,252	133,659	-
Present value adjustment	(10,350,541)	-	-
Changes in lease during the year	-	2,045,311	-
Total other changes	97,444,191	2,178,970	-
Balance at 31 December 2020	113,282,595	3,316,967	7,001,625

29 Commitment and contingencies

	2021 RO	2020 RO
Bank guarantee	**1,200,000**	1,200,000
Letter of credit	**16,000,000**	16,000,000
	17,200,000	17,200,000

30 COVID -19

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 cash flow due to demand profile change during the reporting period.

The Government of Oman has announced policy reforms aimed to soften the economic impact and help individuals and businesses navigate these unprecedented times. However, as at the reporting date, the management believes that there has not been any significant impact on the Company's business, especially in relation to the impact on the operations in the foreseeable future. As the situation is fast evolving, the effect of the outbreak is subject to significant levels of uncertainty, with the full range of possible effects unknown.