1. Legal status and principal activities

SMN Power Holding SAOG (the "Parent Company" or "Company") is a public Omani joint stock company incorporated on 7 May 2011 under the Commercial Companies Law of Oman in Sultanate of Oman.

The Parent Company holds a 99.99% stake in each of Al-Rusail Power Company SAOC (RPC) and SMN Barka Power Company SAOC (SMNBPC). RPC and SMNBPC (the Project Companies) are two closed joint stock companies incorporated in the Sultanate of Oman.

The Company and its subsidiaries (the Group) are engaged in the business of power generation, water desalination or other businesses related thereto, the management and supervision of such companies, to invest its funds in shares, bonds and securities, to provide loans, security and finance to its subsidiaries, and to own patents, trademarks, concessions and other incorporeal rights, utilise them and lease them to its subsidiaries and other companies.

2. Significant agreements

(a) The Company

(i) The Secondment Services Agreement entered into on 1 May 2017 by and between Kahrabel Operation and Maintenance Oman LLC (KOMO) and the Company.

(ii) Cost Sharing Agreement entered into on 21 February 2019, by and between SMNBPC, RPC and the Company.

(b) Subsidiary - RPC

(i) Power Purchase Agreement (PPA) dated 1 May 2005 (amended on 6 December 2006 and 19 April 2012) with Oman Power and Water Procurement Company SAOC (OPWP) relating to the commitment (1) from the Company to sell to OPWP the available capacity of electricity and (2) from OPWP to purchase this available capacity and electricity energy delivered up to 31 October 2022 (as amended on 20 March 2022).

(ii) Natural Gas Sales Agreement (NGSA) dated 1 May 2005 and the NGSA Amendment Agreement dated 6 December 2006 with the Ministry of Energy and Minerals for the purchase of natural gas.

(iii) Usufruct agreement dated 1 May 2005 with the Government for grant of Usufruct rights over the plant site for 25 years.

(iv) Financing Agreements with international banks and local banks and respective hedging agreements as disclosed in notes 16 and 17.

(v) Operation & Maintenance (O&M) Agreement with Suez Tractebel Operations and Maintenance Oman LLC (STOMO) dated 1 February 2007 ending 31 October 2022 (as amended on 31 March 2022).

(vi) Cost Sharing Agreement entered into on 21 February 2019, by and between SMNBPC, RPC and the Company.

(c) Subsidiary - SMNBPC

(i) Power and Water Purchase Agreement (PWPA) dated 6 December 2006, amended on 27 January 2010, with OPWP for a period of 15 years from the scheduled commercial operation date.

Natural Gas Sales Agreement (NGSA) dated 6 December 2006 with the Ministry of Energy and

2. Significant agreements (Continued)

(c) Subsidiary – SMNBPC (Continued)

(ii) Minerals for the purchase of natural gas for a period of 15 years from the scheduled commercial operation date.

(iii) Usufruct Agreement relating to the Barka site dated 6 December 2006 and respective amendment dated 3 December 2007, with the Government for grant of Usufruct rights over the plant site for 25 years.

(iv) Turnkey Engineering, Procurement and Construction (EPC) Contract dated 14 December 2006 and successive amendments on 14 April 2008, 22 May 2012, 26 November 2013 and 17 August 2017 with Doosan to perform the engineering, procurement and construction of the shared facilities and the plant.

(v) Settlement Agreement with Doosan dated 22 May 2012 to close the disputes related to delay in construction of the plant.

(vi) O&M Agreement with Suez Tractebel Operations and Maintenance Oman LLC (STOMO) dated 10 February 2007 and O&M Agreement amendments dated 31 October 2007 and 17 December 2007 for a period of 15 years from the scheduled commercial operation date.

(vii) Financing Agreements with international banks and local banks and respective hedging agreements as disclosed in notes 16 and 17.

(viii) Equity Contribution Loan (ECL) agreement dated 20 February 2007 with SMN Power Holding Company Ltd, subsequently transferred to SMN Power Holding SAOG following a Deed of Novation dated 9 August 2011 and entered into between (i) SMNBPC: (ii) RPC; (iii) SMN Jafza; (iv) the parent Company; (v) Kahrabel FZE; (vi) Mubadala Power Holding Company Limited; (vii) National Trading Company LLC and (viii) MDC Industry Holding Company LLC.

(ix) Agreement with Bank Muscat SAOG for working capital facilities dated 9 September 2010, with latest amendment dated 12 May 2022.

(x) Shareholders Agreement dated 20 February 2007 with ACWA Power Barka SAOG (formerly AES Barka) in respect of the establishment of Barka Seawater Facilities Company SAOC.

(xi) Cost Sharing Agreement entered into on 21 February 2019, by and between SMNBPC, RPC and the Company.

3. Basis of preparation and significant accounting policies

3.1 Basis of preparation

(a) Going concern

The consolidated financial statements of the Group have been prepared on a going concern basis. As at 30 June 2022, the Group's current liabilities exceed its current assets by RO 0.16 million (2021 – RO 1.9 million). However, the Group will generate sufficient cash flows by making available the plant capacity to the off-taker to discharge the short term liabilities as and when they fall due. The main portion of the current liability representing the long term loan is payable semi-annually and the future short term capacity charge revenue from the off-taker will be in excess of such liability. The Company may also re-negotiate payment terms with related parties, if necessary. Further, the Company also has access to credit facilities as described in note 17.

3. Basis of preparation and significant accounting policies (Continued)

3.1 Basis of preparation (Continued)

(a) Going concern

The contract of Al Rusail Power Company SAOC with OPWP, its sole customer will end on 31 October 2022. The management assessed the financial and operating conditions that could cast doubt about the ability of the Company to continue as a going concern. In doing so the management considers both the financial and operating events and conditions. From financial perspective, the Company maintains a strong financial position, financial performance, and liquidity since it has closed all of its outstanding loans and maintains sufficient liquid assets in the form of fixed deposits to handle costs.

The management also assessed the events and conditions that could cast significant doubts on the ability of the Company to continue as a going concern from operating perspective.

Moreover, and as outlined above, under the existing PPA terms and conditions, the offtake – OPWP – has the right to raise a dispute up to 1 year which if still unresolved then the matter can be referred to an Expert for resolution which will take its own time. Therefore, under the current PPA ending on 31 October 2022, OPWP has a right to serve a notice of dispute till 31 October 2023.

Based on the above assessment, the management considers that it is appropriate to continue to prepare the financial statements under the assumption that the Company will continue as a going concern.

(a) Statement of compliance

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

The new Commercial Companies Law promulgated by the Royal Decree No. 18/2019 (the Commercial Companies Law of the Sultanate of Oman) was issued on 13 February 2019 which has replaced the Commercial Companies Law of 1974. As per the articles of the Royal Decree No. 18/2019, the new Commercial Companies Law became effective.

(b) Basis of measurement

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

(c) Functional and presentation currency

These consolidated financial statements are measured and presented in Rial Omani (RO) which is considered as the currency of the primary economic environment in which the Group operates (‘the functional and presentation currency’). The RO amounts in these financial statements have been translated using an exchange rate US$ 1 = RO 0.3845.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses and the accompanying disclosures, and the disclosure of contingent liabilities.

The estimates and associated assumptions are based on historical experience and various other factors that

3. Basis of preparation and significant accounting policies (Continued)

3.1 Basis of preparation (Continued)

Use of estimates and judgments

are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas where accounting assumptions and estimates are significant to the financial statements are disclosed below and also in the relevant notes to the financial statements.

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

In particular, estimates that involve uncertainties and judgments which have a significant effect on the financial statements are as below:

3.2 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) 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).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets as disclosed in note 3.4(g).

(b) Finance lease

Al-Rusail Power Company SAOC (RPC) and Oman Power and Water Procurement Company SAOC (OPWP) has entered into a Power Purchase Agreement (PPA) containing a take-or-pay clause favouring RPC. The management has applied the guidance in IFRIC 4, 'Determining whether an arrangement contains a lease'. Based on management's evaluation, the Power Purchase Agreement (PPA) with OPWP is considered as a lease within the context of IFRIC 4 and has been classified as a finance lease under IFRS 16, since significant risks and rewards associated with the ownership of the plant are transferred to OPWP. The primary basis for this conclusion being that the PPA is for substantial portion of the life of the plant and the present value of minimum lease payments substantially equates the fair value of the plant at the inception of the lease. As of 30 June 2022, all finance lease receivables have been collected.

(c) Operating lease and useful life of assets

SMN Barka Power Company SAOC (SMNBPC) and Oman Power and Water Procurement Company SAOC (OPWP), have entered into a Power & Water Purchase Agreement (PWPA) containing a take-or-pay clause favouring SMNBPC. The management has applied the guidance in IFRIC 4, 'Determining whether an

3. Basis of preparation and significant accounting policies (Continued)

3.2 Judgements (Continued)

arrangement contains a lease'. Based on management's evaluation, the PWPA with OPWP is considered as a lease within the context of IFRIC 4 and has been classified as an operating lease under IFRS 16 since significant risks and rewards associated with the ownership of the plant lies with the SMNBPC and not with OPWP. The primary basis for this conclusion being that the PWPA is for a term of 15 years while the economic life of the power plant is estimated to be thirty years. The present value of minimum lease payments under the PWPA does not substantially recover the fair value of the plant at the inception of the lease. The residual risk is borne by SMN Barka and not OPWP. The estimated useful life of the power plant of 30 years takes into account the Company's right to extend the land lease under a Usufruct Agreement for an additional term of maximum of 25 years. Furthermore, the residual value of the assets will have substantial value at the conclusion of the PWPA and the Company will be able to continue to generate revenue through supply of power and water taking into account the government's future plans to deregulate the power and water sector in Oman.

(d) Joint arrangement

The management has assessed the shareholders agreement dated 20 February 2007 between ACWA Power Barka SAOG and SMN Barka Power Company SAOC (SMNBPC) committed to establish a shared facility company owned 50:50 between the shareholders and concluded that it falls within the scope of IFRS 11, 'Joint Arrangements' and the arrangement is a joint operation. The primary basis for this conclusion is that both shareholders have collective/joint control over the arrangement, its activities primarily aim to provide the parties with an output and it depends on the shareholders on a continuous basis for settling the liabilities relating to the activity conducted through the arrangement. The Group's joint arrangement is structured as a closed public joint stock company and provides the Group and the parties to the agreements with rights to their respective share of the assets, liabilities, income and expenses of joint operations.

(e) Impact of COVID-19

The World Health Organization declared on 11 March 2020, the Novel Coronavirus (COVID-19) as a global pandemic. This event has caused widespread disruptions to business, with a consequential negative impact on economic activity. Whilst the COVID-19 vaccines distribution have started across the world, there are uncertainties on the duration of immunity and effectiveness against new mutations and on certain categories of individuals.

The Company's management took the necessary steps to deal with the risks posed by COVID-19 in a proactive and responsible manner, taking all reasonable precautions.

3.3 Estimates and assumptions

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

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These calculations use current period actual free cash flows, contractual cash flows of the PWPA/PPA and projections based on management's best estimates considering the future market outlook. The net carrying amount of goodwill at 30 June 2022 was RO 14.9 million (2021 - RO 14.9 million).

(b) Effectiveness of hedge relationship

At the inception of the hedge, the management documents the hedging strategy and performs hedge effectiveness testing to assess whether the hedge is effective. This exercise is performed at each reporting date to assess whether the hedge will remain effective throughout the term of the hedging instrument. As at the reporting date, the cumulative fair value of the interest rate swaps is RO 0.76 million (2021 - RO 3.01 million).

(c) Useful lives of property, plant and equipment

Depreciation is charged so as to write-off the cost of assets, less their residual value, over their estimated useful lives. The calculation of useful lives is based on assessment of various factors such as the operating cycles, the maintenance programmes, and normal wear and tear using best estimates.

(d) Site restoration costs

Site restoration costs are based on management's technical assessment of the probable future costs to be incurred in respect of the decommissioning of the plant facilities. The significant uncertainty in estimating the provision is the cost that will be incurred and the applicable discount rate. It has been assumed that the site will be restored using technology and material that are currently available. The provision has been calculated using a discount rate of 3.56% in RPC and 5.3% in SMNBPC.

(e) Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e geography, product type, customer type and rating, and coverage by letter of credit and other forms of credit insurance)

3. Basis of preparation and significant accounting policies (continued)

3.3 Estimates and assumptions (continued)

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

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

3.4 Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this

presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

(a) Basis of consolidation (continued)

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Name of Subsidiary	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal Activity	Date of acquisition / incorporation
Al-Rusail Power Company SAOC (RPC)	Sultanate of Oman	99.99%	99.99%	Electricity generation activities under a license issued by the Authority for Electricity Regulation, Oman.	1 February 2007
SMN Barka Power Company SAOC (SMNBPC)	Sultanate of Oman	99.99%	99.99%	Electricity generation and water desalination activities under a license issued by the Authority for Electricity Regulation, Oman	26 November 2006

(b) *Interest in joint arrangements*

The Group has interests in joint arrangements which include joint operations and joint ventures. A joint arrangement is a contractual arrangement in which two or more parties have joint control. A joint operation is a joint arrangement whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.

The Group combines its share of the assets, liabilities, income and expenses of joint operations with similar items, line by line, in its consolidated financial statements. The financial statements of joint operations are prepared at the same reporting date as the Group, using consistent accounting policies.

The group recognises in relation to its joint operation interest its assets, including its share of any assets held jointly, liabilities, including its share of any liabilities incurred jointly, revenue from the sale of its share of the output arising
from the joint operation, share of the revenue from the sale of the output by the joint operation, expenses,

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

including its share of any expenses incurred jointly.

Profits or losses resulting from ‘upstream’ and ‘downstream’ transactions between the Group and the joint operation are recognised in the Group’s financial statements only to the extent of unrelated investor’s’ interests in the joint operation.

The joint operations are consolidated until the date on which the Group ceases to have joint control over them.

(c) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be be realized within twelve months after the reporting period or Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after reporting period or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instrument do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(d) Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date,

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial forecasts approved by the Board of Directors, contractual cash flows of the PWPA/PPA and projections by the management using industry reports, consultant's forecast and other data available to the management.

(e) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any identified impairment loss.

(i) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written-off.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the period in which the asset is derecognised.

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

(ii) Depreciation

Depreciation is calculated so as to allocate the cost of property, plant and equipment, other than capital work-in-progress, on a straight-line basis over its estimated useful life. The estimated useful lives are as follows:

	Years
Plant and equipment	30
Furniture and fixture	5 to 7
Motor vehicles	3
Office equipment	3

Depreciation method, useful lives and residual values are assessed at each reporting date.

(iii) Capital work-in-progress

Capital work-in-progress is measured at cost and is not depreciated until transferred to one of the above categories, which occurs when the asset is ready for its intended use.

(iv) Site restoration

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

(f) Impairment of Non-financial assets

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

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

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

(f) Impairment of Non-financial assets (continued)

loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 October at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Policy for impairment of financial assets under IFRS 9 is disclosed in note 3.4 (j) to these financial statements.

(g) Leases

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

Group as a lessee

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

(i) Right-of-use assets

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

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

(g) Leases (continued)

(i) Right-of-use assets (continued)

	Duration
Property	Up to the end of the related agreement
Equipment	Up to the end of the related agreement

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 3.4 (s) Impairment of non-financial assets.

(ii) Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in Interest-bearing loans and borrowings (see note 7b).

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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 of office equipment 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.

Group as a lessor

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

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

are recognised as revenue in the period in which they are earned.

(h) Long term prepayments

Items of long-term prepayments are measured at cost less accumulated amortisation based on the number of years for which the benefit will be derived from the prepayments.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

• Raw materials and consumables: cost of direct materials and related overheads on a weighted average method.

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect of the purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(j) Financial instruments

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

(I) Financial asset

Initial recognition and measurement

The Group classifies all financial assets, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section (e) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

(j) Financial instruments (continued)

(I) Financial asset (continued)

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

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
• Financial assets at amortised cost (debt instruments)
• Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
• Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
• Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

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

The Group's financial assets at amortised cost includes cash and cash equivalents and trade receivables.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

(j) Financial instruments (continued)

(I) Financial asset (continued)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:
• The rights to receive cash flows from the asset have expired
Or
• The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group 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 Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay.

Impairment

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

The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting period. In determining the required impairment provision the management has used 1.68% as probability of default and 45% loss given default. As at 30 June 2022, the impairment impact is a reversal of RO 1,405.

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

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

(j) Financial instruments (continued)

(I) Financial asset (continued)

ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(II) Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include loans and borrowings, trade and other payables and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:
• Financial liabilities at amortised cost (loans and borrowings)
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition through fair values less attributable cost, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method.

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

(j) Financial instruments (continued)

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to loans and borrowings and loans and borrowings and trade and other payables. For more information, refer to note 24.

Derecognition

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

(III) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(k) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. 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.

For the purpose of hedge accounting, hedges are classified as:

• Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
• Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
• Hedges of a net investment in a foreign operation

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

(k) Derivative financial instruments and hedge accounting (continued)

the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

The Group has not entered any new hedging relationships during the current period requiring adoption of hedging accounting requirements of IFRS 9.

Separable embedded derivatives

Derivatives embedded in contracts where the host is a financial asset in the scope of the IFRS 9 are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

(k) Derivative financial instruments and hedge accounting (continued)

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. Refer note 18 for further details.

(m) Taxation

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

Current income 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 the countries where the Company operates and generates taxable income.

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

(m) Taxation (continued)

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.
Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred Tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

• When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
• In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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

• When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
• In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Company relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

(m) Taxation (continued)

substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change.

The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered. For further details please refer note 19(e).

(n) Foreign currency

The Company's consolidated financial statements are presented in Rial Omani (RO). For each entity, the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Company uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

(n) Foreign currency

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration

(o) Employee benefits

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

The Group's obligation in respect of non-Omani employees' terminal benefits is the amount of future benefit that such employees have earned in return for their service in the current and prior periods having regard to the employee contract and Oman Labour Law 2003, as amended. In accordance with the provisions of IAS 19, Employee benefits, management carries an exercise to assess the present value of the Group's obligations as of reporting date, using the actuarial techniques, in respect of employees' end of service benefits payable under the Oman aforesaid Labour Law. Under this method, an assessment is made of an employee's expected service life with the Group and the expected basic salary at the date of leaving the service.

(p) Revenue recognition

Revenue stemming from PWPA/PPA comprises of the following:

- Capacity charge covering the investment charge and the fixed operating and maintenance charge; and
- Energy charge covering the fuel charge and variable operating and maintenance charge.

The PWPA in SMNBPC is an operating lease arrangement and capacity charge related to the investment charge is treated as operating lease revenue and recognized on straight line basis over the lease term to the extent that capacity has been made available based on contractual terms stipulated in PWPA.

The PPA in RPC is a finance lease arrangement and lease interest income recognised in the statement of comprehensive income is part of the minimum lease payment. Capacity charge covering the investment charge received under the PPA, are finance lease payments (note 5). Amounts received in relation to electricity energy charges (covering the fuel charge and variable operating and maintenance charge) are contingent rental receipts. Capacity charge covering fixed O&M charge is linked to making available the capacity to OPWP and is revenue for the group.

Revenue from sale of electricity and water and making capacity available to OPWP is recognised in the accounting period in which the actual production and sale of energy and water take place and the capacity is made available as per the contract. The group has the right to bill the customer on an hourly basis. The contract with the Customer has three deliverables which are considered as separate performance obligations namely production/ supply of electricity, production/ supply of water and making available the designated capacity. Where the contracts include multiple performance obligations, the transaction price is allocated based on stand-alone selling price of each performance obligation. Stand-alone selling price for each performance obligation of the group is identified in the contract with customer separately.

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

(p) Revenue recognition

A receivable is recognised when the electricity and water output is produced/ delivered or the capacity is made available over time and accordingly assessed that the consideration is unconditional because only the passage of time is required before the payment is due.

As the contract with the Customer includes provision of electricity and water and making capacity available based on a pre-determined rate, revenue is recognised for the amount to which the group has a right to invoice for performance obligation satisfied in terms of PWPA and PPA. Customer is invoiced on a monthly basis and consideration is payable when invoiced.

The Group has a long term agreement with OPWP which determines performance obligation, transaction price and allocates the transaction price to each of the separate performance obligations. The Group does not adjust any of the transaction prices for time value of money as the period between the transfer of the promised output to the
customer and payment by the customer does not exceed one year and the sales are made with agreed credit terms which is in line with the industry practice.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time that the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. All other borrowing costs are recognised as expenses in the period in which they are incurred.

(r) Dividend

The Board of Directors takes into account appropriate parameters including the requirements of the Commercial Companies Law while recommending the dividend.

Dividend distribution to the Parent Company’s shareholders is recognised as a liability in the Group’s and Parent Company’s financial statements in the period in which the dividends are approved.

(s) Earnings and net assets per share

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

Net assets per share is calculated by dividing the net assets attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the period. Net assets for the purpose is defined as total equity less hedging deficit/surplus.

(t) Cash and cash equivalents

Cash and cash equivalents are carried at cost in case of local currency and at closing exchange rate in case of foreign currency. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and bank and short term highly liquid investments with original maturities of three months or less, and that are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

(u) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who manages the company on a day-to-day basis, as per the directives given by the board of directors that makes strategic decisions.

New and amended standards and interpretations to IFRS

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards issued and effective

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

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

- A practical expedient to require contractual changes, or changes to cash flows that are directly required

by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

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

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

New and amended standards and interpretations to IFRS (continued)

Standards issued and effective (continued)

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

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

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

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’
gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

In May 2020, the IASB issued Property, Plant and Equipment-Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.
The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

New and amended standards and interpretations to IFRS (continued)

Standards issued and effective (continued)

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when
assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply
these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

New and amended standards and interpretations to IFRS (continued)

Standards issued but not yet effective

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general
model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

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

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

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

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

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

3. Basis of preparation and significant accounting policies (continued)

3.4 Significant accounting policies (continued)

New and amended standards and interpretations to IFRS (continued)

Standards issued but not yet effective (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.
The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

Trade and other receivables

The fair value of trade and other receivables including cash and bank balances approximates to their carrying amount due to their short-term maturity.

4. Determination of fair values (continued)

Derivatives

The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. This calculation is tested for reasonableness through comparison with the valuations received from the parties issuing the instruments.

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.

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

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

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

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

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

5. Finance lease receivables

Leasing arrangements - Consolidated

RPC

Management has concluded that the Power Purchase Agreement (PPA), as amended effective 1 December 2006, conveys a right of use of the power plant to the customer (OPWP), in accordance with IFRIC 4 - ‘Determining whether an arrangement contains a lease’. The lease qualifies as a finance lease under “IFRS 16 - Leases”. The factors leading to this lease classification are (a) the lease term is for the major part of the remaining economic life of the plant, and, (b) at inception of the lease, the present value of the minimum lease payments amounted to substantially all of the fair value of the plant. In accordance with IFRS, revenue stemming from the substantial operation and maintenance services is not considered as lease revenue.

5. Finance lease receivables (continued)

At 30 June 2022	**Consolidated** **Minimum lease receipts RO'000**	**Present value of minimum lease receipts RO'000**
Amounts receivable under finance lease		
Within one year	-	-
	-	-
Less: unearned finance income	-	-
Present value of minimum lease receipts	-	-
Included in the statement of financial position as:		
Current finance lease receivables		-
Non-current finance lease receivables		-
Amounts invoiced to OPWP		-

At 31 December 2021	Consolidated Minimum lease receipts RO '000	Present value of minimum lease receipts RO '000
Amounts receivable under finance lease		
Within one year	320	316
	320	316
Less: unearned finance income	(4)	-
Present value of minimum lease receipts	316	316
Included in the statement of financial position as:		
Current finance lease receivables		316
Non-current finance lease receivables		-
Amounts invoiced to OPWP		316

The interest rate implicit in the lease is 6.2% per annum.

Accumulated provision for ECL related to finance lease receivables is nil (31 December 2021 – RO 2,394).

(a) Leased land

Land on which the Plant is constructed has been leased from Government of Sultanate of Oman by RPC for a period of 25 years expiring on 1 May 2030 under the terms of the Usufruct Agreement with an option for a further lease extension of 25 years if required. The annual rent is RO 1,000 towards the land lease.

(b) Contingent rents

Rental income relating to finance lease includes the following contingent rent:

	Consolidated **30 June 2022** **RO '000**	30 June 2021 RO '000
Electricity energy charges	**1,137**	5,884

6. Property, plant and equipment

Consolidated

	Plant and equipment RO '000	**Furniture and fixture RO '000**	**Motor vehicles RO '000**	**Office equipment RO '000**	**Leasehold improvement RO '000**	**Total RO '000**
Cost						
At 1 January 2022	**237,103**	**102**	**72**	**197**	**1,968**	**239,442**
Additions (note 18)	**-**	**-**	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**(9)**	**-**	**-**	**(9)**
At 30 June 2022	**237,103**	**102**	**63**	**197**	**1,968**	**239,433**
Accumulated depreciation						
At 1 January 2022	**97,717**	**102**	**72**	**184**	**1,908**	**99,983**
Charge for the year (notes 22 and 23)	**3,924**	**-**	**2**	**5**	**62**	**3,993**
Disposals			**(9)**	**-**	**-**	**(9)**
At 30 June 2022	**101,641**	**102**	**65**	**189**	**1,970**	**103,967**
Carrying amount						
At 30 June 2022	**135,462**	**-**	**(2)**	**8**	**(2)**	**135,466**

Consolidated

	Plant and equipment RO '000	Furniture and fixture RO '000	Motor vehicles RO '000	Office equipment RO '000	Leasehold improvement RO '000	Total RO '000
Cost						
At 1 January 2021	236,785	102	72	197	1,968	239,124
Additions	318	-	-	-	-	318
At 31 December 2021	237,103	102	72	197	1,968	239,442
Accumulated depreciation						
At 1 January 2021	89,821	88	66	172	1,661	91,808
Charge for the year (notes 22 and 23)	7,896	14	6	12	247	8,175
At 31 December 2021	97,717	102	72	184	1,908	99,983
Carrying amount						
At 31 December 2021	139,386	-	-	13	60	139,459

Depreciation is allocated as follows:

	30 June 2022 RO '000	30 June 2021 RO '000
Operating costs (note 22)	**3,986**	4,051
General and administrative expenses (note 23)	**7**	40
	3,993	4,091

(a) Leased land

Land on which the plant is constructed has been leased from Government of Sultanate of Oman by SMNBPC for a period of 25 years expiring in December 2031 under the term of the Usufruct Agreement, which can be extended for another maximum of 25 years, if required.

6. Property, plant and equipment (continued)

(b) Security

The Group's property, plant and equipment are pledged as security against the term loan (note 17).

(c) Plant and equipment

The plant and equipment which is subject to an operating lease with OPWP solely relates to SMNBPC.

7. Right-of-use assets and lease liabilities

(a) Right-of-use-assets

The statement of financial position shows the following amounts relating to leases:

Consolidated

	Property RO '000	Equipment RO '000	Total RO '000
Cost			
At 1 January 2022	**295**	**272**	**567**
Additions	**71**	**-**	**71**
Deletion/transfers	**-**	**-**	**-**
At 30 June 2022	**366**	**272**	**638**
Accumulated depreciation			
At 1 January 2022	**185**	**97**	**282**
Charge for the year (notes 22 and 23)	**19**	**11**	**30**
At 30 June 2022	**204**	**108**	**312**
Carrying amount			
At 30 June 2022	**162**	**164**	**326**

	Property RO '000	Equipment RO '000	Total RO '000
Cost			
At 1 January 2021	295	272	567
Additions	-	-	-
Deletion/transfers	-	-	-
At 31 December 2021	295	272	567
Accumulated depreciation			
At 1 January 2021	147	44	191
Charge for the year (notes 22 and 23)	38	53	91
At 31 December 2021	185	97	282
Carrying amount			
At 31 December 2021	110	175	285

7. Right-of-use assets and lease liabilities (continued)

(b) Lease liabilities

At 30 June 2022	**Contractual undiscounted cash flows RO '000**	**Present value of lease payments RO '000**
Amount payable under operating leases		
Within one year	**35**	**35**
In 2 to 5 years	**84**	**50**
More than 5 years	**633**	**344**
	752	**429**
Less: unpaid finance cost	**(323)**	**-**
Present value of lease payments	**429**	**429**

Lease liabilities included in the statement of financial position as:	
Consolidated	
Current lease liabilities	**35**
Non-current lease liabilities	**394**
	429

At 31 December 2021	Consolidated Contractual undiscounted cash flows RO '000	Present value of lease payments RO '000
Amount payable under operating leases		
Within one year	20	20
In 2 to 5 years	65	55
More than 5 years	621	298
	706	373
Less : unpaid finance cost	(333)	-
Present value of lease payments	373	373

Lease liabilities included in the statement of financial position as:	
Consolidated	
Current lease liabilities	20
Non-current lease liabilities	353
	373

7. Right-of-use assets and lease liabilities (continued)

(a) Lease liabilities (continued)

Amounts recognized in the consolidated statement of profit or loss and other comprehensive income:

Consolidated

	30 June 2022 RO '000	30 June 2021 RO '000
Interest on lease liabilities (included in other income and finance charges)	**11**	13
Expenses relating to short-term leases (included in operating costs)	**-**	-
Expenses relating to leases of low-value assets, excluding short-term lease of low-value assets (included in general and administrative expenses)	**-**	-

Amounts recognized in the Statement of Cash Flows
Consolidated

	30 June 2022 RO '000	30 June 2021 RO '000
Total cash outflow for leases	**29**	38

The Group has leased land on which the SMNBPC plant is constructed. The land has been leased from Government of Sultanate of Oman for a period of 25 years expiring in December 2031 under the terms of the Usufruct Agreement, which can be extended for an additional 25 years (note 5(b)).

The Group leases office space and connection equipment for its plants, with lease terms of five to thirty years respectively.

The Group also leases IT equipment and machinery and these leases are short term and/or leases of low value items. The group has elected not to recognize right of use assets and lease liability for these leases.

8. Long-term prepayment

	Consolidated	
	30 June 2022 RO '000	31 December 2021 RO '000
Cost		
At 1 January and 31 December	**1,609**	1,609
Accumulated amortization		
At 1 January	**1,582**	1,476
Amortisation for the year (note 22)	**27**	106
At 30 June/31 December	**1,609**	1,582
Net book value at 30 June/31 December	**-**	27

9. Investment in subsidiaries

Details of the company's subsidiaries are as follows:

				Parent Company	
Name of the subsidiaries	**Principal Activities**	**Date of acquisition**	**Proportion of shares acquired %**	**30 June 2022 RO '000**	31 December 2021 RO'000
RPC	Electricity generation	18 July 2011	99.99	**3,851**	3,851
SMNBPC	Electricity generation /Desalinated Water	18 July 2011	99.99	**15,452**	15,452
				19,303	19,303

Management has assessed its investments as required under IFRS 10 and concluded that it has control over these investments. Accordingly, the investments continue to be recognised as subsidiaries.

The investment in subsidiaries, incorporated in the Sultanate of Oman, has been recorded at cost.

a) Subsidiary - SMNBPC

The investment in SMNBPC amount comprise of the following amounts:

	Parent Company	
	30 June 2022 RO '000	31 December 2021 RO '000
Cost of acquisition of SMNBPC	**15,452**	15,452
Equity contribution loan*	**8,102**	8,102
	23,554	23,554

*Equity Contribution Loan (ECL) given to SMNBPC has been classified as investment in subsidiary with effect from 11 December 2019 as the ECL facility is subordinated to the respective term loan facilities of SMNBPC and is repayable at the option of SMNBPC (note 11).

10. Goodwill

	Consolidated	
	30 June 2022 RO '000	31 December 2021 RO '000
Goodwill	**14,952**	14,952

(a) Goodwill represents the excess of the cost of acquiring shares in a subsidiary over the aggregate fair value of the net assets acquired and rights to build and operate a new power plant.

(i) The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts

10. Goodwill (continued)

of cash-generating units (CGU) were based on value-in-use, determined by discounting future cash flows to be generated from the continuing use of the CGUs. The carrying value was determined to be lower than its recoverable amount for SMNBPC.

The key assumptions used in the estimation of value in use were as follows:

Name of the subsidiaries	**Discount rate**	**Description**	**RO'000**
SMNBPC	7.8%	Incremental EBITDA from 2022 to 2039	**340,000**

(iii) Management has identified that a decrease in incremental EBITDA margin by 15% over the long term period could cause the carrying amount of goodwill RO 14,952K to exceed the recoverable amount.

Further, management has also identified that an increase in discount rate by 3% could cause the carrying amount of RO 14,952K to exceed the recoverable amount.

(b) The carrying amount of goodwill as of the reporting year end allocated to each of the cash-generating units is as follows:

	Consolidated	
	30 June 2022 **RO '000**	31 December 2021 RO '000
SMN Barka Power Company SAOC	**14,952**	14,952
Al-Rusail Power Company SAOC	**-**	-
	14,952	14,952

(c) The recoverable amount of each cash-generating unit is determined based on a value-in-use calculation, using current year actual free cash flows, contractual cash flows of the PWPA/PPA and projections based on management's best estimates considering the future market outlook. The key assumptions of the value-in-use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs incurred during the year. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to each cash-generating unit. The growth rates are based on management estimates having regard to industry growth rates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

(d) Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the cash generating units, management has reviewed all the key assumptions and believes that changes in any of the key assumptions would not cause the carrying value of the goodwill to materially exceed its recoverable amount as of the reporting date.

11. Loan to a subsidiary

The loan to a subsidiary has been put in place through the novation of existing Equity Contribution Loan (ECL) novated from SMN Power Holding Company (SMNPHC) to the company pursuant to the Novation Agreement dated 9 August 2011.

The ECL facility carried an interest of 9% per annum up to September 2011. Effective from 1 October 2011, ECL carried nil interest rate after amending the agreements between the company, RPC and SMNBPC as approved by the respective Boards of Directors.

Equity Contribution Loan (ECL) given to SMNBPC was classified as investment in subsidiary with effect from 11 December 2019 (see note 9). The ECL facility is subordinated to the respective term loan facilities of SMNBPC and is repayable at the option of SMNBPC (note 9).

12. Inventory

	Consolidated	
	30 June 2022 RO '000	31 December 2021 RO '000
Fuel oil (diesel)	**2,837**	2,901

Inventory represent stock of diesel held by the group at the reporting date as backup fuel to operate the plant.

13. Trade and other receivables

	Parent Company		**Consolidated**	
	30 June 2022 RO '000	31 December 2021 RO '000	**30 June 2022 RO '000**	31 December 2021 RO '000
Trade receivables	**-**	-	**9,498**	42,353
Due from related parties (note 26)	**24**	24	**292**	262
Prepayments	**16**	30	**80**	417
Other receivables	**-**	-	**1,207**	1,037
	40	54	**11,077**	44,069

The Group has one customer (OPWP) which accounts for majority of the trade receivables balance as at 30 June 2022. The overdue amount as of 30 June 2022 amounted to RO 0.8 million (31 December 2021 – 33.7 million) which represents the amount of energy charge invoiced to OPWP and a similar amount is shown under trade payable as per the back to back nature of the agreement with the Ministry of Energy and Minerals.

13. Trade and other receivables (continued)

The ageing of trade receivables at the reporting date was:

Consolidated

	30 June 2022 RO '000	31 December 2021 RO '000
1 to 30 days	**8,601**	8,636
30 to 60 days	**555**	3,293
60 to 90 days	**-**	6,832
Over 90 days	**342**	23,592
	9,498	42,353

Trade receivable are stated net of accumulated provision for ECL RO 33,736 (31 December 2021 – RO 31,691).

14. Cash and bank balances

Cash and bank comprise the fixed term cash deposits and cash and cash equivalents.

(a) Fixed term cash deposits

Fixed term cash deposits represent amounts kept with banks for a period of 3 to 6 months having fixed interest rate. The interest rate on these deposits was in the range of 1.469% to 4.00% (2021 – 0.122% to 4.00%).

(b) Cash and bank balance

	Parent Company		**Consolidated**	
	30 June 2022 RO '000	31 December 2021 RO '000	**30 June 2022 RO '000**	31 December 2021 RO '000
Cash at bank	**21**	24	**3,723**	3,066
Cash in hand	**-**	-	**1**	1
Cash and cash balances	**21**	24	**3,724**	3,067

14.1 Reconciliation of liabilities arising from financing activities (The Group)

	31 December 2021 RO '000	**Cash flows RO '000**	**Non-cash items RO'000**	**30 June 2022 RO '000**
Term loan (note 17)	78,627	**(6,829)**	**80**	**71,878**
Accrued interest on derivative and term loan (note 20)	850	**(1,681)**	**1,651**	**820**
Liabilities arising from financing activities	79,477	**(8,510)**	**1,731**	**72,698**

Cash and cash equivalents are stated net of accumulated provision for ECL RO 52,285 (31 December 2021 –54,094).

15. Share capital and reserves

(a) Share capital

The Company has authorized share capital of RO 70,000,000 consisting of 700,000,000 shares of 100 baizas each (2021: RO 70,000,000 consisting of 700,000,000 shares of 100 baizas each).

As at 30 June 2022, the Company's issued and paid-up capital consists of 199,635,600 shares of 100 baizas each. The details of the shareholders are as follows:

	30 June 2022			
	Nationality	**Number of shares held of nominal value 100 baiza each**	**% of total**	**Aggregate nominal value of shares held (RO '000)**
Kahrabel FZE	UAE	**61,637,490**	**30.875%**	**6,164**
Mubadala Power Holding Company Limited	UAE	**61,637,490**	**30.875%**	**6,164**
Civil Service Employees' Pension Fund	Omani	**15,158,016**	**7.593%**	**1,516**
Ministry of Defense Pension Fund	Omani	**14,010,443**	**7.018%**	**1,401**
Qalhat LNG SAOC	Omani	**8,947,642**	**4.482%**	**895**
General public		**38,244,519**	**19.157%**	**3,824**
		199,635,600	**100%**	**19,964**

(a) Share capital (continued)

	31 December 2021			
	Nationality	Number of shares held of nominal value 100 baiza each	% of total	Aggregate nominal value of shares held (RO '000)
Kahrabel FZE	UAE	61,637,490	30.875%	6,164
Mubadala Power Holding Company Limited	UAE	61,637,490	30.875%	6,164
Civil Service Employees' Pension Fund	Omani	15,158,016	7.593%	1,516
Ministry of Defense Pension Fund	Omani	14,010,443	7.018%	1,401
Qalhat LNG SAOC	Omani	8,947,642	4.482%	895
General public		38,244,519	19.157%	3,824
		199,635,600	100%	19,964

(b) Statutory reserve

In accordance with the Commercial Companies Law of the Sultanate of Oman applicable to companies registered in the Sultanate of Oman, 10% of a company's net profits after the deduction of taxes will be transferred to a non-distributable statutory reserve each year until the amount of such legal reserve has reached a minimum of one-third of that Company's issued share capital. This reserve is not available for distribution to shareholders as dividends.

16. Hedging reserve/ Derivative financial instruments

(a) Subsidiary - RPC

	30 June 2022 RO '000	31 December 2021 RO '000
Interest rate swaps:		
Credit Agricole – MTM	**-**	-
Hedging instrument at the end of the year	**-**	-
Deferred tax asset (note 19)	**-**	-
Hedging reserve at the end of the year (net of tax)	**-**	-
Less: Hedging reserve at the beginning of the year	**-**	(43)
Effective portion of change in fair value of cash flow hedge for the year.	**-**	43
Hedging instrument classification		
Non-current portion of hedging instrument	**-**	-
Current portion of hedging instrument	**-**	-
	-	-

RPC entered on 20 February 2007 into an interest rate swap agreement with financial institution related to the base term loan facility at the rate of 4.88% per annum till September 2021. The agreement has been closed as of the reporting date.

The notional value of the hedge as at the reporting date was RO Nil (2021: RO Nil). As at the reporting date the hedged amount was Nil (2021: Nil) of the loan amount.

(b) Subsidiary - SMNBPC

	30 June 2022 RO '000	31 December 2021 RO '000
Interest rate swaps:		
HSBC Bank PLC	**(254)**	(847)
Mizuho	**(253)**	(845)
Credit Agricole	**(250)**	(1,321)
Hedging instrument at the end of the year	**(757)**	(3,013)
Deferred tax asset (note 19)	**115**	453
Hedging reserve at the end of the year (net of tax)	**(642)**	(2,560)
Less: Hedging reserve at the beginning of the year	**(2,560)**	(5,264)
Effective portion of change in fair value of cash flow hedge for the year.	**(1,918)**	2,704
Hedging instrument classification		
Non-current portion of hedging instrument	**102**	1,529
Current portion of hedging instrument	**655**	1,484
	757	3,013

SMNBPC has entered on 20 February 2007 into three interest rate swap agreements related to the base term loan facility with international banks (HSBC, Mizuho, CA-CIB) at fixed rates of 4.8675%, 4.8885% and

16. Hedging reserve/ Derivative financial instruments (continued)

(b) Subsidiary - SMNBPC

4.8570% per annum respectively.

On 7 September 2018, SMNBPC entered into a new hedging agreement with Credit Agricole Corporate and Investment Bank increasing the hedged amount up to 80% for the period from September 2018 to March 2024 at a fixed rate of 2.968%.

The notional value of the hedge as at the reporting date was RO 49.41 million (2021: RO 56.63 million). As at the reporting date the hedged amount was 69% (2021: 72%) of the loan amount.

(c) Fair value of swaps

The negative fair value of the above swaps amounting to RO 0.76 million (2021 - RO 3.01 million) is based on market values of equivalent instruments at the reporting date.

All the interest rate swaps are designated and effective as cash flow hedges and the fair value thereof has been recognised directly in other comprehensive income and presented in equity net of related deferred tax.

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. Group policy is to maintain at least minimum requirements as stipulated in the facilities agreement of its borrowings at fixed rate using interest rate swaps. During the current period, the Group's borrowings at variable rate were entirely denominated in US Dollars.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the Group agrees with other parties to exchange, at specified intervals (semi-annually), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

17. Term loan

			Consolidated
		30 June 2022 RO '000	31 December 2021 RO '000
Term loan		**72,163**	78,991
Less: Unamortised finance costs		**(285)**	(364)
		71,878	78,627
Less: Current portion		**(14,300)**	(13,795)
Long-term portion		**57,578**	64,832
RPC	(i)	**-**	-
SMNBPC	(ii)	**57,578**	64,832
		57,578	64,832

(i)The syndicated term loan of SMNBPC is denominated in USD, secured over the present and future assets of the subsidiary and carries interest at a variable rate of LIBOR plus applicable margin of 1.1%. The loan amortises, with bi-annual repayments of predetermined percentages of 87.5% of the outstanding principal amount due from 30 September 2009 until 31 March 2024 with the remaining 12.5% being repaid, after the validity of the PWPA, in four equal installments from 30 September 2024 to 31 March 2026. There is also a mandatory repayment of the loan through all excess cash (cash sweep), beginning on 30 September 2018.

17. Term loan (Continued)

Repayment term

The repayment schedule of the loans is as follows:

	Consolidated	
	30 June 2022 **RO '000**	31 December 2021 RO '000
Payable within one year	**14,300**	13,795
Payable between 1 and 2 years	**42,174**	14,705
Payable between 2 and 5 years	**15,689**	50,942
	72,163	78,991

Security

The term loan and the debt reserve account facility are secured, under the security documents as a whole, by the following collateral:

- a charge over the Subsidiaries' assets (including, amongst others, the Project Accounts, all tangible assets and receivables) (note 6(b));
- a pledge of Subsidiaries' shares;
- a pledge of shares in the investment in joint arrangement (see note 27(b));
- an assignment of Subsidiaries' contracts (including the Project Documents) to which it is a party;
- an assignment of Subsidiaries' insurance; and
- security over the Subsidiaries' cash pooling accounts and an assignment of the rights of the Subsidiaries' thereunder.
- subordinate loan provided to subsidiaries – Equity contribution loan to SMNBPC (refer note 11).

Subsidiary - SMNBPC

The term loan facility bears variable interest rate at US$ Libor plus margin as follows:

(i) 0.70% per annum during the period from, and including, the Commercial Operation Date until the fifth anniversary of the Commercial Operation Date;

(ii) 0.90% per annum from, and including, the fifth anniversary of the Commercial Operation Date until the ninth anniversary of the Commercial Operation Date;
(iii) 1.10% per annum from and including, the ninth anniversary of the Commercial Operation Date until the thirteenth anniversary of the Commercial Operation Date;
(iv) 1.25% per annum from, and including, the thirteenth anniversary of the Commercial Operation Date until the fifteenth anniversary of the Commercial Operation Date; and
(v) thereafter 1.60% per annum.

For the purpose of interest rate margin re-set in accordance with the facilities agreements, the Commercial Operation Date is 15 November 2009.

Working Capital Facilities

The Group has working capital facilities of RO 4.8 million (2021 – RO 5.8 million), which are secured under the conditions below and carry interest at the market rates applicable at the date of utilisation request with a maximum interest rate of 3.5 % per annum (2021: market rates applicable at the date of utilisation request with a maximum interest rate of 3.5 % per annum). The balance outstanding as of 30 June 2022 is nil (2021 – nil).

17. Term loan (Continued)

The working capital facility is secured under the security documents as a whole, by the following collateral:

- A charge over the subsidiaries' assets (including, amongst others, the bank accounts, plant assets and finance lease receivables);
- A pledge of its shares;
- An assignment of its contracts (including the Project Documents) to which it is a party;
- An assignment of its insurance; and
- Security over the Company's cash pooling account and an assignment of its rights there under.

18. Provision for site restoration

Consolidated

	30 June 2022 RO '000	31 December 2021 RO '000
Balance at 1 January	**3,558**	2,835
Movement (note 6) *	**-**	318
Other adjustments**	**-**	16
Accretion charge for the year (note 24)	**55**	389
Balance at 30 June/31 December	**3,613**	3,558

Because of the long term nature of the liability, there is significant uncertainty in estimating the cost that will be incurred. It has been assumed that the site will be retired using technology and material that are currently available. The provision has been calculated using a discount rate of 3.6% in RPC and 5.3%/ in SMNBPC.

* The provision for site restoration for SMN Barka Power Company SAOC has been reassessed during last year by the management using a rate of 5.3% compared to 6.7% in the previous year. The effect of this change in the discount rate amounting to RO 304K has been capitalized as property, plant and equipment and would be depreciated over the remaining useful life of the property, plant and equipment. This addition to the property, plant and equipment is a non-cash transaction. Also, Barka Seawater Facilities Company SAOC has capitalized RO 27K to property, plant and equipment due to reassessment of the discount rate used for provision for site restoration and the corresponding share pertaining to the group of RO 14K is also capitalized as property, plant and equipment and would be depreciated over the remaining useful life of the property, plant and equipment. These additions to the property, plant and equipment is a non-cash transaction (note 6).

** Other adjustments pertain to the accretion charge of RO 32K pertaining to Barka Seawater Facilities Company SAOC, whose corresponding share of RO 16K pertaining to the group has been adjusted to the provision for site restoration.

19. Taxation

Consolidated

(a) Recognised in profit and loss	**30 June 2022 RO '000**	30 June 2021 RO '000
Current tax	**1,085**	1,233
Prior Period tax	**66**	33
Deferred tax for the year	**(220)**	(230)
Tax expense for the year	**931**	1,036

The tax charge has arisen on the profits of the parent and its subsidiaries which are subject to income tax at the rate of 15% of taxable profits.

(b) Reconciliation

The following is a reconciliation of income taxes with the income tax expense at the applicable tax rate:

Consolidated

	30 June 2022 RO '000	30 June 2021 RO '000
Profit before tax	**5,478**	12,200
Income tax	**866**	1,830
Others	**65**	51
Tax expense for the period	**931**	1,881

(c) Deferred tax liability – net

Consolidated

	30 June 2022 RO '000	31 December 2021 RO '000
Deferred tax liability – SMNBPC	**15,600**	15,460
Deferred tax liability/(asset) – RPC	**(35)**	(13)
	15,565	15,447

19. Taxation (continued)

Subsidiary – SMNBPC

(c) Deferred tax liability – net

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

	As at 1 January 2022 RO '000	**Recognised during the year RO '000**	**As at 30 June 2022 RO '000**
Deferred tax liability recognised in profit or loss			
Property, plant and equipment	(16,089)	**175**	**(15,914)**
Provision for site restoration	233	**6**	**239**
Lease Liability	(2)	**5**	**3**
Unamortised finance cost	(55)	**12**	**(43)**
Net deferred tax (liability)/ asset	(15,460)	**198**	**(15,715)**
Deferred tax asset directly recognised in equity			
Fair value adjustment of interest rate swap	453	**(338)**	**115**
Deferred tax (liability)/ asset	(15,460)	**(140)**	**(15,600)**

	As at 1 January 2021 RO '000	**Recognised during the year RO '000**	**As at 31 December 2021 RO '000**
Deferred tax liability recognised in profit or loss			
Property, plant and equipment	(16,435)	346	(16,089)
Provision for site restoration	176	57	233
Lease Liability	-	(2)	(2)
Unamortised finance cost	(82)	27	(55)
Net deferred tax (liability)/ asset	(16,341	428	(15,913)
Deferred tax asset directly recognised in equity			
Fair value adjustment of interest rate swap	928	(475)	453
Deferred tax (liability)/ asset	(15,413)	(47)	(15,460)

19. Taxation (continued)

Subsidiary - RPC

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

	As at 1 January 2022 RO '000	**Recognised during the year RO '000**	**As at 30 June 2022 RO '000**
Deferred tax liability recognised in profit or loss			
Provision for site restoration	(3)	**2**	**(1)**
Unamortised finance costs	4	**-**	**4**
Lease Liability	-	**3**	**3**
Leasehold improvements	(13)	**9**	**(4)**
Carried forward tax losses	25	**8**	**33**
Net deferred tax (liability)/ asset	13	**22**	**35**
Deferred tax asset directly recognised in equity			
Fair value adjustment of interest rate swap	-	**-**	**-**
Deferred tax (liability)/ asset	13	**22**	**35**

	As at 1 January 2021 RO '000	**Recognised during the year RO '000**	**As at 31 December 2021 RO '000**
Deferred tax liability recognised in profit or loss			
Provision for site restoration	(50)	47	(3)
Unamortised finance costs	(1)	5	4
Lease Liability	-	-	-
Leasehold improvements	(49)	36	(13)
Carried forward tax losses	-	25	25
Net deferred tax (liability)/ asset	(100)	113	13
Deferred tax asset directly recognised in equity	7	(7)	-
Fair value adjustment of interest rate swap	(93)	106	13
Deferred tax (liability)/ asset	(50)	47	(3)

(d) The movement in the current tax liability for the period comprise of:

Consolidated

	30 June 2022 RO '000	31 December 2021 RO '000
At 1 January	**2,908**	2,251
Charge for the year	**1,151**	2,698
Paid during the year	**(2,556)**	(2,041)
At 30 June/31 December	**1,503**	2,908

19. Taxation (continued)

Subsidiary - RPC

(e) Status of previous year returns

Subsidiary - SMNBPC

The tax returns of the Company for the years 2007, 2008 and 2010 to 2018 have been assessed by the Tax Authority (formerly Secretariat General for Taxation at the Ministry of Finance) and have not resulted in any additional tax payable.

The tax return for the year 2009 was assessed by Tax Authority in March 2016. In the assessment, the Tax Authority disallowed certain expense items including payments made on interest rate swap settlements and liquidated damages paid to OPWP, although liquidated damages received from the subcontractor were considered in arriving at the taxable income of the company. After filing an objection to the Tax Authority, which was rejected, the company proceeded to file an appeal in April 2017 to the Tax Grievance Committee (formerly Income Tax Committee). In order to file the appeal as per the regulations, the Company issued a bank guarantee amounting to RO 1.46 million in favour of the Tax Authority covering the disputed tax payable and interest for one year. In its final decision on 18 December 2019, the Tax Grievance Committee ruled in favor of the Tax Authority. The Company has filed a case in the Primary Court to challenge the decision of the Tax Grievance Committee for the year 2009. On 8 March 2021, the Primary Court rejected the Company’s appeal. The Company filed an appeal with the Appeal Court on 6 April 2021. On 5 December 2021, the Appeal Court rejected the Company’s appeal. The Company has filed an appeal with the Supreme Court on 12 January 2022. The management and the Company’s legal advisor are both of the opinion that the result would be a favourable outcome as the Company has a strong case to present.

The tax returns for the years 2019 to 2021 have not yet been assessed by the Tax Authority. The management is of the opinion that additional taxes, if any, related to the open tax years would not be material to the Company's financial position as at the reporting date.

The tax return for the year 2007 was assessed by the Tax Authority (formerly Secretariat General for Taxation at the Ministry of Finance) in December 2013. In its conclusion, the Tax Authority disregarded the finance lease model adopted by the company (as per the requirements of IFRIC 4 – see note 6) and completed the tax assessment on the basis of ‘fixed asset’ model allowing depreciation to the company.

After filing an objection to the Tax Authority which was rejected, the company proceeded to file an appeal in September 2014 to the Tax Grievance Committee (formerly Income Tax Committee). On 11 September 2015, the Tax Grievance Committee announced its decision to accept the company’s position and to consider the contractual arrangement of its capital asset as a finance lease. However, on 9 August 2015, the Tax Authority has filed a letter to the Tax Grievance Committee to rectify the decision. The company submitted its response to Tax Authority’s letter explaining its strong technical position. On 21 January 2016, the Tax Grievance Committee rejected the Tax Authority’s request and reiterated its initial position confirming the contractual arrangement as a finance lease. During the current year, Supreme Court ruled in favor of the Company for 2008 and 2009 to treat the lease as finance lease until the end of Power Purchase Agreement (PPA). Further, the Tax Authority has issued assessment for tax years 2017 and 2018 by accepting the position of the Company in the treatment of finance lease.

The tax returns for the years 2008 and 2009 had also been assessed by the Tax Authority on the basis of ‘fixed asset’ model allowing depreciation to the company. The company formally objected the Tax Grievance Committee assessment, which was also rejected in December 2014. Accordingly, in February 2015, the company had filed an appeal to the Tax Grievance Committee for the years 2008 and 2009 in line with its position for the year 2007.

19. Taxation (continued)

Subsidiary – SMNBPC (continued)

In its final decision on 28 December 2017, the Tax Grievance Committee ruled in favor of the Tax Authority for the tax years 2008 and 2009 deviating from its previous ruling which accepted the finance lease model. The company filed a case in the Primary Court to challenge the decision of the Tax Grievance Committee for the years 2008 and 2009. The Primary Court, however, rejected the company's appeal in April 2019. The company filed an appeal with the Appeal Court in May 2019. The Appeal Court also, in its judgment dated 28 October 2019 rejected the Company's case against the Tax Grievance Committee. The rejection of the Company's case by the Appeal Court did not result in any additional tax payment for the tax years 2008 and 2009 as the company was in a tax loss position for these years as per the tax assessments issued by the Tax Authorities. The company filed an appeal with the Supreme Court in December 2019. The Supreme Court have ruled in company's favor in May 2021. The company is currently waiting for the revised tax assessments for the years 2008 and 2009.

The tax return for the year 2010 has been also assessed by the Tax Authority in December 2016 on the basis of 'fixed asset' model allowing depreciation to the company. The company has formally objected to the Tax Authority's assessment which was rejected in April 2017. Subsequently, in May 2017, the company filed an appeal to the Tax Grievance Committee for the year 2010 similar to previous years.

The tax returns for the years 2011 to 2014 have been also assessed by the Tax Authority on the basis of 'fixed asset' model allowing depreciation to the company. The company has formally objected the Tax Grievance Committee assessment and a formal response is awaited.

The tax returns for the years 2015 and 2016 have been also assessed by the Tax Authority on the basis of 'fixed asset' model allowing depreciation to the company. The company has formally objected to the Tax Authority and a revised assessments are awaited.

The tax returns for the years 2017 and 2018 have been assessed by the Tax Authority based on finance lease model. The assessment resulted in additional taxes of only RO 232 for the two years combined, which the management agreed to settle on January 2022.

The tax returns for the years 2019 to 2021 have not yet been assessed by the Tax Authority. The management is of the opinion that additional taxes, if any other than discussed above, related to the open tax years would not be material to the company's financial position as at the reporting date.

20. Trade and other payables

	Parent Company		**Consolidated**	
	30 June 2022 RO '000	31 December 2021 RO '000	**30 June 2022 RO '000**	31 December 2021 RO '000
Supplier and contractor payables	**1**	4	**1,674**	36,744
Other accrued expenses	**47**	52	**4,880**	2,810
Accrued interest on term loan and Hedging reserve	**-**	-	**820**	850
Due to related parties (note 26)	**9**	18	**1,159**	1,113
	57	74	**8,533**	41,517

21. Revenue

	Consolidated	
	30 June 2022 RO '000	30 June 2021 RO '000
Revenue from contract with customer		
Energy and Water Output Charges	**17,195**	18,108
Fixed operating and Maintenance charges	**4,376**	6,397
Lease interest income under operating lease	**12,359**	12,466
Total Revenue contract with customer	**33,930**	36,971
Revenue from lease contracts		
Interest income on finance lease	**3**	116
Investment charge revenue	**406**	2,849
Total Revenue from Lease contracts	**409**	2,965
Total Revenue	**34,339**	39,936

(a) The Group has PWPA and PPA with OPWP as disclosed in significant contracts (note 2) for supply of electricity and water and making available the capacity to OPWP.

(b) Capacity charge related to investment charge under the PWPA is considered as lease component of the agreement and constitutes operating lease income for SMNBPC.

(c) Capacity charge related to fixed operating and maintenance charge is for making the capacity available to OPWP and energy and water output charges are for electricity and water output delivered.

(d) The revenue has been disaggregated based on how revenues are affected by general economic factors like change in demand, drivers of revenue and off-take of product. However, the management and chief operating decision makers of the Group assess performance of the Group at Group level. Accordingly, the disaggregated revenue line items do not represent or correspond to the operating segments as defined by IFRS 8 and explained in note 32

(e) The Group sells its entire output to OPWP in Oman which is the only customer of the Group. The contracts with the customer give rise to performance obligations namely production / supply of electricity and water and making available the capacity for production. Transaction prices for each performance obligation are identifiable in the aforementioned contracts with OPWP separately and are equal to stand-alone selling prices of each performance obligation under PPA and PWPA.

(f) The Group satisfies performance obligations upon actual delivery of water and electricity output and by making capacity available.

(f) The Group has recognized revenue over time since OPWP (the customer) simultaneously receives and consumes the output of electricity and water under the contract and by availing the available capacity. In doing so, the Group has used output method to measure the Group's progress towards complete satisfaction of performance obligations satisfied over time. The output method required the Group to measure actual output delivered with respect to electricity and water and calculate actual capacity availability. Based on the measurement and calculation of output and availability respectively and fixed tariff as per the terms of PWPA and PPA revenue is recognized. The selected output method depicts the Group's performance

21. Revenue (Continued)

towards complete satisfaction of the performance obligations since:

i) the output and capacity availability can be measured to the exact quantities for which control has transferred to OPWP; and

ii) The Group's performance has not produced any work in progress or finished goods controlled by the customer that are not included in the measurement of the output.

(h) The Group has no unsatisfied performance obligations with respect to billed revenue. The Group has right to invoice for every unit of output and making available the designated capacity. Actual invoicing for the delivered output is done at the end of every month. Invoicing is as per transaction price (tariff) based on contracts. The payment terms are for less than a month and accordingly, transaction price does not contain any significant financing component.

(i) No significant judgement is involved in the application of output method for measuring Group's performance towards satisfaction of obligations.

(j) The Group has not recognized any impairment losses on receivables arising from Group's contract with customer.

(k) All the revenue of the Group accrues from contracts with customers.

22. Operating costs

Consolidated

	30 June 2022 RO '000	30 June 2021 RO '000
Energy consumption	**16,470**	19,710
Contract fixed fee for plant operations	**4,172**	4,612
Depreciation (note 6 and 7(a))	**4,000**	4,051
Contract variable fee for plant operations	**892**	1,150
Repair and maintenance	**422**	233
Contract other fee for plant operations	**139**	176
Insurance	**465**	520
Amortisation of long-term prepayment (note 8)	**27**	53
Generation and license fee	**32**	31
Customs duty	**45**	15
Fuel oil	**115**	61
Other direct costs	**(19)**	135
Contract (penalties) / incentives for plant operations	**99**	(51)
	26,859	30,696

The contract penalties represent penalties applied to the Operation and Maintenance Contractor for lower plant availability and variable margins during the period than the contractual benchmark

23. General and administrative expenses

	Parent Company		Consolidated	
	30 June 2022 RO '000	30 June 2021 RO '000	**30 June 2022 RO '000**	30 June 2021 RO '000
Staff costs (see below)	**55**	64	**313**	325
Legal and professional charges	**31**	29	**100**	172
Repair and maintenance	**-**	-	**8**	6
Depreciation (note 6 and 7(a))	**-**	-	**23**	40
Directors' remuneration and sitting fee	**29**	27	**30**	30
Insurance expenses	**-**	-	**8**	9
Other expenses	**18**	17	**34**	39
	133	137	**516**	621

	Parent Company		Consolidated	
Staff cost are as follows:	**30 June 2022 RO '000**	30 June 2021 RO '000	**30 June 2022 RO '000**	30 June 2021 RO '000
Salaries, wages and other benefits	**55**	64	**290**	302
Increase in obligation for defined benefit plan	**-**	-	**3**	4
Contributions to Omani Social Insurance Scheme	**-**	-	**20**	19
	55	64	**313**	325

24. Finance charges

Consolidated

	30 June 2022 RO '000	30 June 2021 RO '000
Interest on term loan	**717**	643
Hedging charges	**933**	1,340
Amortisation of deferred finance cost	**80**	99
Accretion charge for provision for site restoration (note 18)	**55**	81
Exchange loss	**25**	21
Expected credit loss	**3**	3
Interest on DSRA LC	**18**	19
Interest on working capital facility	**2**	-
Interest on lease liabilities (note 7(b))	**11**	13
Total finance cost	**1,844**	2,219
Finance income		
Reversal of expected credit loss	**(5)**	-
Interest income on fixed term deposits	**(65)**	-
Total Finance Charges	**1,774**	2,219

25. Other income

Parent company's other income represents cost re-charge from the two subsidiaries as per the cost sharing agreement entered between the parties on 21 February 2019.

Consolidated

	30 June 2022 RO '000	30 June 2021 RO '000
Insurance proceeds on property damage	**-**	-
Refund from Off-taker on change in Income Tax	**236**	254
Contract incentives for plant operation	**-**	-
Miscellaneous income	**22**	18
	258	272

Refund from Off-taker represents Change of Law claim from OPWP for tax law amendment pursuant to Royal Decree 9/2017.

26. Related parties

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

The Group maintains balances with these related parties which arise in the normal course of business from the commercial transactions. Outstanding balances at the reporting period end are unsecured and settlement occurs in cash.

Related parties receivables are stated net of accumulated provision for ECL RO 1,229 (31 December 2021 – RO 285). SUEZ-Tractebel Operation and Maintenance Oman LLC (STOMO), Kahrabel Operation and Maintenance Oman LLC (KOMO), MDC General Services Holding Company LLC (Mubadala) and International Power SA are related parties with significant shareholder influence.

Following is the summary of significant transactions with related parties during the period:

a) Expenses incurred by the Parent (SMN Power Holding SAOG):

	30 June 2022 RO '000	30 June 2021 RO '000
Administrative fee (KOMO)	**55**	64
Directors' remuneration	**17**	17
Directors' sitting fee	**12**	9
Company Secretary fee	**3**	3
	87	93

b) Other income incurred by the subsidiaries (SMNBPC and RPC):

	30 June 2022 RO '000	30 June 2021 RO '000
SUEZ-Tractebel Operation and Maintenance Oman LLC		
Contract penalty for plant operations	**-**	-
	-	-

26. Related parties (continued)

b) Expenses incurred by the subsidiaries (SMNBPC and RPC):

	30 June 2022 RO '000	30 June 2021 RO '000
SUEZ-Tractebel Operation and Maintenance Oman LLC		
Operation and maintenance expense - fixed fee	**4,172**	4,612
Operation and maintenance expense - variable fee	**892**	1,150
Contract incentive for plant operations	**99**	(51)
Operation and maintenance expense - other fees	**139**	167
Customs duty	**45**	15
Repair and maintenance	**422**	233
	5,769	6,126
Kahrabel FZE		
Fixed service fee	**34**	38
Legal fee	**-**	1
	34	39
Mubadala		
Administrative fee	**-**	19
Directors' remuneration	**3**	3
Directors' sitting fee	**1**	1

c) Key management benefits

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

	Parent Company		Consolidated	
	30 June 2022 RO '000	30 June 2021 RO '000	30 June 2022 RO '000	30 June 2021 RO '000
Employment benefits	**55**	64	**55**	83
Directors' remuneration	**17**	17	**18**	20
Directors' sitting fee	**12**	9	**13**	10
Company Secretary fee	**3**	3	**3**	3
	87	93	**89**	116

26. Related parties (continued)

d) Due from related parties

	Parent Company		Consolidated	
	30 June 2022 RO '000	31 December 2021 RO '000	30 June 2022 RO '000	31 December 2021 RO '000
STOMO	-	-	139	135
KOMO	1	1	9	17
Barka Seawater Facilities Company SAOC	-	-	139	106
Mubadala	1	1	5	4
SMNBPC	14	14	-	-
RPC	8	8	-	-
	24	24	292	262

e) Due to related parties:

	Parent Company		Consolidated	
	30 June 2022 RO '000	31 December 2021 RO '000	30 June 2022 RO '000	31 December 2021 RO '000
STOMO	-	-	1,063	1,003
Barka Seawater Facilities Company SAOC	-	-	87	92
KOMO	9	18	9	18
International Power SA	-	-	-	-
SMNBPC	-	-	-	-
	9	18	1,159	1,113

27. Contingencies and operational commitments

(a) Subsidiary – RPC

Environmental Permit from Environmental Authority.

At the time of acquisition of the Company by SMN Jafza in 2007, the Authority for Public Services Regulation (APSR) issued specific recommendations on the environmental monitoring system to be installed at the power plant (i.e. the Predictive Emissions Monitoring Systems – PEMS). These recommendations were fully implemented by the Company and compliance confirmed by APSR as stated in their 2007 Annual Report.

RPC was issued with a Preliminary Environmental Permit, which expired on 12 May 2009. Article 8 of Ministerial Decree (MD) 187/2001 (The Environmental Law and the Regulations for Organising the Issuance of Environmental Approvals and Final Environmental Permits) provides that the Environmental Authority may close down an establishment if it is found to be practicing its activity (i) without environmental approval; (ii) without the final environmental permit; or (iii) after the expiry of the environmental approval of the final environmental permit (as the case may be).

On 18th February 2018, RPC has received an Environmental Permit from the Environmental Authority,

27. Contingencies and operational commitments (continued)

valid until 13th February 2021. One of permitting conditions stipulates a continuous measurement of emissions to be part of the monitoring plan.

In May 2018, RPC submitted an environmental audit report, performed by HMR Consultants (HMR), a company having expertise in environmental audits, to the Environmental Authority. The report stated that Predictive Emissions Monitoring Systems (PEMS) have been incorporated in the plant design to monitor the emission releases from the GT stacks.

The monthly monitoring data for stack emission are reported to the Environmental Authority. The Environmental Authority replied that PEMS was installed without following United States Environmental Protection Agency (USEPA).

RPC/HMR clarified that PEMS have been verified using the standard available in 2008 and third-party portable continuous emissions monitoring equipment to compare analysis results at different load scenarios.

As RPC responded to all Environmental Authority's comments on the environmental audit report by letter in September 2018 and no further feedback from Environmental Authority is currently available, RPC has no reason to believe that Environmental Authority will take action under MD 187/2001.

Operation and Maintenance commitment

As per the Operation and Maintenance (O&M) agreement, STOMO operates and maintains RPC's Plant at Rusail until 31 October 2022. Under the O&M agreement, the Subsidiary has to pay the following operating fees:

- a fixed monthly fee; and
- a variable fee.

All fees are subject to indexation based on Omani Consumer Price Indices and US Producer Price Indices.

The minimum future payments under the O&M agreement (excluding indexation) for the Group are as follows:

	30 June 2022 RO '000	31 December 2021 RO '000
Not later than one year	**523**	607
Receivable one to five years	**-**	-
	523	607

(b) Subsidiary – SMNBPC

Shared facilities commitment

With reference to the Shareholders Agreement dated 20 February 2007, ACWA Power Barka SAOG (formerly AES Barka) and SMNBPC diary committed to establish a shared facility company owned 50/50 between the above shareholders.

On 9 March 2009, SMNBPC injected a total of RO 250,000 in a restricted bank account to fund the capital of the new company to be named Barka Seawater Facilities Company SAOC (BSFC).

On 19 July 2010, SMNBPC and ACWA Power Barka SAOG finalized the incorporation of the Shared Facilities Company and conducted the Constitutive General Meeting and the first Board Meeting.

27. Contingencies and operational commitments (continued)

On 1 October 2014, BSFC acquired the shared facility assets from ACWA Power Barka SAOG and commenced commercial operations.

Operation and Maintenance commitment

As per the O&M agreement, STOMO operates and maintains the SMNBPC's Plant at Barka until 30 March 2024. Under the O&M agreement, the Subsidiary has to pay the following operating fees:

- a fixed monthly fee;
- a power variable fee; and
- a water variable fee.

All fees are subject to indexation based on Omani and US Consumer Price Indices.

The minimum future payments under the O&M agreement considering a COD on 15 November 2009 (excluding indexation) for the Group are as follows:

	30 June 2022 RO '000	31 December 2021 RO '000
Not later than one year	**4,021**	4,021
Receivable one to five years	**3,016**	5,026
	7,037	9,047

Financial guarantee (DSRA LC Facility) - Group

	30 June 2022 RO '000	31 December 2021 RO '000
SMNBPC	**9,582**	7,548
RPC	**-**	-
	9,582	7,548

Bank guarantees – Group

	30 June 2022 RO '000	31 December 2021 RO '000
Bank guarantee given		
Bank guarantee given to Ministry of Finance		
- (valid up to 15 April 2023) - note 17	**451**	451

INTERIM CONDENSED STATEMENT OF FINANCIAL STATEMENT WERE APPROVED BY THE BOARD OF DIRECTORS ON 03/08/2022

28. Financial instruments

Financial assets are assessed for impairment at each reporting date as disclosed in note 3.4(j).

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

- Credit risk
- Liquidity risk
- Market risk

The Group's overall risk management focuses on the unpredictability of markets it is potentially exposed to and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out in order to identify, evaluate, mitigate and monitor financial risks.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers**.**

The potential risk in respect of amounts receivables is limited to their carrying values as management regularly reviews these balances whose recoverability is in doubt.

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

(a) Credit risk (continued)

	Parent Company		**Consolidated**	
	30 June 2022	31 December 2021	**30 June 2022**	31 December 2021
Financial assets held at amortized cost (previously "loans and receivables")	**RO '000**	RO '000	**RO '000**	RO '000
Trade and other receivables (excluding prepayments)	**-**	-	**10,997**	43,390
Finance lease receivables	**-**	-	**-**	316
Due from related parties	**24**	24	**292**	262
Cash at bank	**21**	24	**3,723**	3,066
	45	48	**15,012**	47,034

The exposure to credit risk for trade receivables at the reporting date was due entirely from OPWP. There is no impairment of receivables at the reporting date.

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written-off against allowance account.

28. Financial instruments (Continued)

(a) Credit risk (continued)

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

		Parent Company		**Consolidated**	
Bank	**Rating**	**30 June 2022 RO '000**	31 December 2021 RO '000	**30 June 2022 RO '000**	31 December 2021 RO '000
Bank balances					
Bank Muscat SAOG	BB-	**19**	22	**3,719**	3,061
HSBC Bank plc	AA-	**2**	2	**4**	6
		21	24	**3,723**	3,067
Fixed term deposits					
Bank Muscat SAOG	BB-	**-**	-	**3,200**	4,100
HSBC Bank plc	AA-	**-**	-	**4,172**	3,290
		-	-	**7,372**	7,390

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's access to credit facilities is described in note 17.

The following are the undiscounted maturities of the financial liabilities for the Parent Company and the Group respectively.

Parent Company	**Carrying amount RO '000**	**Contractual cash flows RO '000**	**6 months or less RO '000**
30 June 2022			
Non-derivatives			
Other payables and due to related parties	**57**	**57**	**57**

28. Financial instruments (Continued)

(b) Liquidity risk (continued)

Parent Company	Carrying amount RO ’000	Contractual cash flows RO ’000	6 months or less RO ’000
31 December 2021			
Non-derivatives			
Other payables and due to related parties	74	74	74

Group ***Non-Derivatives***	**Carrying amount RO ’000**	**Undiscounted cash flows RO ’000**	**6 Months or less RO ’000**	**6 to 12 Months RO ’000**	**1 to 2 years RO ’000**	**More than 2 years RO ’000**
30 June 2021						
Term loan	**71,878**	**(72,163)**	**(7,928)**	**(6,372)**	**(42,174)**	**(15,689)**
Trade and other payables	**8,533**	**(8,533)**	**(8,533)**	**-**	**-**	**-**
Due to related parties	**1,159**	**(1,159)**	**(1,159)**	**-**	**-**	**-**
Lease liabilities	**429**	**(752)**	**(17)**	**(18)**	**(84)**	**(633)**
	80,762	**(81,370)**	**(16,468)**	**(6,398)**	**(42,254)**	**(16,251)**
Derivatives						
Interest rate swap	**757**	**(757)**	**(497)**	**(158)**	**(102)**	**-**

Group *Non-Derivatives*	Carrying Amount RO ’000	Undiscounted cash flows RO ’000	6 Months or less RO ’000	6 to 12 Months RO ’000	1 to 2 years RO ’000	More than 2 years RO ’000
31 December 2021						
Term loan	78,627	(78,992)	(5,867)	(7,928)	(14,705)	(50,492)
Trade and other payables	40,404	(40,404)	(40,404)	-	-	-
Due to related parties	1,113	(1,113)	(1,113)	-	-	-
Lease liabilities	373	(706)	(10)	(10)	(65)	(621)
	120,517	(121,215)	(47,394)	(7,938)	(14,770)	(51,113)
Derivatives						
Interest rate swap	3,013	(3,013)	(566)	(917)	(1,185)	(345)

(c) 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 Group’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 on risk.

As of 30 June 2022, the Group does not hold any such financial instruments that have any risk of changes in prices for investment in equity instruments.

28. Financial instruments (Continued)

Currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the group's functional currency.

The Group is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US Dollar. Management believes that in case US Dollar weaken or strengthen against Rial Omani there would be an insignificant impact in the post-tax profit.

Interest rate risk

The Group has borrowings which are interest bearing and exposed to changes in market interest rates. The Group has hedged this interest rate risk through interest rate swaps. The percentage of interest charges hedged is presented below:

(a) In RPC, all the outstanding debts have been repaid in full and all the interest rate swap agreements have been terminated.

(b) In SMNBPC, 80% of the interest charges are hedged for the period from 30 September 2018 to
31 March 2024 and 60%-65% from there onwards.

The interest rate profile of the Group's interest-bearing financial instruments is disclosed in notes 16 and 17 to these parent company and consolidated financial statements.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would not have a significant impact on the equity or the profit or loss at the reporting date mainly as a result of interest rate swaps (note 16).

Fair value of financial instruments

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

28. Financial instruments (Continued)

Level 2	Consolidated	
	30 June 2022	31 December 2021
	RO '000	RO '000
Financial liabilities measured at fair value		
Interest rate swap	**757**	3,013

The valuation techniques of the above financial liabilities are disclosed in note 4.

There are no financial assets at fair value at the reporting date. Further, there were no transfers between Level 1, Level 2 and Level 3 during the period.

Capital management

The Group's policy is to maintain an optimum capital base to maintain investor, creditor and market confidence to sustain future growth of business as well as achieve appropriate return on capital.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can provide adequate returns to members and benefits for other stakeholders by pricing the services commensurate to the level of risk. The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio (debt to total equity):

	30 June 2022	31 December 2021
	RO '000	RO '000
Debt (Term loan)	**71,878**	78,627
Equity (Shareholders' funds) *	**73,235**	68,691
Debt to equity ratio (times)	**0.98**	1.15

*Shareholders' funds comprises of Equity, Statutory reserves and Retained earnings.

29. Operating lease agreement for which a subsidiary (SMNBPC) acts as a lessor

SMNBPC has entered into a PWPA with OPWP for a substantial element of the production of power and water with 100% ‘take-or-pay’ clauses in favour of the subsidiary.

Management has determined that the take-or-pay arrangements with OPWP under PWPA are covered by International Financial Reporting Interpretation Committee - *Determining whether an Arrangement contains a Lease* (IFRIC 4) as such arrangements convey the right to use the assets. Management further determined that such arrangement in substance represents an operating lease under IFRS 16 Leases. The lease commenced on 15 November 2009.

The following is the total of future minimum lease receipts expected to be received under PWPA, excluding indexation:

	30 June 2022 RO ‘000	30 June 2021 RO ‘000
Due:		
Not later than one year	**25,467**	25,474
Later than one year and not later than five years	**19,117**	60,283
	44,584	85,757

30. Net assets per share

	Parent Company		**Consolidated**	
	30 June 2022 RO ‘000	31 December 2021 RO ‘000	**30 June 2022 RO ‘000**	31 December 2021 RO ‘000
Net assets - Shareholders’ funds*	**27,409**	27,409	**73,235**	68,691
Number of shares outstanding during the year	**199,636**	199,636	**199,636**	199,636
Net asset per share (RO)	**0.137**	0.137	**0.367**	0.344

*Shareholders’ funds comprises of Equity, Statutory reserves and Retained earnings.

31. Basic and diluted earnings per share

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

	Parent Company		**Consolidated**	
	30 June 2022 RO ‘000	30 June 2021 RO ‘000	**30 June 2022 RO ‘000**	30 June 2021 RO ‘000
Profit for the year	**-**	-	**4,544**	5,636
Weighted average number of shares outstanding during the year	**199,636**	199,636	**199,636**	199,636
Earnings per share - basic and diluted (RO)	**-**	-	**0.023**	0.028

Since the Group has no potentially dilutive instruments, the basic and dilutive earnings per share are same.

32. Segmental reporting

The Group has only one segment in accordance with IFRS 8. Segment information is, accordingly, presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure. The requirements of IFRS 8, paragraphs 31 to 34 relating to group wide disclosures has been covered under consolidated statements of financial position, profit and loss and other comprehensive income and also in notes 1, 2 and 21(d) to these consolidated financial statements.

33. Impact of COVID-19

The World Health Organization declared on 11 March 2021, the Novel Coronavirus (COVID-19) as a global pandemic. This event has caused widespread disruptions to business, with a consequential negative impact on economic activity. Whilst the COVID-19 vaccines distribution have started across the world, there are uncertainties on the duration of immunity and effectiveness against new mutations and on certain categories of individuals.

The Company’s management took the necessary steps to deal with the risks posed by COVID-19 in a proactive and responsible manner, taking all reasonable precautions.