



اس ام ان باور القابضة ش.م.ع.ع
SMN POWER HOLDING SAOG

ANNUAL REPORT 2022



Powering Lives.
Powering the Future.



Registered office:

P.O.Box 121, Postal Code 134
Jawharat A'Shatti, Sultanate of Oman

Principal place of business:

Qurum Building, 1st Floor
Office No. 15, Way No. 1013
Al Qurum, Sultanate of Oman



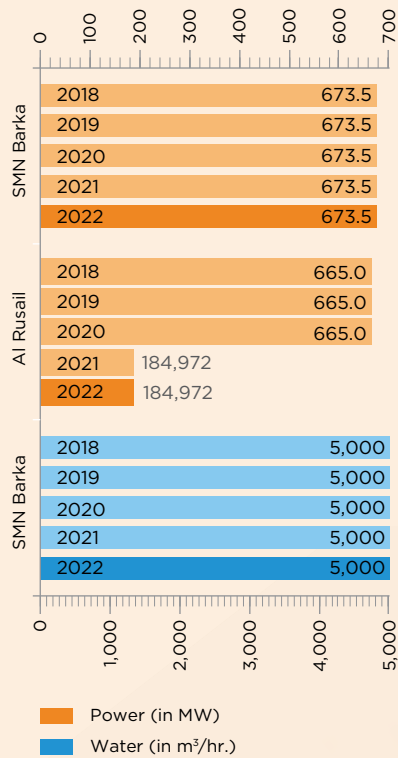
His Majesty
Sultan Qaboos bin Said (Late)



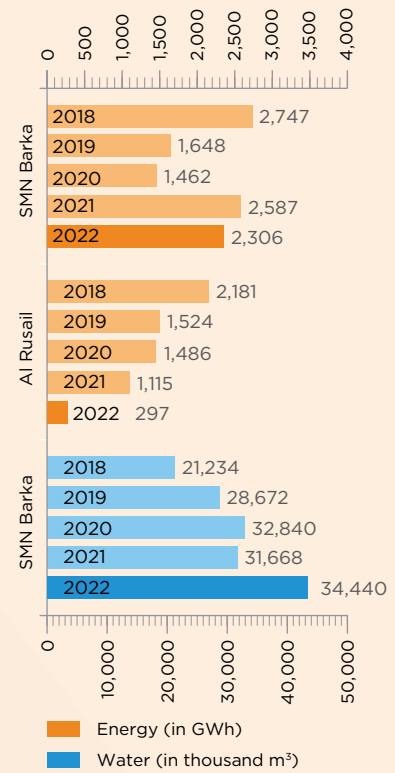
His Majesty
Sultan Haitham bin Tarik

Highlights 2022

Power & Water Contracted Capacities (Year-End)

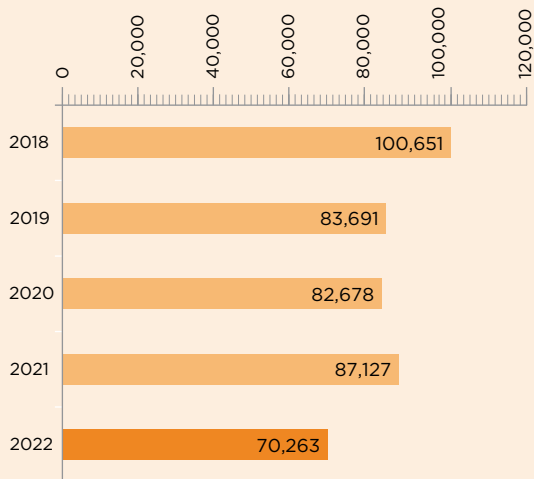


Energy & Water Delivered

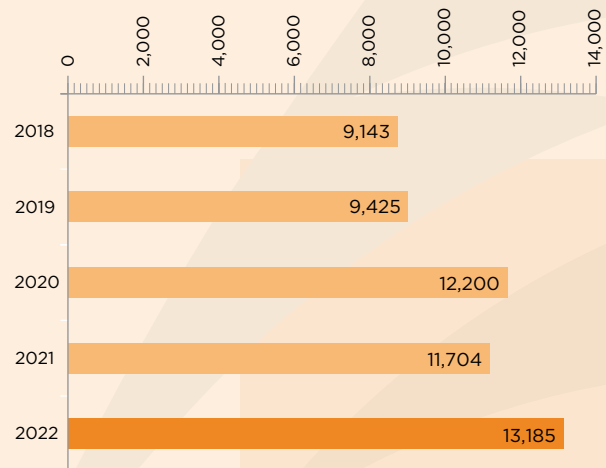




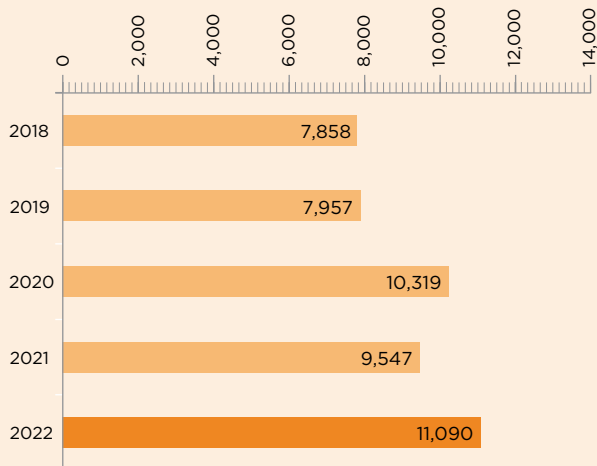
Consolidated Revenues (in RO '000)



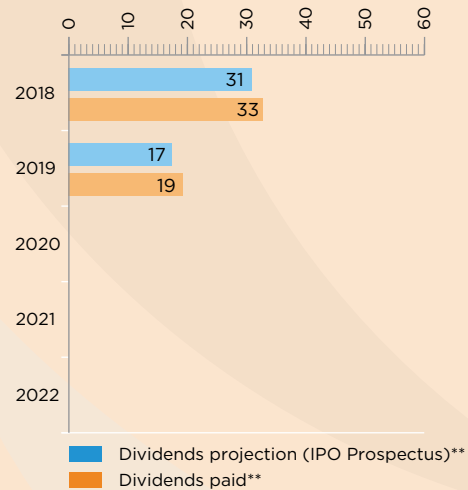
Consolidated Profits before Taxes (in RO '000)



Consolidated Net Profit (in RO '000)



Dividend Paid (Bzs/Share)



** on the basis of nominal of bzs 100 / share after the stock split





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Board of Directors



Dr. Abdullah Al Yahya'ey
Chairman



Frederic Halkin
Vice Chairman



Ahmed Saud Said
Al Zakwany
Director



Ashwanikumar Ladha
Director



Ahmed Al Shamsi
Director



Khamis Al Balushi
Director



Imran Sheikh
Director



Zoher Karachiwala
Corporate Secretary



Executive Management



Mohammed Al Rawahi
Chief Executive Officer



Abdullah Al Naimi
Chief Financial Officer



Anupam Kunwar
Chief Technical Officer

Board of Directors' Report



Dear Shareholders,

On behalf of the Board of Directors ("the Board") of SMN Power Holding SAOG ("the Company"), I have the pleasure to present the Board of Directors' Report for the year ended 31 December 2022.

Corporate Governance

The Company has complied with the Code of Corporate Governance and applicable circulars issued from time to time by the Capital Market Authority (CMA).

Operations

Providing a safe working environment is a key priority and the Board is pleased to share that during the year ending 2022, the Health & Safety ('H&S') performance was excellent with no Lost Time Accident ('LTA') in line with previous years. In 2022, Al Rusail power plant recorded a new milestone and clocked more than 5000 LTA free days.

The commercial performance of both plants, SMN Barka Power Company SAOC ("SMN Barka") and Al Rusail Power Company

SAOC ("Al Rusail"), is measured by their reliability which is the ability to deliver the declared capacity as per the contract.

In 2022, the reliability at SMN Barka Plant was 97.66% (96.2% in 2021) for power and 97.41% (97.8% in 2021) for water. The reliability at Al Rusail Power Plant was 99.4% (99.9% in 2021) for the same period.

The Company produced an aggregate net power volume of 2,602.12 GWh (3,702 GWh in 2021) and a total volume of 34,440,050 m³ of potable water was delivered (31,668,000 m³ in 2021).

All necessary maintenance activities of key equipment were performed in accordance with Original Equipment Manufacturers' recommendations, while applying the best industry standards and practices for health & safety and maintenance, during the period.

Financial Results

Total Revenues in 2022 amounted to RO 70.3 million (RO 87.1 in 2021), representing a decrease of RO 16.8 million compared to 2021. Total Revenues include fixed revenues (Fixed Capacity Fees) and variable revenues (Fuel Charge and Variable Operating & Maintenance Charge).

The Company generated a consolidated net profit of RO 11.09 million during 2022 compared to a net profit of RO 9.55 million for 2021. The increase in net profit of RO 1.54 million is mainly due to the following favorable variances compared to the same period in 2021:

- Lower operating costs for the year;
- Reduction in finance costs following the scheduled repayments of the term loan facilities for the two project companies.



The reduction in Non-Current Assets is driven by the depreciation of the plant (fixed assets).

The decrease in Current Assets is due to the receipts of the finance lease and the payment received from Oman Power and Water Procurement Company (OPWP) of the outstanding Fuel Charges for the financial years 2019, 2020 and 2021 under the fuel settlement arrangement agreed with OPWP for both SMN Barka and Al Rusail plants which in turn have been used to reduce the trade and other payables under the back to back arrangement.

Future Outlook

The Company will continue its focus on H&S and maintain the excellent reliability at both plants.

In terms of the latest development on the initiatives to prepare for the future of Al Rusail and SMN Barka power plants:

- OPWP has provided an update for the procurement process for Power and Water for 2024 and beyond. In its letter to the Company, OPWP states that OPWP is working on the development of procurement documents related to Power and Water 2024 and intends to communicate its procurement capacity target, procurement schedule, Project timeline and other relevant information during quarter one of 2023 at most. The Company is actively engaged in making preparations for the Power and Water 2024 tender.
- SMN Barka is participating in the spot market, however, such participation has no material impact on the Company's revenue until the expiry of the PWPA framework.
- After the expiry of the PPA by end of March 2022, Al Rusail signed an Ancillary Service Agreement with OPWP to sell a capacity of 184,972 MW from April 2022 to October 2022. The Ancillary Service

Agreement was extended again to cover the period from 1st November 2022 to 31st December 2023 which was disclosed to the market.

- Al Rusail is exempted from participation in the Spot Market from 1st November 2022 as Al Rusail is under ancillary services agreement which does not require participation in the spot market as per the market rule.
- For Al Rusail, Gas Turbine 1 to Gas Turbine 6, which were erected between 1984 to 1986, have retired from operation on 30th September 2021 as disclosed to the market. Al Rusail plans to sell these units and the process of sale and decommissioning for these units has been initiated. Al Rusail has appointed a consultant to assist with the sale and decommissioning process of the retired plant's equipment. The sale and decommissioning process will commence in 2023.
- Since September 2021, Al Rusail power plant capacity had reduced from approx. 665 to approx. 184,972 MW. As a result, the contracted backup fuel oil quantities have reduced. Al Rusail has floated a tender for the sale of approx. 16 million liters of fuel oil. A sale and purchase agreement for selling the excess diesel oil has been signed with the selected bidder and the same was disclosed to the market and stakeholders. The sale of fuel oil and ownership transfer to the bidder will take place in 2023.
- In terms of dividend distribution, as previously disclosed and in line with the financing arrangements during the IPO, the excess cash generated by SMN Barka is now paid to the lenders and will not flow to the Shareholders until the loans are fully settled or until the time the loans can be restructured. The P(W)PA extension for SMN Barka will be a key factor to potentially restructure the debt in the coming years, remove or



defer the cash sweep and allow further dividend distribution. Al Rusail has declared a dividend distribution of RO 3 million which has been approved by the Ordinary General Meeting held on 6th December 2022.

As Chairman of the Board, I would like to thank our Shareholders, not only for their confidence, but also for their continued support and for the expertise they bring into the Company. The Board of Directors expresses its gratitude to OPWP, Authority for Public Services Regulations (APSR), CMA and other governmental and non-governmental bodies for their guidance and support.

Finally, on behalf of the Board, I would like to extend our deep appreciation and gratitude to His Majesty Sultan Haitham bin Tarik and His Government for their continued support and encouragement to the private sector by creating an environment allowing us to contribute effectively to the growth of the Sultanate of Oman.

Dr. Abdullah Al Yahya'ey

Chairman of the Board



Description of the Company

SMN Power Holding SAOG (the “Company”) was incorporated on 7 May 2011. As the holding company of two power entities, SMN Barka and Al Rusail, the holding combines about 864.2 MW of power and 120,000 m³/day potable water capacity.

Background

On 2 November 2005, the Government invited proposals for the development of an Independent Water and Power Producer (‘IWPP’) at Barka and the privatization of Al Rusail (Tender No 210 / 2005).

In 2006, the Founders (Suez Tractebel S.A., Mubadala Development Company PJSC and National Trading Company LLC) secured the award from OPWP following a competitive bidding process. The project has been

established under a BOO scheme (Build, Own, Operate). The BOO concept enables the Founders (through the operator) to operate the Plants beyond the current PPA horizon of 15 years by either extending the P(W)PA (if agreed to by OPWP) or by selling into the Spot Market.

The Founders incorporated SMN Power Holding Company Ltd (‘SMN Jafza’) for the purpose of holding the shares in both Project Companies and for undertaking the Project through the Project Companies. From the inception of the Project until the transfer to the Company, SMN Jafza held 99.99% of the shares in both project companies. Each of the projects developed by each of the relevant project companies has been implemented as follows:



For SMN Barka

Date	Events
2 November 2005	Request for Proposal issued by Tender Board
26 June 2006	Bid Submission
6 December 2006	Execution of Project Documents
20 February 2007	Financial Close
28 July 2008	Early Power COD
30 September 2008	End of Early Power period
15 November 2009	Final COD achieved
31 March 2024	Expiry of PWPA term

For Al Rusail

Date	Events
2 November 2005	Request for Proposal issued by Tender Board
26 June 2006	Bid Submission
6 December 2006	Execution of Project Documents
31 January 2007	Completion under SPA / Settlement Agreement
20 February 2007	Financial Close / Facilities Agreement
30 September 2021	Expiry of Phase 1 and Phase 2 (GT 1 to GT6) Power Purchase Agreement. Available Capacity - 184,972 MW
31 March 2022	Expiry of Phase 3 (GT 7 & GT8) Power Purchase Agreement
31 October 2022	Expiry of Power Purchase Agreement Extension for Phase 3 (GT7&8)
31 December 2023	Expiry of Power Purchase Agreement Extension for Phase 3 (GT7&8)

Description of SMN Barka Plant

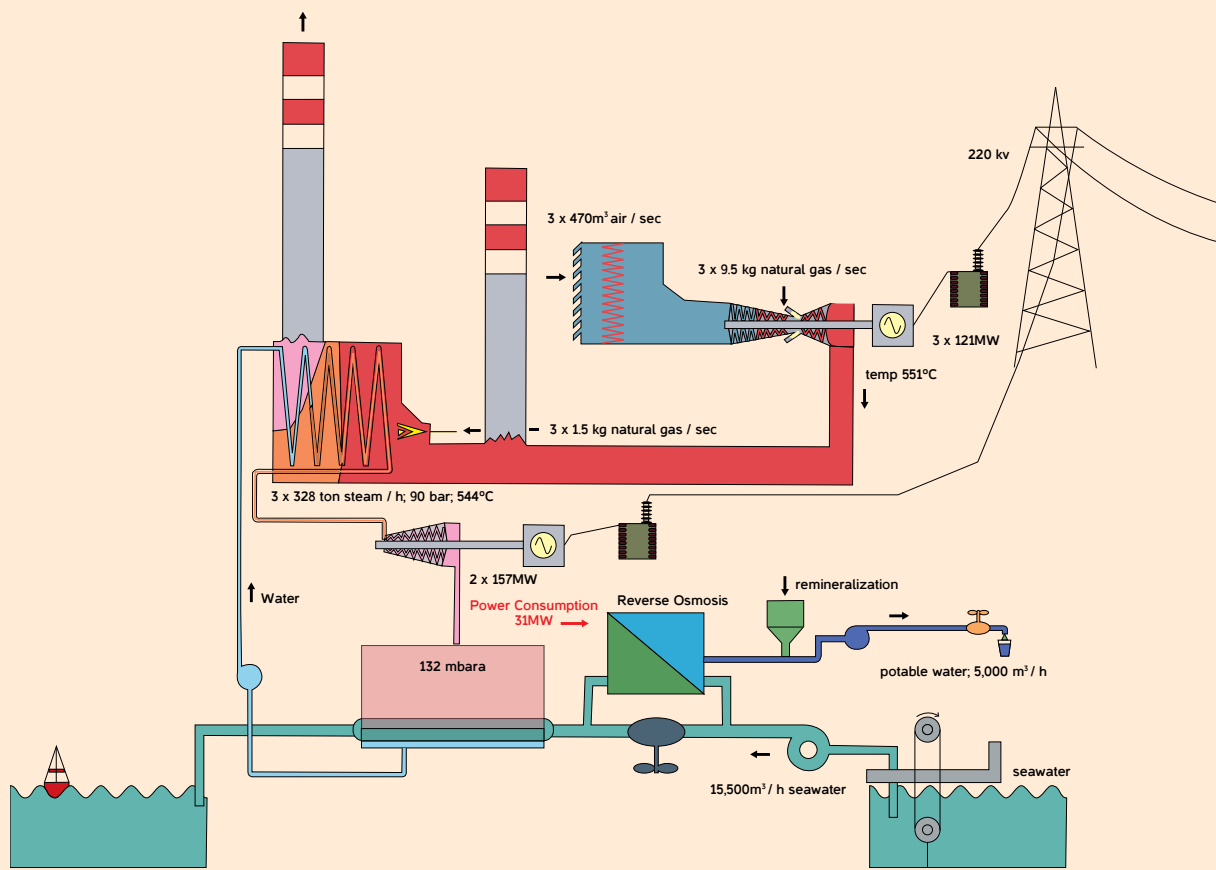
SMN Barka is an IWPP plant situated at Barka. The site is approximately 50 km northwest of Muscat, Oman.

Also popularly known as Barka II / Barka Phase 2, the design net rated power output of the facility in a combined cycle mode is 673.5 MW and 363 MW in open cycle. The water production capacity is about 26.4 MIGD or 120,000 m³/day.

The facility entered into full commercial operation on 15 November 2009 and commenced the fifteen-year PWPA, guaranteeing the sale of its electricity and potable water capacity and production to OPWP.

The power plant comprises of three V 94.2 Rev 6 dual fuel combustion turbines (Siemens design manufactured by Ansaldo Energia, Italy), three supplementary fuel fired heat recovery steam generators and two Siemens condensing steam turbines, along with ancillary equipment required for operation of the power plant.

The SMN Barka power plant is designed as a three + two configuration with three combustion turbines, three supplementary fired HRSGs and two steam turbines forming one combined cycle power block. The arrangement allows for operational flexibility as high and low pressure steam from any boiler can be supplied to either steam turbine.



The individual V94.2 gas turbines hot exhaust gases directly flow into naturally circulated heat recovery steam generators, generating steam at two pressure levels: high pressure steam at 85 bar and low pressure steam at 7 bar. The high pressure steam from each of the heat recovery steam generators is combined in a common header and passes to one of the two steam turbines as does the low pressure steam.

The facility is equipped with bypass stacks allowing operation of each combustion turbine in open cycle if a boiler or steam turbine failure occurs and steam dumping direct to the steam turbine condensers is also provided. The SMN Barka Plant is designed for black start operation by means of diesel generators which are capable of starting the plant via connections to at least two gas turbines.

Desalination for water production involves a sea water reverse osmosis desalination plant with a contracted capacity of 26.4 MIGD or 5,000 m³/hour of water. The reverse osmosis system comprises of 14 trains in the first pass and 7 trains in the second pass. Unlike “natural” osmosis, which facilitates solvent migration so that concentrations are even on both sides of a membrane, reverse osmosis involves forcing seawater at high pressure through a membrane that is almost impervious to suspended minerals. In the end pure water is left on one side and highly concentrated brine on the other.

Reverse osmosis provides SMN Barka the flexibility, in certain cases, to produce desalinated water even when the power production is not operational, using power from the electricity grid.

The power plant operates on natural gas as primary fuel with fuel oil as back-up. The plant is connected to the gas transmission infrastructure owned by Ministry of Energy and Minerals

(MEM), to the existing water transmission system owned and operated by Oman Water and Waste Water Services Co. (OWWSC) and finally to the main interconnected transmission system at 220 kV which is owned by Oman Electricity Transmission Company.

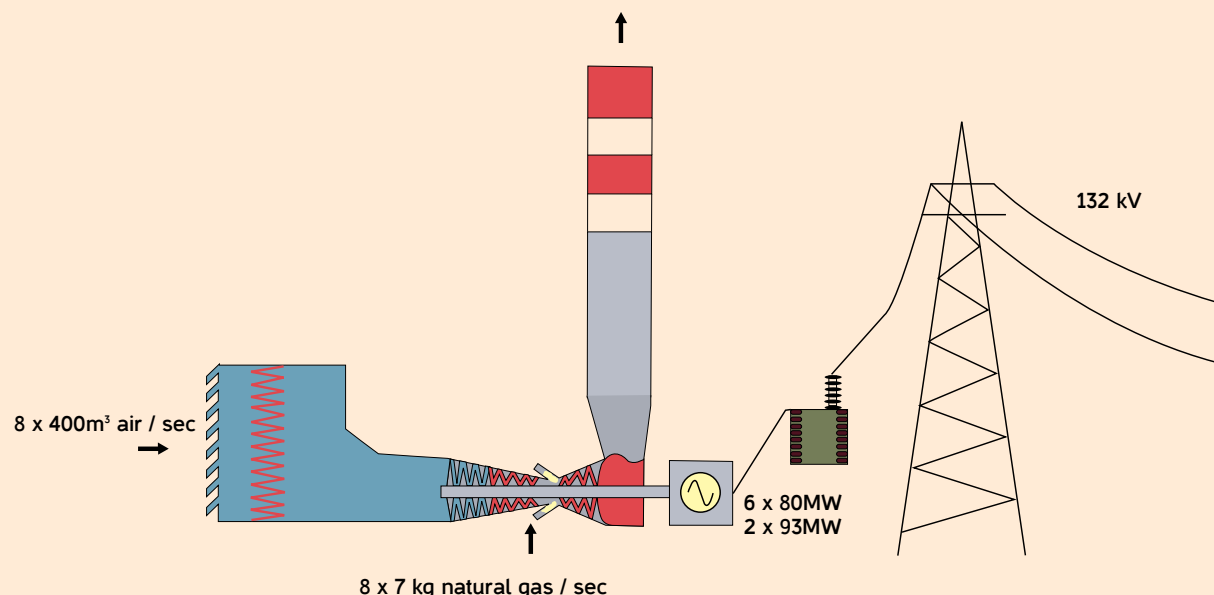
The auxiliary power for the Plant is derived from the Plant's internal electrical system with back up from the grid. The equipment and facilities required for the operation, testing, maintenance and repair of the equipment (for example control room, laboratory, stores, workshop, etc.) are available at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

SMN Barka has contracted all operations and maintenance activities ('O&M') of the power station to Suez Tractebel Operations and Maintenance Oman ('STOMO').

Description of Al Rusail Plant

Al Rusail is a natural gas-fired power plant, the first state-owned power generation company to be privatized in the Sultanate of Oman. In December 2006, the shareholders acquired the shares of Al Rusail from the Government (through acquisition of 99% of the shares in Al Rusail by SMN Jafza).

The plant is located inland, approximately 40 km west of Muscat in an industrial area. It consists of eight Frame 9E gas turbines installed in four phases between 1984 and 2000. Al Rusail's primary fuel is natural gas supplied by MEM, but diesel oil is also stored on site to serve as a backup fuel. Power capacity and production are sold to OPWP under the 17-year PPA which ended in September 2021 for 6 gas turbines and March 2022 for 2 gas turbines (Units 7&8). The PPA was extended initially upto 31st October 2022 and again extended upto 31st December 2023. The power plant capacity was initially 665MW (until September 2021), however, after expiration of the PPA for 6 gas turbines, the power capacity is reduced to 184,972 MW.



The combustion turbines are laid out side by side. An overhead travelling crane can access all turbines for maintenance purposes. The generating equipment is outdoor type with the 132 kV Gas Insulated Switchgear (GIS) housed in brick buildings. Underground cable circuits run from the generator step-up transformers to the 132 kV switchgear and then by overhead line



to the system at the northern and southern site boundaries. The control room, management offices and administration are housed in one building adjacent to the gatehouse. Spares are housed in a separate building on the site. The Plant is connected to the main interconnected transmission system at 132 kV.

Al Rusail has contracted all O&M activities at the power plant to STOMO.

Gas Turbines (GTs)

The Gas Turbines are all the same frame size but have been provided by different suppliers at different times. The EPC Contractors who built Al Rusail units prior to the privatization were MJB / GE / Alstom / BHEL, recognized as some of the world's leading suppliers of systems, components and services in the generation, transmission and distribution of power. The units at Al Rusail were installed in four phases between 1984 and 2000:

- Phase I consists of GTs 1, 2 and 3 the first being commissioned in 1984.
- Phase II consists of GTs 4, 5 and 6 the first being commissioned in 1987.
- Phase III consists of GT 7 commissioned in 1997.
- Phase IV consists of GT 8 commissioned in 2000.

As a result of technology advances over time, the machines have different firing temperatures and spares are therefore not necessarily interchangeable between units.

Current shareholders

As at 31 December 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:

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
General public		47,192,161	23.639%	4,719
		199,635,600	100%	19,964



Profile of Major Shareholders

Kahrabel F.Z.E.

Kahrabel oversees and manages the development, construction and operation of the electricity and water production business of ENGIE in the MENA region. It is an entity 100% owned directly by International Power S.A., which is itself indirectly wholly owned by International Power Ltd. International Power Ltd. is owned indirectly by ENGIE, global Energy and Services Group active in low-carbon power generation, global energy networks and customer solutions.

ENGIE employs 101,504 people worldwide and achieved revenues of 57.9 billion euros in 2020. Listed in Paris and Brussels (ENGI), the Group is represented in the main indices, both financial and CSR.

In the GCC, ENGIE is the leading independent power & water producer with 30 GW power production and 5.9 million m3/day potable water production to support the regional economies. It is the GCC's leading Facility Management provider and develops solutions to improve the energy performance & efficiency of buildings, industry, infrastructure and cities in the region.

From its regional HQ in Dubai, ENGIE continues to develop its three key businesses in a geographical scope that includes the Middle East, South & Central Asia and Turkey.

For more information about ENGIE, please visit www.engie.com

Mubadala Power Holding Company Limited

Mubadala Power Holding Company Limited is a wholly owned subsidiary of Mubadala Investment Company ('MCD'), a registered public joint stock company in the Emirate of Abu Dhabi.

Mubadala Investment Company actively manages a worldwide portfolio supporting the vision of a globally integrated and diversified economy, through sustainable returns to its shareholder, the Government of Abu Dhabi. In March 2018, Abu Dhabi Investment Council (ADIC) joined the Group.

Mubadala's US \$284 billion portfolio spans five continents with interests in aerospace, ICT, semiconductors, metals and mining, renewable energy, oil and gas, petrochemicals, utilities, healthcare, real estate, defense services, pharmaceuticals and medical technology, agribusiness and a global portfolio of financial holdings. Mubadala is a trusted partner, an engaged shareholder and a responsible global company that is committed to ethics and world-class standards.

For more information about Mubadala please visit www.mubadala.com



Civil Service Employees' Pension Fund

The Civil Service Employees' Pension Fund (CSEPF) was established simultaneously with the introduction of the Law of Pensions and End of Service Benefits for Omani Nationals employed in the Government sector in the beginning of 1986. It undertakes the responsibility for implementation of provisions of the law in addition to managing and investing the pensions and end of service funds. The Fund is an independent government unit which has a juristic personality, an administrative and financial independence.

Ministry of Defense Pension Fund

Ministry of Defense Pension Fund ('MODPF') is a public legal entity in the Sultanate of Oman duly organized under, and registered pursuant to, Sultani Decree 87/93 issued on December 29, 1993. The MODPF is one of the largest pension funds in Oman and is a major investor in the local capital markets, both in equities and bonds. It is also a major participant in project investments and real estate investments. The fund is represented on the boards of several prominent Corporates in Oman.

Oman LNG (Qalhat LNG SAOC)

Oman Liquefied Natural Gas LLC ('Oman LNG') is a joint venture company established by a Royal Decree in 1994 and operates under the laws of the Sultanate of Oman. The Company engages in the business of producing and selling Liquefied Natural Gas (LNG) and its by-product, Natural Gas Liquids (NGLs). Oman LNG undertakes, directly or indirectly, project operations and related activities essential to liquefy, store, transport and market Oman's natural gas and to deliver LNG to customers. The Company operates 3 liquefaction trains - at its site in Qalhat near Sur with a nameplate capacity of 10.4 million tonnes per annum (mtpa). The Company's activities contribute to the Government of Oman's objectives of diversifying the economy. Oman LNG's Liquefaction Plant is located on the coast at Qalhat near Sur in the South Sharqiyah Governorate and its head office is in Muscat.

As of September 1, 2013, Oman LNG officially integrated with Qalhat LNG. The integrated entity operates under the name of Oman LNG.

Management Discussion and Analysis Report

Management Discussion and Analysis Report

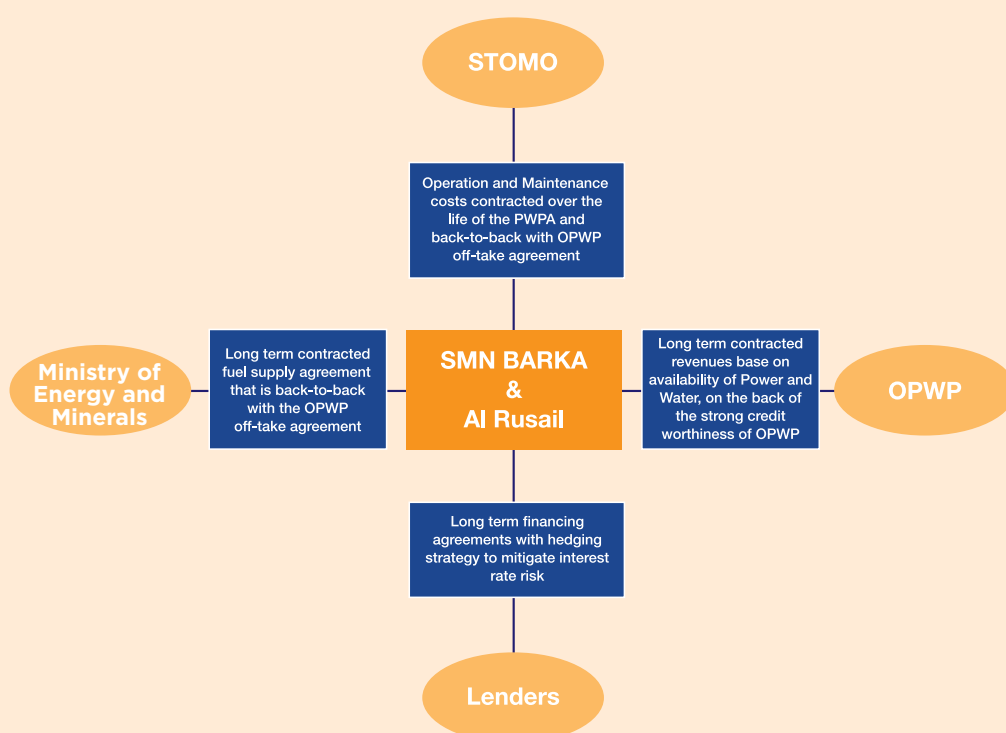
The management of SMN Power Holding Company SAOG (the “Company”) is pleased to present its report on the Company’s business structure, opportunities and threats, operational and financial performance, risks and concerns, outlook and other matters of importance to the shareholders.

Power Industry Structure and our Business Model

The Sector Law, promulgated by Royal Decree 78/2004, provides the regulatory framework for Oman’s power and water industry. It stipulates the installation of a regulatory authority, the Authority for Public Services Regulation (‘APSR’), the Electricity Holding Company (‘EHC’) / NAMA Holding, owned by the Oman Investment Authority, and the owner of Oman Power and Water Procurement Company (‘OPWP’) which is the single buyer of water and power from all IPP/IWPP projects in Oman.

The business model of both project companies held by SMN Power Holding

SAOG, i.e., SMN Barka Power Company SAOC (“SMN Barka”) and Al Rusail Power Company SAOC (“Al Rusail”), is based on a strong contractual framework, with solid and reliable partners. Back-to-back contracts significantly reduce the risks over a long-term period. The supply of the output to the off-taker OPWP, the gas supply from the Ministry of Energy and Minerals (MEM), the operation and maintenance of the plants by the operator Suez-Tractebel Operation and Maintenance Oman L.L.C (STOMO) (“O&M contractor”) and the financing of the project, are all guaranteed over a period of 15 years for SMN Barka and 19 years for Al Rusail. Over this period (ending in December 2023 for Al Rusail and March 2024 for SMN Barka), the project companies are remunerated for their capacity and availability. Their profitability and ability to generate cash flows are independent of market fluctuation, commodity prices and market demand throughout the PPA/PWPA term.





The plants are operated and maintained under the terms of the O&M agreement with STOMO. The highest standards in terms of health, safety and operational excellence are applied, to ensure availability and efficiency. Interest rates volatility and impact on the financing expenses are mitigated through adequate hedging policies, in line with the requirements defined by the lenders in the Facility Agreements. Furthermore, the Company is benefiting from the strong track record of its original founders, reflected in the high level of experience of the Board of Directors, bringing significant value to both projects.

Discussion on Operational Performance

Health, Safety and Environment

During 2022, the Company and its subsidiaries have focused on Health, Safety and Environment ('HSE') as their primary objective.

Both SMN Barka and Al Rusail focused on preventing any injuries ('Zero Harm'), lost time accidents ('LTA'), first aid or medical treatment incidents using proactive measures such as HSE observations, fresh eyes observations and identification of unsafe conditions.

Regular HSE reviews together with STOMO have produced significant improvements in the HSE culture at the plants, reaffirming to all employees that HSE is given the highest priority in our operations.

The overall HSE performance during 2022 was excellent, as no Lost Time Accident ("LTA") occurred. SMN Barka and Al Rusail Plants completed 5,478 and 5,063 days respectively without LTA as on the 31st December 2022. Many proactive actions undertaken by STOMO at both plants led to such excellent accomplishments:

- Regular safety walks and management reviews;
- Zero harm objective;

- Focus on behavioral based programs such as fresh eyes, toolbox talks, regular safety walks, emergency drills, training, safety committee meetings, HSE audits (internal & external);
- Tracking of HSE observations and incidents using an integrated information system ('INTELEX');
- All the O&M managers and HSE staff are NEBOSH certified; and
- ISO 9001, ISO 14001 and ISO 45001 certifications retained at both plants, Al Rusail and SMN Barka.

Every incident or near miss is taken very seriously, analyzed, and actions are proactively implemented.

Capacity

The capacity of a plant is defined as the total electrical power (MW) and water (cubic meter per day), which can be delivered by the plant at reference site conditions.

The contractual capacity of SMN Barka under the Power and Water Purchase Agreement ('PWPA') for the year 2022 was 673.520 MW power and 120,000 m³/day water. The Annual Performance Test demonstrated that for both, power and water, the plant met the contractual requirements.

The contractual capacity of Al Rusail under the Power Purchase Agreement ('PPA') is 184,972 MW power compared to earlier capacity of 664.999 MW as Phase 1 and Phase 2 gas turbines installed in 1984 and 1987 respectively, have retired from operation since 1 October 2021, as scheduled under the PPA. At the Annual Performance Test, the plant demonstrated its capability to meet the contractual capacity requirements.

Generation

During the year, Al-Rusail Power Plant exported a total of 297.12 GWh electrical energy while SMN Barka's power generation reached a total of 2,306 GWh and its water

production amounted to 34,440,000 cubic meters.

Reliability

The reliability of the Plant is its ability to deliver the declared capacity, as per the contract.

In 2022, SMN Barka's reliability was 97.66% for power and 97.41 % for water (96.2% and 97.8% in 2021).

The high number of starts and stops of the gas turbines over the last few years (also called cycling of the plant) has had an adverse impact on the reliability of the power plant. As the dispatch and cycling instructions are provided by the authorities, SMN Barka has been in regular contact with OPWP, APSR and the Load Dispatch Centre (LDC) to optimize the plant cycling. Based on discussion with all stakeholders there has been some reduction in cycling activities compared to 2020 and 2021. SMN Barka is in ongoing contact with APSR, OPWP, and Oman Electricity Transmission Company (OETC) to optimize the cycling in order to ensure long-term sustainability of the plant and in turn the grid reliability. The water reliability was less compared to 2021.

Al Rusail showed an excellent reliability of 99.40% in 2022. Such high availability despite old assets and high starts is due to the high standards set by STOMO team in operation and maintenance of plant.

Plant Efficiency (Heat Rate)

The efficiency of the power plant is measured in terms of the amount of energy consumed to produce one unit of electrical energy. The Company and STOMO have focused on improving the heat rate in order to save fuel gas for the country.

Maintenance and Improvements

The following repair and maintenance activities were carried out during 2022:

- **SMN Barka Power and Water Desalination**

Plant:

- Major inspection of GT1&2; during the major inspection, complete overhauling of the both the machines was completed.
- Air inlet filter replacement for GT1 and GT2;
- Premix fuel distributor replacement in GT2;
- Annual Maintenance of Heat Recovery Steam Generators (HRSG) 1, 2 & 3 its auxiliaries;
- Steam Turbine 1&2 annual maintenance;
- Generator of GT1&2 inspection and upgrades;
- Replacement of water desalination plant membranes as per requirement;
- Water Desalination Plant maintenance during total water desalination plant shutdown.
- Cleaning of seawater intake facilities.

• Al Rusail Power Plant:

- GT7 Combustion Inspection;
- Inlet Air filters replacement in GT7.

Al Rusail Power operation Extension

In March 2022 the PPA of Al Rusail was due to expire, however, Al Rusail managed to secure an Ancillary Service Agreement with OPWP to sell 184,972 MW capacity of two units from 01st April 2022 to 31st October 2022. The ancillary service was again extended from 1st November 2022 to 31st December 2023.

Al Rusail Power Decommissioning of Six Retired Units

Gas turbine units, GT1 to GT6, which were erected between 1984 and 1987, have retired in September 2021 as it was foreseen in the Power Purchase Agreement. The Company is therefore preparing a robust retirement plan for gas turbines 1 to 6.

Al Rusail plans to sell these units and the process of sale and decommissioning for these units has been initiated. Al Rusail



launched a Request for Proposal (RFP) to appoint a consultant to assist with the sale and decommissioning process. Several Companies quoted for the consultancy service and the best and most economical service provider has been selected. The sale and decommissioning process for these units is expected to commence in 2023.

Discussion on Financial Performance

Financial Highlights

Profit and Loss (RO' 000)	2022	2021	Variance
Total Revenues	70,263	87,127	(16,864)
Profit from Operations	16,380	15,631	749
Finance charges	(3,938)	(4,653)	715
Other income	743	726	17
Profit before tax	13,185	11,704	1,481
Taxes	(2,095)	(2,157)	62
Net Profit	11,090	9,547	1,543

Balance Sheet (RO' 000)	2022	2021	Variance
Non-current Assets	145,772	154,723	(8,951)
Current Assets	27,012	57,743	(30,731)
Total Assets	172,784	212,466	(39,682)
Total Shareholders' Fund	79,781	68,691	11,090
Hedging Deficit	(178)	(2,560)	2,382

Analysis of the Profit & Loss

Total Revenues in 2022 amounted to RO 70.3 million, representing a decrease of 19% compared to the prior year 2021. Total Revenues include fixed revenues (Capacity Fees) and variable revenues (Fuel Charge and Variable Operating & Maintenance Charge).

The fixed and variable revenues have decreased by approx. 5% and 30% respectively versus the prior year mainly due to the retirement of GTs 1-6 (1st October 2021) in Al Rusail plant. Movement in variable revenues does not impact profitability since it is almost passthrough.

The consolidated profit from Operations increased by approx. RO 1.5 million (16.2%) compared to the prior year mainly due to lower operating costs and lower general and administrative expenses in 2022.

Finance charges reduced by RO 0.7 million compared to 2021 following the scheduled repayments of the term loan facilities for the two project companies and also, as per IFRS 9, the expected credit loss on receivables has decreased due to the settlement of the fuel invoices for the year 2021, as explained in the next section.

The consolidated net result for the period ended 31 December 2022 amounted to RO 11.09 million corresponding to an increase of RO 1.5 million compared to 2021.

The delayed payment of the fuel invoices for the previous years has been settled in full with OPWP. Effective from January 2022, OPWP have been settling the fuel charge invoices in full on a monthly basis.

Dividend Distribution During the Year

SMN Barka

As previously disclosed and in line with the financing arrangements disclosed during the IPO, the cash sweep mechanism (accelerated repayment of the debt) started on 30 September 2018 for SMN Barka. As a consequence, the excess cash generated by the Company is now paid to the lenders and will not flow to the Shareholders until the loans are fully settled or until the time the loans can be restructured.

Al Rusail

Al Rusail has declared a dividend distribution of RO 3 million which has been approved by the Ordinary General Meeting (OGM) held on 6th December 2022.

Analysis of the Balance Sheet

The total consolidated assets amount to RO 173 million as of 31 December 2022.

The reduction in Non-Current Assets is driven by the depreciation of the plant (fixed assets).

The reduction in Current Assets is due to receipts of the finance lease and the fuel settlement from OPWP that in turn has been utilized to reduce the trade and other payables.

The hedging reserve, net of deferred tax, is negative by RO 0.18 million by end of 2022. The positive variance (RO 2.4 million) with respect to last year's balance results from the scheduled repayments over the year and the decrease in forward interest rates.

The Company repaid installments of its long-term loans in accordance with the contractual repayment schedule and has met all its obligations under its bank covenants.

Omanisation

The Ministry of Labor has issued a Ministerial Decision No 248/2014 ('MD'), published

in the Official Gazette on 14th September 2014, and effective on the day following its publication, by means of which the Ministry has revised the Omanisation percentage to be achieved in private sector enterprises operating in the electricity and water sectors.

Omanisation is a principle the Company has embraced and being implemented since its inception. The MD has only triggered adjustments to the Omanisation strategy. The Company's approach is built around a revised succession plan and opportunities for Omani employees for incremental responsibility, while maintaining opportunities for experience and expertise transfer between the employees.

Risks and concerns

Technological risk

The technological risk is considered low as the Plant uses proven technology from renowned international suppliers (mainly Siemens in Barka II and GE in Al Rusail). In order to mitigate this risk, the Company ensures and monitors that STOMO operates and maintains both plants in line with best practices in the industry and as per the maintenance schedule outlined by the technology providers. Although the Company is facing some obsolescence risk as some of the key equipment's, particularly instruments, are no longer manufactured by original equipment manufacturers, which means these equipment's must be replaced.

Availability loss due to Accidental Damage

The Company ensures that adequate insurance policies are in place to protect the business against any property damage and loss of income arising from accidental damage.

Availability Loss Due to Heavy Cycling of the Plants

As outlined above, SMN Barka has faced heavy cycling with an increased number



of starts and stops of the plant over the last few years. Such heavy cycling has been detrimental to the plant's equipment resulting in an increased failure rate. In order to mitigate this risk, to the extent possible, the Company has increased its predictive and preventive maintenance. The Company has observed some major issues due to cycling such as higher repair requirement on turbines, repetitive failures of HRSG tubes, among others, which may require high maintenance cost and have adverse impact on plant commercial availability in coming years.

SMN Barka has liaised with OPWP, APSR and the Load Dispatch Centre resulting in some reduction in cycling in 2022 compared to 2020 and 2021. Furthermore, APSR has approved a new operational philosophy for 2022 which should potentially lead to further reduction in cycling.

The Disputes with the Tax Authority

Al Rusail

As 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.

SMN Barka

As disclosed previously in the 2021 Annual Report, the Company has filed an Appeal with the Supreme Court on 12th January 2022 regarding the dispute with the Tax Authority that relates to the disallowance of Liquidated Damages ('LDs') paid to the off-taker, OPWP, although LDs received from the subcontractor, Doosan, were taxed in the hands of the Company for the Tax Year 2009. The Company is awaiting the final judgment and the management and the Company's legal advisor are both of the opinion that the Company has a strong case to present.

Internal control systems

The Company believes in a rigorous internal control system. The control environment

has been further reinforced during 2022 by continuously enhancing the organization and further implementing policies and procedures in line with the code of corporate governance and industry best practices.

The Capital Market Authority ("CMA") has issued the circular E/1/2022 on Information Technology Guidelines with effective date of 31 July 2022. The Company has appointed an external consultant to ensure the implementation of this circular within the due date.


The Audit Committee was pleased with the progress achieved over the year and satisfied with the Internal Audit organization of the Company.

Outlook - Opportunities and Challenges

In terms of plant operations and performance, the Company will maintain its full vigilance to protect the health of its employees and the interests of all stakeholders. The Company will continue its focus on H&S and maintain the excellent plant reliability at both plants. Management will continue to be in touch with OPWP, the APSR and the Load Dispatch Centre with the aim of reducing the cycling of the plants.

The Company will prepare for the future of Al Rusail and SMN Barka power plants:

- The P(W)PA extension for SMN Barka will be a key factor to potentially restructure the debt in the coming years, remove or defer the cash sweep and allow further dividend distribution. OPWP has provided an update for the procurement process for Power and Water for 2024 and beyond. In its letter to the Company, OPWP states that OPWP is working on the development of procurement documents related to Power and Water 2024 and intends to communicate its procurement capacity target, procurement schedule, Project timeline and other relevant information during quarter one of 2023 at most.



The Company is actively engaged in making preparations for the Power and Water 2024 tender. Preparations include discussions with lenders, the Operations and Maintenance company and the offtaker in addition to compilation of capital expenditure expected to be incurred for plant improvements needed in the new PWPA term. In addition, and in parallel, the Company will work on implementation of the spot market and will also continue the development and implementation of plant efficiency improvements.

- The Project Companies Generation License was amended in January 2019 to reflect the introduction of the electricity spot market. After successful completion of trial period, the spot market is live from January 2022. While SMN Barka is participating in the spot market, such participation has no impact on the Company's cash-flows until the time SMN Barka will remain under the P(W) PA framework.
- The Company has performed a careful analysis of the operation of Al Rusail under the Spot Market and the Board

has concluded that such operation is not viable under the current Spot market rules.

- Since October 2021, Al Rusail power plant capacity had reduced from approx. 665 to approx. 184,972 MW. As a result, the contracted backup fuel oil quantities have been reduced. Al Rusail, has floated a tender for the sale of approx. 16 million liters of fuel oil. A sale and purchase agreement for selling the diesel oil has been signed with the selected bidder and the same was disclosed to the market and stakeholders. The sale of fuel oil and ownership transfer to the bidder will take place in 2023.

Gratitude and Conclusion

The management acknowledges and appreciates the commitment, contribution, and diligence of all employees of the Company while assuring them of their career advancement and continued welfare.



Corporate Social Responsibility Report

SMN Power Holding SAOG ("The Company" or "SMN Power") as a responsible corporate citizen have a strong commitment toward Corporate Social Responsibility (CSR). The key pillars of our CSR policy focus on initiatives in the areas of society, environment, education, health, In-Country Value (ICV) and economy with specific focus on sustainability and development of Omani youth at the heart.

At the Annual General Meeting (AGM) that was held on 28th March 2022, the Shareholders approved an amount of RO 40,000 for the CSR projects and initiatives to be carried out during the year 2022.

Overview of CSR Activities

As part of the Company's commitment towards the society, the Company have undertaken the following initiatives during the year 2022:

CSR Activities	Amount (OMR)
1 Based on the Ministerial Resolution No. 172/2021 issued by the Capital Market Authority (CMA) the Company contributed 20% of its CSR budget to Oman Charitable Organisation (OCO).	8,000
2 Signing Memorandum of Understanding (MoU) with Oman Energy Association in order to fund the multiple CSR projects in the areas of Education, Health and training opportunities that enhance the welfare of the Omani community, citizens, and the environment.	24,000
3 Contribution toward the completion and inauguration of the hybrid solar PV-Diesel generator power project, which was implemented in Al Tahyim School in Jalan Bani Buhasan at Ash Sharqiyah South Governorate.	1,975
4 Sponsorship contribution to the Global Forum/Shaping the Future 2022, which is linked to Water and Humanity that was hosted by Sultanate of Oman in 2022.	1,000
5 Plantation of native trees at schools using a proven water-saving system so-called the Groasis Waterboxx (Wbx).	5,025
Total	40,000

Contributing 20% of CSR budget to Omani Charitable Organization (OCO) as per CMA Ministerial Resolution No.172/2021.

Based on the Ministerial Resolution No. 172/2021 issued by the CMA which requires listed Companies to deduct of 20% of their CSR budget to be allocated in favor of OCO, the Company have paid the prescribed percentage to OCO which is an amount equivalent to RO 8,000. In addition to complying with this requirement, the aim of this contribution is to support OCO in their Charitable programs and enable the Organization to effectively play its role in the country.

Signing Memorandum of Understanding with Oman Energy Association to fund multiple CSR projects in the areas of Education, Health, and Training Opportunities, that enhance the welfare of the Omani community, citizens, and the environment.

On the 31st August 2022, the Company signed a memorandum of understanding with Oman Energy Association in order to fund various CSR projects on behalf of the Company, which aim to enhance the welfare of Omani society, the citizens and the environment and with a total amount of RO 24,000 which includes the following programs:

Sr. No.	Potential Scope	Project Scheme	Potential Stakeholder	Estimated Amount (OMR)
1.	Human Capital Development	Internship program for three months targeting graduates and diploma holders with 20-25 training opportunities.	OPAL Member Companies	15,000
2.	Healthcare	Supporting healthcare related initiative – provision of medical supplies.	Ministry of Health	5,000
3.	Low-Income Families Support	Supporting low-income families – provision of school supplies.	Ministry of Education	4,000



Contribution toward the completion and inauguration of the hybrid solar PV-Diesel generator power project which was implemented in Al Tahyim Basic Education School in Jalan Bani Buhassan at Ash Sharqiyah South Governorate.

In partnership with the Ministry of Education, the Company contributed to a PV solar project for Al Tahyim Basic Education School in Jalan Bani Buhassan at Ash Sharqiyah South Governorate. The school is about 70 km from the urban areas. This school has 290 students. The school classrooms and the residents are relying mostly on electricity generated by diesel generators, the fuel of which can be difficult to transport in addition to other challenges including generators maintenance, and power cut-off due to unreliability issues of the generators. The installation of the solar PV panels has served as a hybrid system in combination with the diesel generators. The data of load profile has been collected to optimise the system.



On 18th December 2022, the General Directorate of Education in the Southeastern Governorate celebrated the launch of the PV solar project and the diesel generator (hybrid system) at Al Tahyim School in Jalan Bani Buhassan. According to the Director of Projects and Services Department the solar energy project represented in installing a system to generate electricity from solar energy and diesel generator with a strength ranging from 50 KWs to 150 KWs using the photovoltaic technology, in order to enhance the clean energy of the school and to contribute to reducing the financial costs related to the operation and maintenance. Furthermore, the Director of Projects and Services Department added that these projects are important in raising the awareness and the culture among the students and the society on preserving the environment and the importance of renewable energy.



Sponsorship of the Global Forum linked to Water and Humanity (Global Forum/Shaping the Future 2022).

For more than 30 years, the Global Forum/ Shaping the Future 2022 has been an annual, international, high-level, and not-for-profit think-tank. It is dedicated to the main technological, economic, social, societal, political and ethical issues, challenges and trends that impact the evolution of our digital society.

Often considered as the “Davos of ICT”, it gathers every year more than 250 international experts; national, regional and local policy makers, private and public Companies and organizations, and academics, from more than thirty countries around the world.

Since 1992, the Global Forum has been a connector of people and ideas and a catalyst for new thinking and projects across the globe.

The Company have participated in the sponsorship of this Global Forum relating to Water and Humanity, which was hosted in the Sultanate of Oman on 17th, 18th and 19th of October 2022, which was organized by OPAL.



Plantation of native trees at schools using a water-saving system so called the Groasis Waterboxx (Wbx)

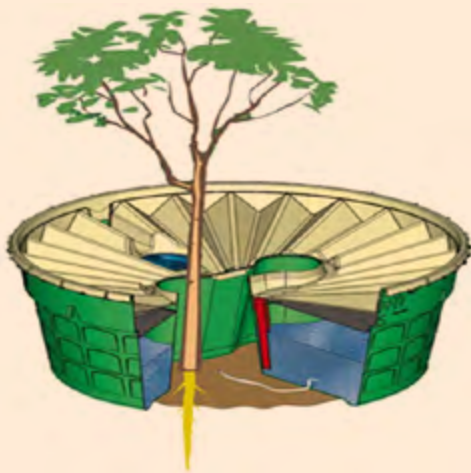
SMN Power, in cooperation with the Quality and Innovation Strategies Organization, plan to carry out a project of planting a certain number of native trees at schools by applying a water-saving system so-called Groasis technology, and specifically the Groasis Waterboxx (Wbx). This project will also focus on the active participation of the students in schools, as well as engaging teachers, and other school personnel, to achieve a positive impact on the school and learning environment.

Wbx represents an innovative solution which protects the newly planted sapling and stimulates growth of its root system while saving water. The Wbx is particularly suited to planting trees in dry, harsh environments, which applies in much of Oman.



Planting trees in Oman is generally challenging and costly, typically requiring costly irrigation and, in many cases, resulting in low survival rates. Despite the challenges faced by vegetation, it can be observed that native trees have been able to take root and survive in large numbers in multiple locations even where conditions are very harsh. This project put strong emphasis on planting with native species that are naturally adapted to the local environment. Several highly functional and at the same time beautiful tree species are at hand.

The active involvement of teachers and students in tree planting will potentially result in positive follow-up, inside as well as outside the classrooms. An organised monitoring and maintenance approach is arranged with the involvement of students and teachers.





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C.R. No. 1224013
PR No. HHM/15/2015/HMA/9/2015

Scope and purpose

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' Corporate Governance Report (the "Report") of SMN Power Holding SAOG (the "Company") as at and for the year ended 31 December 2022 and its application of the corporate governance practices in accordance with amendments to CMA's Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the "Code").

This agreed-upon procedures report ("AUP Report") is intended solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of the Company to be included in its annual report for the year ended 31 December 2022 and does not extend to any financial statements of SMN Power Holding SAOG, taken as a whole.

The Board of Directors have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement and are responsible for identifying and ensuring that the contents of the Report comply with the Code on which the agreed-upon procedures are performed. The sufficiency of these procedures is solely the responsibility of the Company and its Board of Directors.

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Up Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness, or the sufficiency of the agreed-upon procedures described below either for the purpose for which this AUP Report has been requested or for any other purpose.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

In performing the Agreed-Up Procedures engagement, we complied with the ethical requirements in the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and the independence requirements in accordance with the relevant independence requirements. We are the independent auditor of the Company and therefore we also complied with the independence requirements of the IESBA Code that apply in the context of the financial statement audit.

AGREED-UPON PROCEDURES REPORT ON FACTUAL FINDINGS TO THE SHAREHOLDERS OF SMN POWER HOLDING SAOG IN RESPECT OF CORPORATE GOVERNANCE REPORT (continued)

Our independence and quality control (continued)

EY applies International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

We have performed the procedures described below, which were agreed upon with you on the compliance of the Report with the Code for the year ended 31 December 2022.

Our procedures and findings included:

No.	Procedures	Findings
(a)	We obtained the Corporate Governance report issued by the Board of Directors and checked that the report of the Company includes at minimum all items suggested by CMA to be covered by the report as detailed in the Annexure 3 of the Code.	No exceptions noted.
(b)	We obtained from the Company details regarding areas of non-compliance with the Code identified by the Company Board of directors for the year ended 31 December 2022.	No exceptions noted.

Ernst & Young LLC

8 March 2023
Muscat





Corporate Governance Report

The Board of Directors and Management of SMN Power Holding SAOG ('SMN Power' or 'the Company') hereby present the Corporate Governance Report for the year ended 31 December 2022.

Company's Philosophy

The Company's Corporate Governance philosophy is based on three main components:

- Transparency towards internal and external stakeholders;
- Strict observance of laws, permits and regulations;
- Display of the highest ethical standards in conducting its business.

The Company has embraced the rules and practices issued by the code of corporate governance by which the Board of Directors of the Company ensure accountability, fairness, and transparency in company's relationship with all its stakeholders (shareholders, management, employees, lenders, customer, suppliers and the community).

The Company's regular review of corporate structures, policies and processes ensures that the highest standards are adopted and implemented, consistent with local and international governance requirements and principles.

In accordance with the rules and guidelines issued by the Capital Market Authority ('CMA'), the Company's statutory auditors, EY, have issued a separate report on the Company's Governance Report for the year end 31 December 2022.

The Board of Directors

The Board of Directors is composed of the following non-executive members.

- Dr. Abdullah Al Yahya'ey
- Mr. Frederic Halkin
- Mr. Ashwanikumar Ladha
- Mr. Imran Sheikh
- Mr. Ahmed Al Shamsi
- Mr. Ahmed Al Zakwany
- Mr. Khamis Al Balushi



Composition and Attendance of Board Members for Board Meetings during 2022:

Name of Directors	Category of Directors	02 Jan	24 Feb	12 May	03 Aug	10 Nov	Total
Dr. Abdullah Al Yahya'ey (Chairman)	Non-Executive & Non-Independent	✓	✓	✓	✓	✓	5
Mr. Frederic Halkin (Vice-Chairman)	Non-Executive & Non-Independent	✓	✓	P	✓	✓	5
Mr. Ahmed Al Shamsi	Non-Executive & Non-Independent	✓	✓	✓	✓	✓	5
Mr. Ashwanikumar Ladha	Non-Executive & Non-Independent	✓	✓	P	✓	✓	5
Mr. Ahmed Al Zakwany	Non-Executive & Independent	✓	✓	✓	✓	✓	5
Mr. Khamis Al Balushi	Non-Executive & Independent	✓	✓	✓	✓	✓	5
Mr. Imran Sheikh	Non-Executive & Independent	✓	✓	✓	✓	✓	5

P: Proxy

Total sitting fees for the above meetings were RO 13,200.

Directorship / Membership in Other Public Companies (SAOG) in Oman:

None of the current Directors hold a directorship or membership in other public companies except Mr. Ahmed Al Zakwany holds directorship in 1 public company.

The profiles of the Directors and senior management team are included as an annexure to the Corporate Governance Report.

The Audit Committee

The primary function of Audit Committee is to provide independent assistance to the Board in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community and other stakeholders relating to:

- (i) The integrity of the company's financial statements and accounting and financial reporting processes;
- (ii) The effectiveness of the Company's risk management and internal control systems;
- (iii) The performance of the Company's internal audit function;
- (iv) The qualification and independence of the external auditor; and
- (v) The Company's compliance with ethical, legal and regulatory requirements.

To fulfill this responsibility, Audit Committee has the power to request information from any employee of the Company. Further it is the responsibility of Audit Committee to maintain free and open communication with the external auditor, the internal auditor and the management of the Company.

The Audit Committee comprises of 3 Directors appointed by the Board and meets at least 4 times annually, reporting to the Board of Directors.

All members of the Audit Committee are non-executive, the majority of whom are from the Board's independent directors.

In line with the above responsibilities, the Audit Committee has encouraged Management to engage in continuous improvement of, and foster adherence to, the Company's policies, procedures and practices at all levels.

Composition of the Audit Committee and Attendance in 2022:

Name of Committee Members	Position	22 Feb	12 May	03 Aug	10 Nov	TOTAL
Mr. Imran Sheikh	Chairman	✓	✓	✓	✓	4
Mr. Ahmed Al Zakwany	Member	✓	✓	✓	✓	4
Mr. Ashwanikumar Ladha	Member	✓	P	✓	✓	4

P: Proxy

Total sitting fees for the above meetings were RO 2,200.

Nomination & Remuneration Committee

The primary purpose of the Nomination and Remuneration Committee ('NRC') is to assist the general meeting in the nomination of proficient and high caliber directors, to prepare job descriptions of the directors including the Chairperson of the Board, to develop a succession plan for the Board and the executive management and to propose a proper remuneration and incentives policy to attract competent executive management.

The NRC comprises of 3 Directors appointed by the Board and meets at least 2 times annually, reporting to the Board of Directors.

All members of the NRC are non-executive.

Composition and Attendance of NRC Members during 2022:

Name of NRC Members	Position	21 Feb	05 Jul	9 Nov	TOTAL
Mr. Ahmed Al Zakwany	Chairperson	✓	✓	✓	3
Dr. Abdullah Al Yahya'ey	Member	✓	✓	✓	3
Mr. Frederic Halkin	Member	✓	✓	✓	3

Total sitting fees for the above meetings were RO 1,800.

During the course of 2022, the NRC Members:

- reviewed the performance of the Executive Management for the year 2021 based on the performance-based criteria approved by the Board;
- reviewed the 2022 performance-based criteria for the Executive Management and recommended the criteria for Board approval;
- reviewed and approved the succession planning for the Executive Management (CEO and CFO) and Directors;
- reviewed the remuneration of the Directors for the year 2021 and recommended the proposal to the Board of Directors who in turn recommended to the Shareholders for approval; and,
- reviewed suitable training courses for the Directors.

As requested by the Board, they additionally reviewed the progress of the Omanisation plan at all levels of the Company.



Process of Nomination of the Directors

Directors are selected as per the Articles of Association of the Company at the Annual General Meeting ('AGM'). The Board of Directors was elected on 9th June 2020 for the term of three years.

In accordance with the requirement of the Code and the Articles of Association of the Company, the following shall be observed on the formation of the Board:

- (i) All directors shall be non-executive directors;
- (ii) At least one third of the directors shall be independent.

The opinion of the Nomination and Remuneration Committee is taken into consideration when electing directors to ensure that the directors possess the required attributes and professional competencies.

Remuneration Matters

a) Directors – Remuneration / Attendance Fee

During 2021, SMN Power did not make any profit on a stand-alone basis. As per CMA rules for Remuneration for Directors, the total remuneration (remuneration and sitting fees) for the Board of Directors cannot exceed RO 150,000 per annum for a Company which is not making profit. The sitting fees paid in 2022 (RO 400 for Board meetings, RO 200 for Audit Committee and NRC meetings) along with Directors' remuneration of RO 35,000 approved during the last AGM, do not exceed RO 150,000. During the AGM held on 28th March 2022, the shareholders approved sitting fees of RO 400 for the Board of Directors, RO 200 for the Audit Committee and RO 200 for the NRC. The sitting fees are payable to the Board, Audit Committee and NRC members for attending the meetings either in person or over video conferencing system.

Sitting fees for the year 2022 to the Directors attending the Board of Directors, the Audit Committee and the Nomination and Remuneration Committee amounted to RO 17,200.

The shareholders also approved during the AGM the payment of Directors' remuneration for an amount of RO 35,000 for the financial year ended 31 December 2021.

b) Top Officers of the Company

The Company paid to its top 5 officers an aggregate amount of RO 362,891.

The remuneration paid is commensurate with the qualification, role, responsibility and performance of the officers during the year 2022.

Appraisal of the performance of Board of Directors

The board of directors have been elected in 2020 and have resolved in the board of directors meeting that took place on 18th February 2021, that the performance evaluation of the board and the sub-committees to take place in 2022 in accordance with the CMA regulations. The board of directors' evaluation have been carried out and completed in 2022 as planned.

Non-Compliance by the Company

There were no penalties or strictures imposed on the Company by CMA, MSX or any other statutory authority on any matter related to capital markets during the last three years.

Means of Communication with Shareholders and Investors

The Company communicates its financial results and material information by uploading the

same on the MSX website. The Company is committed to publishing its quarterly unaudited financial results and annual audited results in two newspapers, English and Arabic. The annual accounts and the Directors' report are dispatched to all the shareholders by mail as required by law and are also available at the company's Head Office. The Company discloses its initial and unaudited financial results by uploading the same onto the MSX website. The Company is available to meet its shareholders and their analysts as and when needed.

SMN Power has a website at www.smnpower.com and the financial results are posted on the website as well.

The Management Discussions and Analysis Report appended to this report assure fair presentation of the affairs of the Company.

Market Price Data

The Company was listed on the Muscat Stock Exchange as from 23 October 2011.

The monthly high/low prices (in bzs) of the Company shares over the year 2022 are as shown below:

Month	High	Low	Average	MSM 30 Index
January	0.050	0.047	0.048	4,116.00
February	0.044	0.044	0.044	4,055.41
March	0.045	0.045	0.045	4,205.20
April	0.047	0.044	0.045	4,158.37
May	0.045	0.045	0.045	4,115.99
June	0.046	0.046	0.046	4,122.56
July	0.043	0.043	0.043	4,532.10
August	0.028	0.028	0.028	4,585.30
September	0.034	0.034	0.034	4,528.34
October	0.031	0.031	0.031	4,365.97
November	0.037	0.036	0.036	4,613.71
December	0.047	0.046	0.046	4,857.43

Since the listing of the Company on 23 October 2011, a total amount of 289 bzs / share (on the basis of nominal value of RO 0.100 per share after the stock split) has been distributed to the Shareholders of the Company who subscribed to the share during the Initial Public Offer (IPO) in October 2011 and still held those shares by 31 December 2022. This level of paid dividend has exceeded the IPO projection which was 261 bzs per share (on the basis of nominal value of 100 bzs/share after the stock split).

As previously disclosed and in line with the financing arrangements disclosed during the IPO, the cash sweep mechanism (accelerated repayment of the debt) started on 30 September 2018 for SMN Barka. As a consequence, the excess cash generated by this project company is now paid to the lenders and will not flow to the Shareholders until the loans are fully settled or until the time the loans can be restructured. Al Rusail has repaid all its debt during 2021 and declared and paid dividend to the Company for an amount of RO 2,999,988.

As explained earlier, the Company is preparing for the future of Al Rusail and SMN Barka power plants. Both plants are working closely with Authority for Public Services Regulations (APSR), Oman Power and Water Procurement Company (OPWP) and all stakeholders of



the power sector on any opportunity to extend the P(W)PA agreements. Al Rusail received extension of the PPA up to 31 December 2023. SMN Barka is in regular contact with OPWP regarding the post PWPA options. In parallel, Al Rusail and SMN Barka are also working with all stakeholders in the preparation and implementation of the spot market.

Based on market conditions and possible P(W)PA contract extensions, the Company will strive to restructure the debt in the coming years, remove or defer the cash sweep in order to allow further dividend distribution.

Distribution of Shareholding

The distribution of shareholding of SMN Power Holding SAOG as at 31 December 2022 was as follows:

CATEGORY	Number of Shareholders	Number of shares held	Share capital %
Less than 5%	265	47,192,161	23.64%
5% to 10%	2	29,168,459	14.61%
10% and above	2	123,274,980	61.75%
Total	269	199,635,600	100.00%

Related Parties Transactions

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.

Refer to the consolidated financial statements note 27 for more information on related parties' transactions.

Corporate Social Responsibility


SMN Power as a responsible corporate citizen takes Corporate Social Responsibility very seriously. Our CSR policy focuses on initiatives in the areas of society, environment and economy with sustainability and facilitating growth of Omani youth at the heart.

As part of SMN Power's commitment towards society, the Company has supported the following initiatives:

- Extension of the project of planting trees on the beach next to the Barka Power Plants;
- Joint solar PV power project with Al Kamil, Al Batinah and Sohar Power Companies;
- Oman Energy Association (OEA) Human Capital Development – Internship program for three months targeted graduated and diploma holders;
- OEA low income family support; and
- OEA Health Care.

Professional Profile of Statutory Auditor

EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.



The MENA practice of EY has been operating in the region since 1923. For over 98 years, we have grown to over 7,500 people united across 26 offices and 15 countries, sharing the same values and an unwavering commitment to quality. EY MENA forms part of EY's EMEIA practice. Globally, EY operates in more than 150 countries and employs 365,000 professionals in 700 offices. Please visit [ey.com](https://www.ey.com) for more information about EY.

Acknowledgement by the Board of Directors

The Board of Directors accepts the responsibility for accurately preparing the financial statements in accordance with International Financial Reporting Standards ('IFRS') and International Accounting Standards ('IAS') in order to fairly reflect the financial position of the Company and its performance during the relevant financial period.

The Board, through the Audit Committee, confirms that it has reviewed the Company's system of internal controls and that adequate internal controls are in place, which are in compliance with the relevant rules and regulations.

The Board of Directors confirms that there are no material matters that would affect the continuity of the Company, and its ability to continue its operations during the next financial year.

Dr. Abdullah Al Yahya'ey
Chairman of the Board



Brief Profiles of Directors

Name	Dr. Abdullah Al Yahya'ey Elected Chairman in 2017
Year of Joining	2011
Education	Dr. Abdullah Al Yahya'ey received his undergraduate degree from the University of Qatar, a graduate degree from The University of Wales, a graduate degree from the University of London and a doctorate degree from the University of Dundee.
Experience	<p>Dr. Abdullah Al Yahya'ey is the Country President of Mubadala Development Company's (MDC) Oman Representative Office ('ORO'). He has been occupying this position since joining MDC in September 2007, and since his appointment, he has made significant achievements in setting up the Mubadala ORO, managing Mubadala interest in Mukahizna Enhancement Oil Recovery project, Habiba Gas Exploration & Development and block 54 Exploration and Production Sharing Agreement, and contributing to various MDC and Mubadala Petroleum new business development opportunities worldwide. From 2014 to 2016, he was also endorsing the responsibilities of Country President of Mubadala Petroleum (MP) in Kazakhstan and Russia. Since July 2015 he is the Chairman for MP Tender Board Committee and since September 2016, he is also the Chairman of the Board of Directors of Tabreed Oman SAOC. He also supports Masdar business development opportunities in Oman and in particular the Wind farm Project in Southern Oman.</p> <p>Prior to working for Mubadala, he occupied from 1998 to 2007 several leadership positions in the Oman Ministry of Petroleum and Minerals and the Ministry Energy and Mineral.</p>

Name	Mr. Frédéric Halkin Vice-Chairman
Year of joining	1 st February 2021
Education	<p>Master Degree in Economics - 1997, SOLVAY Business School (U.L.B - Brussels).</p> <p>Mr. Frederic Halkin joined the ENGIE Group in 2004.</p>
Experience	After multiple assignments in Belgium (Brussels) and Italy (Rome) as Business Controller, he moved in 2011 to the GCC with senior management roles for multiple IWPP's over last 10 years. He is currently the Executive Managing Director of Mirfa International Power & Water Company (Mirfa IWPP) in Abu Dhabi, UAE.

Name	Ashwanikumar Ladha
Year of Joining	2020
Education	Chartered Accountant - Institute of Chartered Accountant in India.
Experience	Mr. Ashwanikumar Ladha is a Senior Vice President, Group Finance at Mubadala Investment Company in Abu Dhabi. He has 18 years of experience in auditing, finance, governance, reporting and treasury operations. Before joining Mubadala he has worked for the Big Four audit firms in India and the UAE for 11 years, where a significant portion of his work was within the Energy and Natural Resources sector.

Name	Ahmed Al Shamsi
Year of Joining	2017
Education	Master's Degree, University of Manchester (2014) specialized in International Development, Public Policy and Management. Bachelor Degree, University of Manchester (2009) in Economics and Social Studies.
Experience	Mr. Ahmed Al Shamsi has over 10 years of experience in the development management of regional and international projects in the industry. He has been working since 2009 in Business Development and Asset Management for Mubadala Investment Company in Abu Dhabi. He is currently working as a Business Development Director at Taqa, Abu Dhabi, UAE.

Name	Imran Sheikh
Year of Joining	2015
Education	Mr. Imran Sheikh holds an MBA from Manchester Business School, UK. He is a qualified accountant with fellow memberships of UK chartered accountancy bodies of CIMA and ACCA and holds the designation of Chartered Financial Analyst from the CFA Institute, USA.
Experience	Mr. Imran Sheikh has worked for twenty-four years, as a senior Financial Officer in the power and water industry in the GCC and Pakistan. He started his career in the IWPP/IPP in 1996 with International Power group at Hub O&M, Pakistan. He moved to Shuweihat CMS International Power Company in Abu Dhabi in December 2002, where he served for three years. He then joined Qatar Power Company, Qatar, in January 2006 firstly as a Business Manager and later on as Chief Financial Officer.



Name	Ahmed Al Zakwany
Year of Joining	2014
Education	Mr. Ahmed Al Zakwany is a Fellow Chartered Accountant (FCCA) – UK coupled with Executive Education from London Business School.
Experience	Chief Financial Officer for Oman LNG up until 2020. He started his career in Oman's Ministry of Defence where he joined as a Junior Auditor before becoming the Chief Internal Auditor. In 2006, he moved to the private sector and joined Oman LNG as Chief Internal Auditor. He subsequently occupied several positions before being appointed as Chief Financial Officer in February 2016. Ahmed has over 25 years of experience covering Audit, Finance, Corporate Governance, Control Framework, and possesses solid leadership, professional excellence, boosted by robust people management skills. His strong qualities both technically and professionally, enabled him to be appointed as the Oman LNG and Qalhat LNG Integration Director in 2013 ushering a new era of Oman's LNG industry. In 2014, Ahmed was awarded the 'Best Finance Executive of the year 2014' by the CFO Strategies Forum for MENA. Ahmed is currently a Board Member of SMN Power Holding Company as an Independent Director.

Name	Khamis Al Balushi
Year of Joining	2019
Education	Diploma in Banking Studies from Institute of Banking and Financial Studies, Muscat, Oman, 1987, Advanced Diploma in Marine Military Sciences from Britannia Royal Naval College, Dartmouth, UK, 1991, and Bachelor of Military Sciences from the Command and Staff College at Bait Al Falaj, Muscat, Sultanate of Oman, 2009.
Experience	Mr. Khamis Albalushi is a former Naval Officer with the rank of Captain in the Ministry of Defence, Sultanate of Oman. He was Director of Finance of the Royal Navy of Oman (2018-2020), also he was a member of the following: Executive Committee of the Ministry of Defence Pension Fund, Audit Team MOD Pension Fund, Defence Pay and Condition of Service Committee, Finance Military Review Committee, the Omani MOD Team in the Joint GCC Military Finance Committee, the MOD Team in the Joint Military Omani-American Finance Administration Review Committee (2018-2020). He has been working in the Ministry of Defence for 32 years in which he held various positions in the various Ministry of Defense formations. In addition, he has passed many different courses in administration, supply and procurement, strategic studies and analysis, and finance from prestigious institutes and colleges in the UK, USA, Pakistan, Malaysia and Turkey.

Brief Profile of the Management Team

SMN Power is led by a Management Team who is relying upon a team of professionals managing SMN Barka Power Company and Al Rusail Power Company.

In addition to a team at SMN Power and Affiliates level, a team of qualified and experienced people within STOMO manage the operations and maintenance at both plants.

The senior management team has been empowered by the Board of Directors of the Company to manage the day-to-day operations of the Company and its affiliates. The team benefits from the local and international support of its shareholders.

Name:	Mohammed Al Rawahi Chief Executive Officer
Date of Joining:	July 2022
Education:	Mr. Mohammed Al Rawahi holds a Master's degree in Renewable Energy Science, a Master Degree in business and administration and a Bachelors' degree in Mechatronic Engineering.
Experience:	Mr. Mohammed Al Rawahi has been associated with power generation and water desalination plants in operations & maintenance and management in various power plants in the sector and in Petroleum Development of Oman for more than 15 years. Mr. Al Rawahi has significant experience in dealing with contractors and managing contracts for technical and commercial compliance. In addition, he possesses through experience about various corporate governance laws and contracts.

Name:	Abdullah Al Naimi Chief Financial Officer
Date of Joining:	1 st February 2021
Education:	Mr. Abdullah Al Naimi holds a Master's Degree in Accounting and Finance from Michael Smurfit Graduate School of Business, University College Dublin, Ireland, 2003. He is also a qualified Fellow Chartered Accountants (FCA).
Experience:	Mr. Abdullah Al Naimi has over 20 years of experience in Accounting, Audit, Financial Management and Financial Reporting with significant exposure to different sectors and has worked in different countries. He began his career with KPMG in UK and Ireland in 2003 in the Financial Services Group of the firm. He then Joined State Street International in UK and Ireland in 2009 as a Senior Manager in the Finance Division of the firm providing financial and compliance services to global institutional investors. He subsequently took up senior finance positions as a Finance Director and a Chief Financial Officer in different Corporations in Oman. He played a leading role in several strategic finance and business activities and initiatives including corporate/project financing, business restructuring, merger evaluation in addition to other financial and business planning and development activities.



Name:	Anupam Kunwar Chief Technical Officer
Date of Joining:	June 2016
Education:	Bachelor's Degree in Electrical Engineering, Maulana Azad National Institute of Technology, Bhopal, India. Level 3 certificate in First Line Management, ILM, UK.
Experience:	Mr. Anupam Kunwar joined SMN Power and its subsidiaries in June 2016 and has worked within ENGIE Group of companies since 2007. He worked with ENGIE STOMO from 2007 until May 2016 as Maintenance Manager for Rusail Power Plant and then Barka 2 Power and Desalination Plant. Previously, he worked for Enron Corporation and Tata Chemicals in India. Mr. Anupam has over 25 years of professional experience in O&M, construction and commissioning of Power and desalination plants In India and the Middle East.

Name:	Zoher Karachiwala Company Secretary
Year of Joining:	2007
Education:	Bachelor Degree in Commerce, Chartered Accountant
Experience:	Mr. Zoher Karachiwala is the Company Secretary. He is also the Chief Executive Officer of United Power Company SAOG and Company Secretary of Sohar Power Company. He has over 40 years of experience in the field of Statutory Audit, Accounting and Finance. He was KPMG Audit Partner in Pakistan before joining United Power Company in 1995. Acted as Honorary Chairman of Audit Committee and the Board of Directors for a public Company in Oman.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SMN POWER HOLDING SAOG

Report on the audit of the separate and consolidated financial statements

Opinion

We have audited the separate and consolidated financial statements (together the "financial statements") of SMN Power Holding SAOG (the "Company") and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group and the separate financial position of the Company as at 31 December 2022 and their respective financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Tax ruling against SMN Barka Power Company SAOC

We draw attention to Note 19 to the separate and consolidated financial statements, which describes the details of the tax ruling against the Company. The management believes that it has a strong case to present and is confident of a favorable outcome, and accordingly, has recognized the amount of RO 894,616 paid to the Tax Authority as recoverable and made no further provision in respect of the bank guarantee amounting to RO 451,418, submitted to the Tax Authority. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SMN POWER HOLDING SAOG (CONTINUED)**

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

Key audit matters (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>1. Valuation of derivative financial instruments in consolidated financial statements</p> <p>The Group has entered into interest rate swap agreements with international banks and financial services company to hedge interest rate risks. Hedge accounting and the valuation of hedging instruments which is determined through the application of valuation techniques, often involve the exercise of management judgement and the use of assumptions and estimates. Due to the significance of derivative financial instruments and the related estimation uncertainty, this is considered a key audit matter.</p> <p>The Company's accounting policies and disclosures on derivative financial instruments are disclosed in note 3.4.(k) and note 16 to the consolidated financial statements.</p>	<p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none"> Assessing the overall process related to derivative instruments and hedge accounting including internal management policies and procedures; Evaluating the appropriateness of management's hedge documentation and contracts; Obtained confirmation of year end balance of derivative financial instruments from counterparties; Involved our internal specialist to assist us to evaluate and challenge the methodologies, inputs, assumptions and externally available market data used by the Group in determining fair values of derivative financial instruments; We also assessed the appropriateness of the relevant accounting policies and the related disclosures in the financial statements if they are in accordance with IFRS. <p>These contracts are recorded at fair value and qualify for hedge accounting. These contracts give rise to derivative financial liability as disclosed in note 16 in the consolidated financial statements in accordance with IFRS.</p>

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SMN POWER HOLDING SAOG (CONTINUED)**

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

Key audit matters (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>2. Impairment of Goodwill and related other assets of cash generating unit in the consolidated financial statements and related carrying value of the investment in the subsidiaries in the parent company financial statements</p> <p>The Group has goodwill arising from a past business combination relating to acquisition of one of its subsidiary which is a cash generating unit. Management's annual assessment of impairment of goodwill (and the related carrying value of investment in the parent company financial statements) has been identified as a key audit matter as this is complex and judgmental, involving value in use calculations by estimating forecasted cash flows, discount rates and terminal growth rates. The management also involved external independent consultant to prepare cashflows for SMN Barka cash generating unit.</p> <p>The impairment assessment was based upon a value in use model that requires significant management judgement with respect to the discount rate and the underlying cash flows and, in particular, future revenue growth.</p> <p>The accounting policies relating to impairment of goodwill and the disclosures are set out in notes 3.3 (a) and 10 to the consolidated and parent company financial statements.</p>	<p>As part of our audit procedures we have performed the following:</p> <ul style="list-style-type: none"> • We examined the Company's forecast cash flows which underpin management's impairment review with the latest business forecasts. We tested the basis of preparing those forecasts taking into account the accuracy of previous forecasts and the historic evidence supporting underlying assumptions. • We involved our internal valuation specialists to assist us in challenging the methodology used in the impairment assessment and evaluating the appropriateness of the discount rates applied, which included comparing the weighted-average cost of capital with sector averages for the relevant markets in which the Company operates. • Evaluating the future cash flow forecasts and the process by which they were drawn up, including comparing the underlying calculations to source data; • Evaluated the independence and professional competence of the independence of the management specialist. • Performing sensitivity analyses where we flexed discount rates as they are the key assumptions against the value-in-use calculations are most sensitive; and <p>We evaluated the adequacy of the disclosures in these consolidated and parent company financial statements relating to impairment assessment of subsidiaries and goodwill and the related estimates involved.</p>

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SMN POWER HOLDING SAOG (CONTINUED)**

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

Key audit matters (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>3. Useful lives of assets</p> <p>The Group operates its Barka power generation and desalination plant under a single Power and Water Purchase Agreement (PWP) with Oman Power & Water Procurement Company (OPWP), which has been determined to be an operating lease. The carrying values of the plant and equipment as at 31 December 2022 is RO 130.52 million. However, the PWP relating to the plant is only for 15 years valid up to 31 March 2024. Further, there is no renewal option in the PWP. The management involved external independent consultant to prepare the post-PWP cash flow forecasts for Barka plant based on market study.</p> <p>The useful life of plant and equipment is based on management's technical assessment of factors which are subject to judgement and accordingly contains significant estimation uncertainty. In addition, the estimated useful life that has been assumed by management is more than the term of the PWP. However, the management estimates that the plant and machinery will have an economic viability beyond the initial term of 15 years covered by the current PWP.</p> <p>Management's judgement is based factors such as the operating cycles, the maintenance programs, normal wear and tear and future cash flow forecasts.</p> <p>The estimation of asset useful life by management involves application of judgment as to how the plant will be utilised in the post PWP period and is a matter that is reconsidered annually by management for any changes that may affect the original assessment made.</p> <p>Refer to note 3.3 (Estimates and judgements) and note 6 (Property, plant and equipment) to the consolidated financial statements.</p>	<p>As part of our audit procedures we have performed the following:</p> <ul style="list-style-type: none"> • We evaluated the appropriateness and reasonableness of the assumptions considered by the management and the independent consultant for the cash-flow forecasts pertaining to the post-PWP period. We also evaluated the independence and professional competence of the independent consultant. • We re-assessed the relevance and appropriateness of the underlying assumptions by: <ul style="list-style-type: none"> - Making enquiries of the management as to: <ul style="list-style-type: none"> - the current status of operations of the plant, including the future plans and utilisation of plant after the end of the PWP; and - the Company's right to extend the land lease under a Usufruct Agreement for an additional term; - reviewing OPWP's plan for power sector in the region of Barka, where the Company operates, which substantiates the company's strategic position in the region; and - reviewing OPWP's plans for implementation of a merchant market arrangement; • Reassessed the reasonableness of the useful life of the plant and the depreciation method used by comparing it with other companies in the country operating plants with similar technology; • We evaluated the adequacy of the disclosures in these consolidated financial statements relating to asset lives and the judgments surrounding them.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SMN POWER HOLDING SAOG (CONTINUED)

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

Other information included in the Group's 2022 Annual Report

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Group's 2022 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2022 Annual Report after the date of our auditor's report:

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

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

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

Responsibilities of management and those charged with governance for the financial statements

Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law of 2019 and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SMN POWER HOLDING SAOG (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of those charged with governance use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

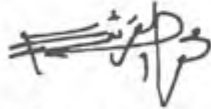
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SMN POWER HOLDING SAOG (CONTINUED)

Report on other legal and regulatory requirements

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

Ernst & Young LLC



Mohamed Al Qurashi
Muscat
8 March 2023





SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		Parent Company		Consolidated	
	Notes	2022 RO'000	2021 RO'000	2022 RO'000	2021 RO'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	-	-	130,523	139,459
Right-of-use-assets	7(a)	-	-	297	285
Long-term prepayment	8	-	-	-	27
Investment in subsidiaries	9	27,405	27,405	-	-
Goodwill	10	-	-	14,952	14,952
		<u>27,405</u>	<u>27,405</u>	<u>145,772</u>	<u>154,723</u>
Current assets					
Inventories	12	-	-	2,984	2,901
Trade and other receivables	13	50	54	8,367	44,069
Finance lease receivables	5	-	-	-	316
Fixed term cash deposits	14 (a)	3,000	-	6,711	7,390
Cash and bank balances	14 (b)	60	24	8,950	3,067
		<u>3,110</u>	<u>78</u>	<u>27,012</u>	<u>57,743</u>
TOTAL ASSETS		<u>30,515</u>	<u>27,483</u>	<u>172,784</u>	<u>212,466</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	15 (a)	19,964	19,964	19,964	19,964
Statutory reserve	15 (b)	6,655	6,522	6,691	6,691
Retained earnings		3,790	923	53,126	42,036
Hedging reserve	16	-	-	(178)	(2,560)
Net equity		<u>30,409</u>	<u>27,409</u>	<u>79,603</u>	<u>66,131</u>
Non-current liabilities					
Term loan	17	-	-	45,858	64,832
Lease liabilities	7(b)	-	-	365	353
Derivative financial instruments	16	-	-	15	1,529
Provision for end of service benefits		-	-	54	84
Provision for site restoration	18	-	-	2,965	3,558
Deferred operating income		-	-	808	808
Deferred tax liability	19	-	-	15,381	15,447
		<u>-</u>	<u>-</u>	<u>65,446</u>	<u>86,611</u>
Current liabilities					
Term loan	17	-	-	14,705	13,795
Lease liabilities	7(b)	-	-	52	20
Derivative financial instruments	16	-	-	195	1,484
Trade and other payables	20	106	74	9,856	41,517
Current tax payable	19	-	-	2,927	2,908
		<u>106</u>	<u>74</u>	<u>27,735</u>	<u>59,724</u>
Total liabilities		<u>106</u>	<u>74</u>	<u>93,181</u>	<u>146,335</u>
TOTAL EQUITY AND LIABILITIES		<u>30,515</u>	<u>27,483</u>	<u>172,784</u>	<u>212,466</u>
Net assets per share (RO)	31	<u>0.152</u>	<u>0.137</u>	<u>0.400</u>	<u>0.344</u>

These consolidated financial statements were approved by the Board of Directors on 27 February 2023 and signed on their behalf by:


Director


Director


Chief Financial Officer

The notes 1 to 35 form an integral part of these financial statements

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Parent Company		Consolidated	
		2022 RO'000	2021 RO'000	2022 RO'000	2021 RO'000
Revenue	21	-	-	70,263	87,127
Operating costs	22	-	-	(52,834)	(70,819)
GROSS PROFIT		-	-	17,429	16,308
General and administrative expenses	23	(279)	(252)	(1,074)	(1,146)
Reversal of expected credit loss	13 & 14	-	-	25	453
(LOSS)/PROFIT FROM OPERATIONS		(279)	(252)	16,380	15,615
Finance charges	24	-	-	(3,942)	(4,637)
Dividend income	26	3,000	-	-	-
Other income	25	279	252	747	726
PROFIT BEFORE TAX		3,000	-	13,185	11,704
Income tax		-	-	(2,095)	(2,157)
NET PROFIT FOR THE YEAR		3,000	-	11,090	9,547
Other comprehensive income					
Items that may be reclassified to profit or loss in subsequent periods:					
Fair value of cash flow hedge adjustments		-	-	1,494	509
Reclassification to profit or loss - gross	24	-	-	1,309	2,720
Deferred tax liability-current year charge	19	-	-	(421)	(482)
Other comprehensive income for the year, net of tax		-	-	2,382	2,747
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,000	-	13,472	12,294
Basic and diluted earnings per share (RO)	32	0.015	-	0.056	0.048

The notes 1 to 35 form an integral part of these financial statements



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

Parent Company

	Share capital RO '000	Legal reserve RO '000	Retained Earnings RO '000	Total RO '000
At 1 January 2021	19,964	6,522	923	27,409
Net profit and total comprehensive income for the year	-	-	-	-
At 31 December 2021	19,964	6,522	923	27,409
At 1 January 2022	19,964	6,522	923	27,409
Net profit and total comprehensive income for the year	-	-	3,000	3,000
Transfer to statutory reserve (note 15 (b))	-	133	(133)	-
At 31 December 2022	19,964	6,655	3,790	30,409

The notes 1 to 35 form an integral part of these financial statements

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

Consolidated

	Share capital RO'000	Statutory reserve RO'000	Retained earnings RO'000	Hedging reserve RO'000	Total RO'000
At 1 January 2021	19,964	6,691	32,489	(5,307)	53,837
Net profit for the year	-	-	9,547	-	9,547
Other comprehensive income	-	-	-	2,747	2,747
Total comprehensive income	-	-	9,547	2,747	12,294
Transfer to statutory reserve	-	-	-	-	-
At 31 December 2021	19,964	6,691	42,036	(2,560)	66,131
At 1 January 2022	19,964	6,691	42,036	(2,560)	66,131
Net profit for the year	-	-	11,090	-	11,090
Other comprehensive income	-	-	-	2,382	2,382
Total comprehensive income	-	-	11,090	2,382	13,472
Transfer to statutory reserve	-	-	-	-	-
At 31 December 2022	19,964	6,691	53,126	(178)	79,603

The notes 1 to 35 form an integral part of these financial statements



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Parent Company		Consolidated	
		2022 RO '000	2021 RO '000	2022 RO '000	2021 RO '000
Operating activities					
Profit before tax		3,000	-	13,185	11,704
Adjustments for:					
Reversal of expected credit loss	13&14	-	-	(25)	(453)
Depreciation of property, plant and equipment	6	-	-	8,002	8,175
Depreciation of right-of-use assets	7(a)	-	-	58	91
Interest on lease liabilities	7(b)	-	-	28	21
Accretion charge for provision for site restoration	24	-	-	341	405
Amortisation of long-term prepayment	22	-	-	27	106
Amortisation of deferred finance cost	24	-	-	153	199
Accruals for end of service benefits		-	-	7	6
Interest on term loans	24	-	-	2,030	1,198
Hedging charges	24	-	-	1,309	2,720
DSCRA LC interest charges and other finance charges	24	-	-	38	36
Goodwill impairment	22	-	-	-	787
Interest income on finance lease	21	-	-	(3)	(149)
		3,000	-	25,150	24,846
Working capital changes in:					
Trade and other receivables		4	11	35,725	3,111
Inventories		-	-	(83)	101
Trade and other payables		32	-	(31,671)	(1,584)
Cash generated from operations		3,036	11	29,121	26,474
End of service benefit paid		-	-	(37)	(21)
Receipt against finance lease recoverable (interest portion)		-	-	3	149
Receipt against finance lease recoverable (principal portion)		-	-	316	4,286
Income tax paid		-	-	(2,557)	(2,041)
Net cash flows from operating activities		3,036	11	26,846	28,847
Investing activities					
Fixed term cash deposits (maturity 3 to 6 months)		(3,000)	-	679	(2,565)
Net cash flows (used in) / from investing activities		(3,000)	-	679	(2,565)
Financing activities					
Finance charges paid	14.1	-	-	(3,334)	(4,166)
Term loan repaid	17	-	-	(18,217)	(21,704)
Lease payments	7(b)	-	-	(55)	(57)
DSCRA LC interest charges and other finance paid	24	-	-	(38)	(36)
Net cash flows used in financing activities		-	-	(21,644)	(25,963)
Net change in cash and bank balances		36	11	5,881	319
Cash and bank balances at the beginning of the year		24	13	3,087	2,768
Cash and bank balances at the end of the year	14	60	24	8,968	3,087

Non- cash transaction:

During the current year, SMN Barka Power Company SAOC has derecognized RO 934 thousand (31 December 2021: RO capitalized 304 thousand) to property, plant and equipment due to reassessment for provision for site restoration and change in discount rate used, which is a non-cash transaction (note 6 and 18).

The notes 1 to 35 form an integral part of these financial statements.

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2021

(forming part of the financial statements)

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 Kahlabel 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, 19 April 2012) has been expired on 31 March 2022 and contract is further extended to 7 months period ended 31 October 2022. On further expiry, this has been renewed again for 14 months ending on 31 December 2023 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 December 2023.
- (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) Operation & Maintenance (O&M) Agreement with Suez Tractebel Operating Maintenance Oman LLC (STOMO) dated 1 February 2007 has been expired on 31 March 2022 and contract is further extended to 7 months period ended 31 October 2022. On further expiry, this has been renewed again for 14 months period ending on 31 December 2023.



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

2. Significant agreements (continued)

(b) Subsidiary - RPC (continued)

- (v) 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 Oman Power and Water Procurement Company SAOC (OPWP) for a period of 15 years from the scheduled commercial operation date.
- (ii) Natural Gas Sales Agreement (NGSA) dated 6 December 2006 with the Ministry of Energy and Minerals (MEM) 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) Operation and Maintenance (O&M) Agreement with Suez Tractebel Operation 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 12 and 13.
- (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) the Company; (ii) Al Rusail Power Company SAOC (RPC); (iii) SMN Jafza; (iv) the parent; (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 on 5 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 SMN Power Holding SAOG, RPC and the Company.

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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 31 December 2022, the Group's current liabilities exceed its current assets by RO 723 thousand (2021 – RO 1.90 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.

The contract of Al Rusail Power Company SAOC with OPWP, its sole customer dated 1 May 2005 (amended on 6 December 2006, 19 April 2012) has been expired on 31 March 2022 and contract is further extended to 7 months period ended 31 October 2022. On further expiry, this has been renewed again for 14 months ending on 31 December 2023. The Company does not have any alternate customers as at 31 December 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 and bank balances to handle costs. In addition to that, the management has prepared a detailed business plan approved by those charged with governance evidencing the expected cash flow to be generated from operation and new proposal in the foreseeable future.

As the PPA between the Company and OPWP has been extended to 31 December 2023 there are still some uncertainties relating to extension of the PPA beyond December 2023, including when the formal response from OPWP is expected to be received, the final terms and conditions of the extension and the availability of the plant Operation and Maintenance Operator, Suez Tractebel Operating Maintenance Oman LLC "STOMO", indicators exist that the PPA could potentially be extended beyond December 2023.

Moreover, and as outlined above, under the existing PPA terms and conditions, the off-taker – 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 December 2023, OPWP has a right to serve a notice of dispute till December 2024.

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



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.1 Basis of preparation (continued)

(a) Going concern (continued)

As the PPA between the Company and OPWP has been extended to 31 December 2023 there are still some uncertainties relating to extension of the PPA beyond December 2023, including when the formal response from OPWP is expected to be received, the final terms and conditions of the extension and the availability of the plant Operation and Maintenance Operator, Suez Tractebel Operating Maintenance Oman LLC "STOMO", indicators exist that the PPA could potentially be extended beyond December 2023.

Moreover, and as outlined above, under the existing PPA terms and conditions, the offtaker - 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 December 2023, OPWP has a right to serve a notice of dispute till December 2024.

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

(b) 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 2019 of the Sultanate of Oman and the Capital Market Authority.

(c) Basis of measurement

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

(d) 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.

(e) 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.

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.1 Basis of preparation (continued)

(e) Use of estimates and judgments (continued)

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

(b) Operating lease

Al Rusail Power Company SAOC (RPC) and Oman Power and Water Procurement Company SAOC (OPWP), have entered into a Power Purchase Agreement (PPA) containing a take-or-pay clause favouring RPC. On the expiry of the PPA contract with Oman Power and Water Procurement Company SAOC (OPWP) on 31 March 2022, management has reassessed the classification of the amended contract as per IFRS 16 and concluded that the contract with OPWP is an operating lease. The primary basis for this conclusion is that there are no assets left as this has been derecognised in 2007 when it was considered as finance lease. Further the investment charge (lease component) received from OPWP is having a variable element of forced outage, as a result the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.2 Judgements (continued)

(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 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 Covid-19 outbreak was first reported near the end of 2019 in Wuhan, China. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the Covid-19 outbreak to be a pandemic.

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.2 Judgements (continued)

(e) Impact of COVID-19 (continued)

The Covid-19 pandemic shows considerable signs of easing as many countries have lifted travel bans, ended lockdowns and eased quarantine measures. Many governments have announced curtailment of certain measures to provide financial and non-financial assistance to the affected entities. At the same time, Covid-19 may continue to affect companies and economies.

These developments have presented entities with challenges in preparing their IFRS financial statements. However, the Company believes there will be no significant impact on the Company as cost is pass through to OPWP as a buyer risk event.

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 31 December 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 210 thousand (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.



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.3 Estimates and assumptions (continued)

(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 discount rate of 9.5% and 9.6% for SMN Barka Power Company SAOC and Al Rusail Power Company SAOC respectively.

(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)

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 31 December 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)

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

- 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.

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. 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.



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

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.

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(b) Interest in joint arrangements

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, 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 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.

The Group classifies all other liabilities as non-current.

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



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(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 and other comprehensive income.

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, 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.

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

(i) Subsequent expenditure (continued)

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.

(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.



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(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 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 and other comprehensive income 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.

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

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

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 (h) 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:

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 (s) Impairment of non-financial assets.



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(g) Leases (continued)

(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 7).

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

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(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.

(l) 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.



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(j) Financial instruments (continued)

(I) Financial asset (continued)

Initial recognition and measurement (continued)

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 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.

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(j) Financial instruments (continued)

(l) Financial asset (continued)

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

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 profit or loss and other 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



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(j) Financial instruments (continued)

(I) Financial asset (continued)

Derecognition (continued)

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.

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

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

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(j) Financial instruments (continued)

(I) Financial asset (continued)

Impairment (continued)

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 fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss.

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.



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(j) Financial instruments (continued)

(II) Financial liabilities (continued)

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.

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.

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

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

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 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.



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

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

Cash flow hedges (continued)

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.

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.

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(l) Provisions (continued)

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.

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

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:



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(m) Taxation (continued)

- 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 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.

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(m) Taxation (continued)

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).



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(n) Foreign currency (continued)

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.

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(p) Revenue recognition (continued)

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.

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.



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(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.

(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.

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

3.4 Significant accounting policies (continued)

(v) Segmental reporting (continued)

New and amended standards and interpretations to IFRS (continued)

Standards issued and effective

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

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.

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
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

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.



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

4. Determination of fair values (continued)

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.

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:

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

4. Determination of fair values (continued)

Non-derivative financial liabilities (continued)

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

Assessment for prior year

Management has concluded that the Power Purchase Agreement, 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 "IAS 17 - 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.

Assessment for current year

The original PPA contract with the customer (OPWP) has expired on 31 March 2022. The Company has received extension to original PPA until the period ended 31 December 2023. With effect from 1 April 2022, and due to original PPA extension, the Company has adopted the Operating Lease accounting policy for the revenues generated from extended PPA contract with OPWP. The primary basis for this conclusion is that there are no assets left as this has been derecognised in 2007 when it was considered as finance lease. Further the investment charge (lease component) received from OPWP is having a variable element of forced outage, as a result the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

5. Finance lease receivables (continued)

Leasing arrangements - Consolidated (continued)

RPC (continued)

	2022 RO '000	2021 RO '000
Finance lease receivables	-	316
	Minimum lease receipts RO'000	Present value of minimum lease receipts RO'000
At 31 December 2021		
Within one year	320	316
In 2 to 5 years (inclusive)	-	-
	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
Amount due from OPWP		316

Leased land

Land on which the Plant is constructed has been leased from Government of Sultanate of Oman by the Company 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 (Note 7(b)).

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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
Disposal	-	-	(8)	-	-	(8)
Reversal of provision for site restoration (note 18)	(934)	-	-	-	-	(934)
At 31 December						
2022	236,169	102	64	197	1,968	238,500
Accumulated depreciation						
At 1 January						
2022	97,717	102	72	184	1,908	99,983
Related to disposal	-	-	(8)	-	-	(8)
Charge for the year (notes 22 and 23)	7,937	-	-	5	60	8,002
At 31 December						
2022	105,654	102	64	189	1,968	107,977
Carrying amount						
At 31 December						
2022	130,515	-	-	8	-	130,523



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

6. Property, plant and equipment (continued)

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
Addition to provision for site restoration (note 18)	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:

	2022 RO '000	2021 RO '000
Operating costs (note 22)	7,997	8,143
General and administrative expenses (note 23)	5	32
	8,002	8,175

(a) Security

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

(b) Plant and equipment

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

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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	70	-	70
At 31 December 2022	365	272	637
Accumulated depreciation			
At 1 January 2022	185	97	282
Charge for the year (notes 22 and 23)	44	14	58
At 31 December 2022	229	111	340
Carrying amount			
At 31 December 2022	136	161	297

	Property RO '000	Equipment RO '000	Total RO '000
Cost			
At 1 January 2021	295	272	567
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

Depreciation is allocated as follows:

	2022 RO '000	2021 RO '000
Operating costs (note 22)	20	59
General and administrative expenses (note 23)	38	32
	58	91



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

(b) Lease liabilities

At 31 December 2022	Contractual undiscounted cash flows RO '000	Present value of lease payments RO '000
Amount payable under operating leases		
Within one year	54	53
In 2 to 5 years	69	59
More than 5 years	654	305
	777	417
Less: unpaid finance cost	(360)	-
Present value of lease payments	417	417

Lease liabilities included in the statement of financial position as:

	Consolidated
Current lease liabilities	52
Non-current lease liabilities	365
	417

	Consolidated	
At 31 December 2020	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

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

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

(b) Lease liabilities (continued)

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

	Consolidated	
	2022	2021
	RO '000	RO '000
Interest on lease liabilities (note 24)	28	31

Amounts recognized in the Statement of Cash Flows

	Consolidated	
	2022	2021
	RO '000	RO '000
Total cash outflow for leases	55	57

Subsidiary - SMNBPC

The Company has leased land on which the plant is constructed. The land has been leased from Government of Sultanate of Oman for a period of 25 years expiring in 5th December 2031 under the terms of the Usufruct Agreement with an option for a further lease extension of maximum of 25 years if required by the Company.

Subsidiary - RPC

The Company leases office space with lease term extended till 31 December 2023.

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

Land on which this Plant is constructed has been leased from Government of Sultanate of Oman by the Company for a period of 25 years expiring on 1 May 2030 under the terms of the Usufruct Agreement which can be extended for another maximum of 25 years if required (Note 6).



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

8. Long-term prepayment

	Consolidated	
	2022	2021
	RO '000	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 31 December	1,609	1,582
Net book value at 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 %	2022 RO '000	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.

The investment in SMNBPC amount comprise of the following amounts:

	Parent Company	
	2022	2021
	RO '000	RO '000
Cost of acquisition of SMNBPC	15,452	15,452
Cost of acquisition of RPC	3,851	3,851
Equity contribution loan*	8,102	8,102
	27,405	27,405

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

9. Investment in subsidiaries (continued)

*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	
	2022	2021
	RO '000	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 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 SMN Barka.

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

Name of the subsidiaries	Discount rate	Description	RO'000
SMNBPC	7.3%	Incremental EBITDA from 2023 to 2039	46,061

(ii) 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 14,952 thousand 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 14,952 thousand 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	
	2022	2021
	RO '000	RO '000
SMN Barka Power Company SAOC	14,952	14,952
	14,952	14,952



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

10. Goodwill (continued)

(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.

(e) Management has reviewed the underlying results and financial position of related cash generating units to which the goodwill pertains to and has determined that no provision for impairment of goodwill is required as at 31 December 2022.

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	
	2022	2021
	RO '000	RO '000
Fuel oil (diesel)	2,984	2,901

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

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

12. Inventory (continued)

The RPC has signed an agreement on 17th January 2023 for the sale of the excess fuel oil located at the Company's plant with an approximate gross contract value of OMR 2.5 - 3 million depending on the final quantity of fuel oil being sold and subject to relevant costs.

13. Trade and other receivables

	Parent Company		Consolidated	
	2022	2021	2022	2021
	RO '000	RO '000	RO '000	RO '000
Trade receivables	-	-	6,717	42,353
Due from related parties (note 27)	33	24	273	262
Prepayments	17	30	351	417
Other receivables	-	-	1,026	1,037
	<u>50</u>	<u>54</u>	<u>8,367</u>	<u>44,069</u>

Trade receivables are stated net of accumulated provision for ECL RO 45 thousand (31 December 2021 - RO 68 thousand).

The Group has one customer (OPWP) which accounts for majority of the trade receivables balance as at

31 December 2022 (majority balance as at 31 December 2021). The overdue amount as of 31 December 2022 amounted to RO 647 thousand (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.

The ageing of trade receivables at the reporting date was:

	Consolidated	
	2022	2021
	RO '000	RO '000
1 to 30 days	6,070	8,636
30 to 60 days	-	3,293
60 to 90 days	85	6,832
Over 90 days	562	23,592
	<u>6,717</u>	<u>42,353</u>



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

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AS AT 31 DECEMBER 2022 (continued)

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13. Trade and other receivables (continued)

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	Consolidated	
	2022	2021
	RO '000	RO '000
As at 1 January	68	491
Reversal during the year	(23)	(423)
Closing balance	45	68

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 12 months having fixed interest rate. The interest rate on these deposits was in the range of 1.46% to 4.6% (2021 - 0.122% to 4.00%).

(b) Cash and bank balance

	Parent Company		Consolidated	
	2022	2021	2022	2021
	RO '000	RO '000	RO '000	RO '000
Cash at bank	60	24	8,967	3,086
Cash in hand	-	-	1	1
	60	24	8,968	3,087
Less: Expected credit loss	-	-	(18)	(20)
Cash and cash balances	60	24	8,950	3,067

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	Consolidated	
	2022	2021
	RO '000	RO '000
As at 1 January	20	50
Reversal during the year	(2)	(30)
Closing balance	18	20

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

14. Cash and bank balances (continued)

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

	2021	Cash flows	Non-cash items	2022
	RO '000	RO '000	RO'000	RO '000
Term loan (note 17)	78,627	(18,217)	153	60,563
Accrued interest on derivative and term loan (note 20)	850	(3,334)	3,339	855
Liabilities arising from financing activities	<u>79,477</u>	<u>(21,551)</u>	<u>3,492</u>	<u>61,418</u>

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 31 December 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:

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
General public		<u>47,192,161</u>	<u>23.639%</u>	<u>4,719</u>
		<u>199,635,600</u>	<u>100%</u>	<u>19,964</u>



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

15. Share capital and reserves (continued)

(a) Share capital (continued)

	Nationality	31 December 2021		Aggregate nominal value of shares held (RO'000)
		Number of shares held of nominal value 100 baiza each	% of total	
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
General public		47,192,161	23.639%	4,719
		<u>199,635,600</u>	<u>100%</u>	<u>19,964</u>

(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. During the current year RO 133 thousand has been transferred from retained earnings to statutory reserve and reserve reached one third of Company's issued share capital. This reserve is not available for distribution to shareholders as dividends.

(c) Dividends proposed

The Board of Directors has proposed a cash dividend of RO 0.015 per share amounting to RO 2.995 million for the year ended 31 December 2022 at their meeting held on 27 February 2023, which is subject to the approval of the shareholders at Annual General Meeting to be held on 29 March 2023.

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

16. Hedging reserve/ Derivative financial instruments

(a) Subsidiary - RPC

	2022 RO	2021 RO
<u>Interest rate swaps:</u>		
Hedging reserve at the end of the year (net of tax)	-	-
Less: Hedging reserve at the beginning of the year	-	(44)
Effective portion of change in fair value of cash flow hedge for the year.	-	44

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 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

	2022 RO	2021 RO
<u>Interest rate swaps:</u>		
HSBC Bank PLC	(11)	(847)
Mizuho	(9)	(845)
Credit Agricole	(190)	(1,321)
Hedging instrument at the end of the year	(210)	(3,013)
Deferred tax asset (note 19)	32	453
Hedging reserve at the end of the year (net of tax)	(178)	(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.	2,382	2,704
<u>Hedging instrument classification</u>		
Non-current portion of hedging instrument	15	1,529
Current portion of hedging instrument	195	1,484
	210	3,013

The Company has entered on 20 February 2007 into three interest rate swap agreements related to the base term loan facility with international banks (HSBC, Credit Agricole, Mizuho) at fixed rates of 4.8675%, 4.8885% and 4.8570% per annum respectively.

On 7 September 2020, 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 2020 to March 2024 at a fixed rate of 2.968%.



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

16. Hedging reserve/ Derivative financial instruments (continued)

(b) Subsidiary - SMNBPC (continued)

The notional value of the hedge as at the reporting date was RO 39.62 million (2021: RO 56.63 million). As at the reporting date the hedged amount was 65% (2021: 72%) of the loan amount.

(c) Fair value of swaps

The negative fair value of the above swaps amounting to RO 210 thousand (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	
		2022	2021
		RO'000	RO'000
Term loan		60,774	78,991
Less: Unamortised finance costs		(211)	(364)
		<u>60,563</u>	<u>78,627</u>
Less: Current portion		(14,705)	(13,795)
Long-term portion		<u>45,858</u>	<u>64,832</u>
RPC	(i)	-	-
SMNBPC	(ii)	60,563	78,627
		<u>60,563</u>	<u>78,627</u>

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

17. Term loan (continued)

(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 30 March 2026. There is also a mandatory repayment of the loan through all excess cash (cash sweep), beginning on 30 September 2018.

Repayment term

The repayment schedule of the loans is as follows:

	Consolidated	
	2022	2021
	RO '000	RO '000
Payable within one year	14,705	13,795
Payable between 1 and 2 years	36,898	14,705
Payable between 2 and 5 years	9,171	50,941
Payable after 5 years	-	-
	<u>60,774</u>	<u>78,991</u>

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 28(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).



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

17. Term loan (continued)

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 31 December 2022 is RO Nil (2021 – RO Nil).

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.

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

18. Provision for site restoration

	Consolidated	
	2022	2021
	RO '000	RO '000
Balance at 1 January	3,558	2,835
(Reversal) / addition during the year (note 6) *	(934)	318
Accretion charge for the year (note 24)	341	405
Balance at 31 December	<u>2,965</u>	<u>3,558</u>

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 for site restoration for SMN Barka Power Company SAOC has been reassessed during the year by the management. The effect of this change in the discount rate amounting to RO 934 thousand (31 December 2021: capitalized RO 318 thousand) has been derecognized 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.

19. Taxation

a) Recognised in profit and loss

	Consolidated	
	2022	2021
	RO '000	RO '000
Current tax	2,510	2,235
Prior period tax	66	463
Deferred tax for the year	(481)	(541)
Tax expense for the year	<u>2,095</u>	<u>2,157</u>

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.



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AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

19. Taxation (continued)

(b) Reconciliation

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

	Consolidated	
	2022	2021
	RO '000	RO '000
Profit before tax	13,185	11,704
Income tax	1,978	1,757
Others	117	400
Tax expense for the period	2,095	2,157

(c) Deferred tax liability - net

	Consolidated	
	2022	2021
	RO '000	RO '000
Deferred tax liability - SMNBPC	15,435	15,460
Deferred tax asset - RPC	(36)	(13)
Deferred tax asset - BSFC	(18)	-
	15,381	15,447

Subsidiary - SMNBPC

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 31 December 2022 RO '000
Deferred tax liability recognised in profit or loss			
Property, plant and equipment	(16,089)	558	(15,531)
Provision for site restoration	221	(128)	93
Lease Liability	(2)	4	2
Leasehold improvements	-	-	-
Unamortised finance cost	(55)	24	(31)
Net deferred tax (liability)/ asset	(15,925)	458	(15,467)
Deferred tax asset directly recognised in equity			
Fair value adjustment of interest rate swap	453	(421)	32
Deferred tax (liability)/ asset	(15,472)	37	(15,435)

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19. Taxation (continued)

(c) Deferred tax liability - net (continued)

	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)

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 31 December 2022 RO '000
Deferred tax liability recognised in profit or loss			
Provision for site restoration	(3)	37	34
Unamortised finance costs	4	2	6
Lease Liability	-	-	-
Leasehold improvements	(13)	9	(4)
Carried forward tax losses	25	(25)	-
Net deferred tax (liability)/ asset	13	23	36
Deferred tax asset directly recognised in equity			
Fair value adjustment of interest rate swap	-	-	-
Deferred tax (liability)/ asset	13	23	36



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NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

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19. Taxation (continued)

(c) *Deferred tax liability - net (continued)*

Subsidiary - RPC (continued)

	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			
Fair value adjustment of interest rate swap	7	(7)	-
Deferred tax (liability)/ asset	(93)	106	13

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

	Consolidated	
	2022 RO '000	2021 RO '000
At 1 January	2,908	2,251
Charge for the year	2,576	2,698
Paid during the year	(2,557)	(2,041)
At 31 December	2,927	2,908

(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.

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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19. Taxation (continued)

Subsidiary - SMNBPC (continued)

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 in the same project 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 paid an amount of RO 894,616 and issued a bank guarantee amounting to RO 451,418 in favour of the Tax Authority, covering the disputed tax payable and interest for one year. The amount paid is recorded in these financial statements as recoverable under Note 13. In addition, the Company legal advisor has confirmed that the Company has strong legal argument in accordance with Omani law.

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 in 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 legal argument in relation to this case in accordance with Omani law.

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.

Subsidiary - RPC

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 5) 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 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.



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AS AT 31 DECEMBER 2022 (continued)

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19. Taxation (continued)

Subsidiary – RPC (continued)

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.

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 is in the process of objecting to the Tax Grievance Committee assessment.

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.

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(forming part of the financial statements)

20. Trade and other payables

	Parent Company		Consolidated	
	2022	2021	20122	2021
	RO '000	RO '000	RO '000	RO '000
Supplier and contractor payables	-	4	3,381	36,380
Other payables	70	52	1,211	1,008
Accrued interest on term loan and Hedging reserve (note 14.1)	-	-	855	850
Accrued expenses	-	18	3,201	2,635
Due to related parties (note 27)	36	-	1,208	644
	<u>106</u>	<u>74</u>	<u>9,856</u>	<u>41,517</u>

21. Revenue

	Consolidated	
	2022	2021
	RO '000	RO '000
Revenue from contract with customer		
Energy and Water Output Charges	34,882	45,673
Fixed operating and Maintenance charges	9,127	11,907
Lease interest income under operating lease	24,661	24,666
Total Revenue contract with customer	<u>68,670</u>	<u>82,246</u>
Revenue from lease contracts		
Interest income on finance lease	3	149
Investment charge revenue	1,590	4,732
Total revenue from lease contracts	<u>1,593</u>	<u>4,881</u>
Total revenue	<u>70,263</u>	<u>87,127</u>
Geographical market		
Sultanate of Oman	<u>70,263</u>	<u>87,127</u>
Timing of revenue recognition		
Goods and services transferred over time	<u>70,263</u>	<u>87,127</u>

- (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.



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AS AT 31 DECEMBER 2022 (continued)

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21. Revenue (continued)

- (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 33.
- (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.
- (g) 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 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.

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

21. Revenue (continued)

- (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	
	2022	2021
	RO '000	RO '000
Energy consumption	33,020	47,892
Depreciation on property, plant and equipment (note 6)	7,997	8,143
Contract fixed fee for plant operations (note 27)	7,968	9,299
Contract variable fee for plant operations (note 27)	2,155	2,778
Insurance	979	1,019
Repair and maintenance (note 27)	446	340
Generation and license fee	69	63
Customs duty (note 27)	55	43
Amortisation of long-term prepayment (note 8)	27	106
Depreciation on right of use assets (note 7(a))	20	59
Goodwill impairment on Rusail Power Company SAOC	-	787
Other direct costs	98	290
	52,834	70,819

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.



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

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AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

23. General and administrative expenses

	Parent Company		Consolidated	
	2022	2021	2022	2021
	RO '000	RO '000	RO '000	RO '000
Staff costs (see below)	110	110	613	612
Legal and professional charges	48	48	237	313
Depreciation on property, plant and equipment (note 6)	-	-	5	32
Depreciation on right of use assets (note 7(a))	-	-	38	32
Directors' remuneration and sitting fee	49	49	55	56
Insurance expenses	-	-	13	17
Other expenses	72	45	113	84
	279	252	1,074	1,146

	Parent Company		Consolidated	
	2022	2021	2022	2021
	RO '000	RO '000	RO '000	RO '000
Staff cost are as follows:				
Salaries, wages and other benefits	110	110	569	567
Increase in obligation for defined benefit plan	-	-	37	40
Contributions to Omani Social Insurance Scheme	-	-	7	5
	110	110	613	612

24. Finance charges

	Consolidated	
	2022	2021
	RO '000	RO '000
Interest on term loan	2,030	1,198
Hedging charges	1,309	2,720
Accretion charge for provision for site restoration (note 18)	341	405
Amortisation of deferred finance cost	153	199
Exchange loss	43	58
Interest on DSRA LC	36	35
Interest on lease liabilities (note 7(b))	28	21
Other finance cost	2	1
Total finance cost	3,942	4,637

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

25. Other income

	Parent Company		Consolidated	
	2022	2021	2022	2021
	RO '000	RO '000	RO '000	RO '000
Refund from Off-taker on change in Income Tax*	-	-	509	-
Interest income on fixed deposits	-	-	165	217
Recharge of expenses to subsidiaries**	279	252	-	-
Miscellaneous income	-	-	73	29
	<u>279</u>	<u>252</u>	<u>747</u>	<u>726</u>

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

** 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.

26. Dividend income

	2022	2021
	RO '000	RO '000
Dividend income from Al Rusail Power Company SAOC	<u>3,000</u>	<u>-</u>

During the Ordinary General Meeting held on 6th December 2022, shareholders has approved the proposal from the board of directors to declare cash dividend of 600% of the issued share capital of the subsidiary Company Al Rusail Power Company SAOC which is RO 6 per share totaling RO 3,000,000 relating to 2021. This has been completely paid during the year.

27. 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.

SUEZ-Tractebel Operation and Maintenance Oman (STOMO), Kahrabel Operation and Maintenance Oman (KOMO), Mubadala Development Co (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:



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

27. Related parties (continued)

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

	2022	2021
	RO '000	RO '000
Administrative fee (KOMU)	110	110
Directors' remuneration	32	35
Directors' sitting fee	17	14
Company Secretary fee	7	7
	<u>166</u>	<u>166</u>

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

	2022	2021
	RO '000	RO '000
SUEZ-Tractebel Operation and Maintenance Oman LLC		
Operation and maintenance expense - fixed fee	7,968	9,299
Operation and maintenance expense - variable fee	2,155	2,778
Repair and maintenance	446	340
Customs duty	55	43
	<u>10,624</u>	<u>12,460</u>
Kahrabel FZE		
Fixed service fee	69	42
Legal fee	-	38
	<u>69</u>	<u>80</u>
Mubadala Development Company		
Administrative fee	-	19
Directors' remuneration	5	5
Directors' sitting fee	1	2

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

27. Related parties (continued)

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).

	2022	2021	2022	2021
	RO '000	RO '000	RO '000	RO '000
Employment benefits	110	110	110	129
Directors' remuneration	32	35	37	40
Directors' sitting fee	17	14	18	16
Company secretary fee	7	7	7	7
	<u>166</u>	<u>166</u>	<u>172</u>	<u>192</u>

d) Due from related parties:

	2022	2021	2022	2021
	RO '000	RO '000	RO '000	RO '000
STOMO - Other related party	-	-	138	135
KOMO - Other related party	-	1	4	17
Barka Seawater Facilities Company				
SAOC - Other related party	-	-	127	106
Mubadala - Other related party	-	1	4	4
SMNBPC - Subsidiary	19	14	-	-
RPC - Subsidiary	14	8	-	-
	<u>33</u>	<u>24</u>	<u>273</u>	<u>262</u>

e) Due to related parties:

	2022	2021	2022	2021
	RO '000	RO '000	RO '000	RO '000
STOMO - Other related party	-	-	1185	606
Barka Seawater Facilities Company				
SAOC - Other related party	-	-	19	38
KOMO - Other related party	-	-	-	-
International Power SA Dubai Branch -				
Other related party	-	-	4	-
	<u>-</u>	<u>-</u>	<u>1,208</u>	<u>644</u>

The management assessed that the impact of expected credit loss is immaterial at the separate and consolidated financial statement as a whole.



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

28. 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.

The company 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 25th January 2021, the company has received an Environmental Permit from the Environmental Authority, valid until 25th January 2024.

In May 2018, the company 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).

The company/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 the company 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, the company 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 the Subsidiary's Plant at Rusail until 31 December 2023. Under the O&M agreement, the Subsidiary has to pay the following operating fees:

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

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

28. Contingencies and operational commitments (continued)

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

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

	2022	2021
	RO '000	RO '000
Not later than one year	131	607
	131	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 the Subsidiary 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.

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.



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

28. Contingencies and operational commitments (continued)

(b) Subsidiary – SMNBPC (continued)

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

	2022	2021
	RO '000	RO '000
Not later than one year	4,021	4,021
Receivable one to five years	1,005	5,026
	<u>5,026</u>	<u>9,047</u>

Financial guarantee (DSRA LC Facility) - Group

	2022	2021
	RO '000	RO '000
SMNBPC	8,045	7,548
	<u>8,045</u>	<u>7,548</u>

Bank guarantees – Group

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

29. 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.

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

29. Financial instruments (continued)

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:

	Parent Company		Consolidated	
	2022	2021	2022	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)	-	-	7,743	43,390
Finance lease receivables	-	-	-	316
Due from related parties	33	24	273	262
Cash at bank	60	24	8,950	3,067
	93	48	16,966	47,035

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.



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

29. Financial instruments (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:

Bank	Rating	Parent Company		Consolidated	
		2022	2021	2022	2021
		RO '000	RO '000	RO '000	RO '000
Bank balances					
Bank Muscat SAOG	P-2	59	22	8,964	3,081
HSBC Bank plc	P-1	1	2	4	6
		<u>60</u>	<u>24</u>	<u>8,968</u>	<u>3,087</u>
Fixed term deposits					
Bank Muscat SAOG	P-2	3,000	-	250	4,100
HSBC Bank plc	P-1	-	-	3,461	3,290
		<u>3,000</u>	<u>-</u>	<u>3,711</u>	<u>7,390</u>

(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.

<i>Parent Company</i>	Carrying amount RO '000	Contractual cash flows RO '000	6 months or less RO '000
31 December 2022			
Non-derivatives			
Other payables and due to related parties	<u>106</u>	<u>106</u>	<u>106</u>
<i>Parent Company</i>	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	<u>74</u>	<u>74</u>	<u>74</u>

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

29. Financial instruments (continued)

(b) Liquidity risk (continued)

Group	Carrying amount	Undiscounted cash flows	6 Months or less	6 to 12 Months	1 to 2 years	More than 2 years
Non-Derivatives	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
31 December 2022						
Term loan	60,563	60,774	6,372	8,333	36,898	9,171
Trade and other payables	8,648	8,648	8,648	-	-	-
Due to related parties	1,208	1,208	1,208	-	-	-
Lease liabilities	417	788	41	12	17	718
	<u>70,836</u>	<u>71,418</u>	<u>16,269</u>	<u>8,345</u>	<u>36,915</u>	<u>9,889</u>
Derivatives						
Interest rate swap	210	210	85	110	15	-
	<u>210</u>	<u>210</u>	<u>85</u>	<u>110</u>	<u>15</u>	<u>-</u>

Group	Carrying Amount	Undiscounted cash flows	6 Months or less	6 to 12 Months	1 to 2 years	More than 2 years
Non-Derivatives	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
31 December 2021						
Term loan	78,627	78,992	5,867	7,928	14,705	50,492
Trade and other payables	40,873	40,873	40,873	-	-	-
Due to related parties	644	644	644	-	-	-
Lease liabilities	373	706	10	10	65	621
	<u>120,517</u>	<u>121,215</u>	<u>47,394</u>	<u>7,938</u>	<u>14,770</u>	<u>51,113</u>
Derivatives						
Interest rate swap	3,013	3,013	566	917	1,185	345
	<u>3,013</u>	<u>3,013</u>	<u>566</u>	<u>917</u>	<u>1,185</u>	<u>345</u>



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

29. Financial instruments (continued)

(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 31 December 2022, the Group does not hold any such financial instruments that have any risk of changes in prices for investment in equity instruments.

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).

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

29. Financial instruments (continued)

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)

Level 2

	Consolidated	
	2022	2021
	RO '000	RO '000
Financial liabilities measured at fair value		
Interest rate swap	210	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.



SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

29. Financial instruments (continued)

Capital management (continued)

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

	2022	2021
	RO '000	RO '000
Debt (Term loan)	60,563	78,627
Equity (Shareholders' funds)*	79,781	68,691
Debt to equity ratio (times)	0.76	1.15

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

30. 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:

	2022	2021
	RO '000	RO '000
Due:		
Not later than one year	25,467	25,474
Later than one year and not later than five years	6,279	31,746
	31,746	57,220

31. Net assets per share

	Parent Company		Consolidated	
	2022	2021	2022	2021
	RO '000	RO '000	RO '000	RO '000
Net assets - Shareholders' funds*	30,409	27,409	79,781	68,691
Number of shares outstanding during the year	199,636	199,636	199,636	199,636
Net asset per share (RO)	0.152	0.137	0.400	0.344

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

SMN POWER HOLDING SAOG AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022 (continued)

(forming part of the financial statements)

32. 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	
	2022	2021	2022	2021
	RO '000	RO '000	RO '000	RO '000
Profit for the year	3,000	-	11,090	9,547
Weighted average number of shares outstanding during the year	199,636	199,636	199,636	199,636
Earnings per share - basic and diluted (RO)	0.015	-	0.056	0.048

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

33. 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.

34. The war in Ukraine

The war in Ukraine, started in 2022, triggers a number of IFRS accounting considerations affecting the financial statements. The Company does not have any significant operations or exposures in, or to Russia, Belarus or Ukraine.

The war and its direct and indirect consequences may impact entities other than those with direct interests in the involved countries, for instance, as a result of exposure to fluctuations in commodity prices and foreign exchange rates, as well as the possibility of a protracted economic downturn. As the war continues and new sanctions are introduced the overall impact remains fluid. Since the impact also largely depends on the nature of an entity's business, any potential impact has not been illustrated in these consolidated financial statements.

35. Comparative figures

Certain comparative information has been reclassified to conform to the presentation adopted in the current year consolidated financial statements. Such reclassifications are not material and have not affected previously reported net profit or shareholders' equity.