

# **Barka Water and Power Company SAOG**

**Financial statements for the year ended  
31 December 2022**

**Barka Water and Power Company SAOG**  
**Financial statements for the year ended 31 December 2022**

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## **Barka Water and Power Company SAOG**

### **Administration and contact details as at 31 December 2022**

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Commercial registration number	1660403 obtained on 19 November 2000
VAT registration number	OM1100023393 obtained on 9 March 2021
Board of Directors	Mr. Stefan Dijkers (Chairman) (Chairman w.e.f. 27 Oct 2022 and Board member w.e.f. 21 January 2022) Mr. Kashif Rana (Chairman and Board member upto 21 September 2022) Mr. Mohammed Al-Aghbari (Deputy Chairman) (Independent) Mr. Abdul Aziz Al Failakawi (Independent) Mr. Yahya Al-Jumaa (Independent) (upto 18 July 2022) Mr. Hatem Al Sheidi (Independent) (w.e.f. 18 July 2022) Mr. Ibrahim Hamed Said Al Jahwari Mr. Selim Guven (w.e.f. 21 September 2022) Mr. Moayad Al Samman (w.e.f. 21 September 2022) Mr. Zeeshan Hyder (upto 21 September 2022)
Audit Committee	Mr. Abdul Aziz Al Failakawi (Chairman) Mr. Mohammed Al-Aghbari Mr. Zeeshan Hyder (upto 21 September 2022) Mr. Selim Guven (w.e.f. 21 September 2022)
Nomination and Remuneration Committee	Mr. Moayad Al Samman (Chairman) (w.e.f. 21 September 2022) Mr. Zeeshan Hyder (Chairman) (upto 21 September 2022) Mr. Kashif Rana (upto 21 September 2022) Mr. Yahya Al-Jumaa (upto 18 July 2022) Mr. Selim Guven (w.e.f. 21 September 2022) Mr. Hatem Al Sheidi (w.e.f. 18 July 2022)
Internal Auditor	Ms Abu Timam Grant Thornton (w.e.f. 24 October 2022)
Legal Advisor	Trowers & Hamblins
Registered office	PO Box 572 Postal Code 320 Barka Sultanate of Oman
Bankers	Bank Muscat SAOG National Bank of Oman SAOG Arab Banking Corporation Plc, Bahrain
Auditors	BDO LLC Suites 601 & 602 Penthouse, Beach One Bldg. Way Number 2601, Shatti Al Qurum PO Box 1176, PC 112, Ruwi Muscat Sultanate of Oman

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BARKA WATER AND POWER COMPANY SAOG

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Barka Water and Power Company SAOG (formerly "ACWA Power Barka SAOG") ("the Company"), which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes to the financial statements, comprising a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and 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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material Uncertainty Relating to Going Concern

We draw attention to Note 3 in the financial statements, which indicates that the Company's Power and Water Purchase Agreement ("PWPA") pertaining to the Power Generation and Water Purchase Agreement ("WPA") with Oman Power Water Procurement Company SAOC (OPWPC) expired on 31 December 2021. The operation of the power plant was subject to certain force majeure events which were accepted by OPWPC accordingly. These events resulted in an extension of the power plant contract period until 9 February 2022, which was not renewed.

During 2022, OPWPC launched the spot market mechanism for power generators who did not have a long-term PWPA with the off-taker. The Company, based on its internal assessment, believes that operating in the spot market at this stage is not economically viable for the Company. Further, on 28 September 2022, the Authority for Public Services Regulation ("APSR") made an announcement of the Direct Sales Regulatory and Legal Framework for the implementation of the Direct Sales mechanism in a phased manner. As part of the trial period run for the Direct Sales process, the Company was able to secure a bilateral arrangement for the supply of power for a short period of time with one of the local industrial units in Oman.



## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BARKA WATER AND POWER COMPANY SAOG

### **Material Uncertainty Relating to Going Concern (continued)**

Accordingly, considering the annulment of the Power 2022 procurement process, initial stages of Power 2024 procurement process, uncertainties about the participation in the spot market, lack of any confirmed Direct Sales agreement under the bilateral arrangement, net loss reported in the current year and cash flow challenges, there exists a material uncertainty that may cast significant doubt on the Company's ability to continue to operate as a going concern and, therefore, there is a possibility that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. 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.

### ***Impairment assessment on property, plant and equipment***

Property, plant and equipment as at 31 December 2022 include the Power Generating Plant ("Power Plant"), Sea Water Osmosis Plant of 10 MIGD ("SWRO Plant-1"), and Sea Water Osmosis Plant of 12.5 MIGD ("SWRO Plant-2") (SWRO Plant-1 and SWRO Plant-2 together referred as "SWRO Plants") stated at a carrying value amounting to RO 40.66 million, RO 9.62 million and RO 12.73 million, respectively.

The estimation of recoverable amount of these plants was assessed as a key audit matter due to the degree of complexity involved in assessing the valuation and the significance of the judgments and estimates made by the management.

### ***Power Plant***

Based on the outcome of the Request for Offer bidding process (which commenced in the year 2020), the Company was not able to secure extension of its Power Purchase Agreement ("PPA") for its Power Plant beyond December 2021. Accordingly, the management had identified this as an impairment indicator for its Power Plant and, accordingly, during the year ended 31 December 2020, the Company had recognised an impairment charge amounting to RO 17.7 million on the main Power Plant.

In the current year, OPWPC launched the spot market mechanism for power generators who did not have a long-term PWPA with the off-taker. The Company, based on its internal assessment, believes that operating in the spot market at this stage is not economically viable for the Company. Further, on 28 September 2022, the Authority for Public Services Regulation (APSR) made an announcement of the Direct Sales regulatory and Legal Framework for the implementation of the Direct Sales mechanism in a phased manner. As part of the trial period run for the Direct Sales process, the Company was able to secure a bilateral arrangement for a supply for a power short period of time with one of the local industrial units in Oman. However, considering the annulment of the Power 2022 procurement process, initial stages of Power 2024 procurement process, uncertainties about the participation in the spot market, lack of any confirmed Direct Sales agreement under the bilateral arrangement, net loss reported in the current year and cash flow challenges, the Company has identified these as impairment indicators and performed an impairment assessment. Based on which the management concluded that no additional impairment is considered necessary as the carrying amount of the cash-generating unit (i.e. the Power Plant) is marginally higher than the recoverable amount.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
ACWA POWER BARKA SAOG (continued)**

**Our response**

We have performed the following procedures:

- (i) Reviewed the process for assessing impairment indicators and performing the impairment assessment;
- (ii) Estimated cashflows for the Power Plant have been verified based on the cashflows for the year 2023 onwards and which have been estimated by the management considering the Oman power sector and recently contracted price for supply of power from Direct Sales Agreement;
- (iii) Assessed the estimates and assumptions made by the management in order to determine the assets' recoverable amount, including:
  - Key assumptions adopted by the management for future years (discount rate, tax rate, allocation of overheads and fixed operations and maintenance costs by comparing with market data and available historical internal data);
  - Arithmetical accuracy of the discounted cash flows model;
  - Assumptions made to determine the cash flows and residual values after the period covered by the contractual cashflows;
  - Reviewed of source data used in the impairment test models and assessment of impairment triggers for financial forecasts approved by the management of the Company; and
  - Assessment of completeness of disclosure in the financial statements of the Company in terms of impairment in accordance with International Accounting Standard 36 "Impairment of Assets".

**Other Information included in the Company's 2022 Annual Report**

Those Charged With Governance and the management of the Company are responsible for the other information. The other information comprises the Chairman's Report, Corporate Governance Report and Management Discussion and Analysis Report which is included in the Company's 2022 Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

**Responsibilities of Management and Those Charged With Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the Rules and Guidelines disclosure issued by requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law and Regulations of the Sultanate of Oman, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BARKA WATER AND POWER COMPANY SAOG**

### **Responsibilities of Management and Those Charged With Governance for the Financial Statements (continued)**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
BARKA WATER AND POWER COMPANY SAOG**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

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, related safeguards.

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

**Report on Other Legal and Regulatory Requirements**

We report that, except for the matters disclosed in Note 4(b), the financial statements of the Company as at, and for the year ended, 31 December 2022, in all material respects, comply with the applicable provisions of the Commercial Companies Law and Regulations of the Sultanate of Oman and the Rules and the Guidelines on Disclosure issued by the Capital Market Authority.

**Muscat  
February 2023**

**Bipin Kapur  
Partner  
Membership no: 043615  
Institute of Chartered Accountants of India**



**Barka Water and Power Company SAOG**  
**Statement of financial position as at 31 December 2022**  
(Expressed in Omani Rial)

	Notes	31 December 2022	31 December 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	64,788,680	68,400,234
Intangible assets	8	14,103	52,993
Right-of-use assets	9	410,633	432,918
<b>Total non-current assets</b>		<b>65,213,416</b>	<b>68,886,145</b>
<b>Current assets</b>			
Inventories	10	4,586,405	4,614,657
Trade and other receivables	11	4,706,880	13,419,722
Cash and bank balances	12	6,090,276	5,547,031
<b>Total current assets</b>		<b>15,383,561</b>	<b>23,581,410</b>
<b>Total assets</b>		<b>80,596,977</b>	<b>92,467,555</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	13	16,000,000	16,000,000
Legal reserve	14	5,333,333	5,333,333
Special reserve	15	85,555	85,555
Retained earnings		12,890,210	15,152,480
<b>Total capital and reserves</b>		<b>34,309,098</b>	<b>36,571,368</b>
<b>Non-current liabilities</b>			
Long-term loan - non - current portion	17	14,578,699	11,918,094
Deferred tax liability	18	5,547,498	5,503,264
Provision for site restoration	19	3,788,134	3,571,362
Employee benefit liabilities	20	29,084	80,688
Lease liabilities - non - current portion	21	744,599	717,168
<b>Total non-current liabilities</b>		<b>24,688,014</b>	<b>21,790,576</b>
<b>Current liabilities</b>			
Long-term loan - current portion	17	4,658,983	12,027,095
Trade and other payables	22	8,349,584	13,057,353
Lease liabilities - current portion	21	11,521	8,353
Taxation	18	8,579,777	9,012,810
<b>Total current liabilities</b>		<b>21,599,865</b>	<b>34,105,611</b>
<b>Total liabilities</b>		<b>46,287,879</b>	<b>55,896,187</b>
<b>Total equity and liabilities</b>		<b>80,596,977</b>	<b>92,467,555</b>
<b>Net assets per share (RO)</b>	29.b	<b>0.214</b>	<b>0.229</b>

These financial statements were approved and authorised for issue in accordance with a resolution passed by the Board of Directors on \_\_\_February 2023.

Chairman of the Board of Directors

Director

**Barka Water and Power Company SAOG****Statement of profit or loss and other comprehensive income for the year ended 31 December 2022**

(Expressed in Omani Rial)

		Year ended 31 December 2022	Year ended 31 December 2021
	Notes		
<b>Income</b>			
Revenue	24	14,671,330	39,560,459
Operating costs	25	<u>(14,113,797)</u>	<u>(26,976,071)</u>
<b>Gross profit</b>		<b>557,533</b>	<b>12,584,388</b>
Other income	26	<u>29,895</u>	<u>1,236,612</u>
		<b>587,428</b>	<b>13,821,000</b>
<b>Expenses</b>			
General and administrative expenses	27	<u>(1,140,601)</u>	<u>(1,336,133)</u>
(Loss)/profit from operations		<u>(553,173)</u>	<u>12,484,867</u>
Finance costs	28	<u>(1,682,047)</u>	<u>(2,274,478)</u>
(Loss)/profit before tax for the year		<u>(2,235,220)</u>	<u>10,210,389</u>
Income tax	18	(27,050)	(1,537,087)
Net (loss) /profit after tax and total comprehensive (loss) / income for the year		<u><u>(2,262,270)</u></u>	<u><u>8,673,302</u></u>
<b>Basic and diluted (loss) / earnings per share (RO)</b>	29.a	<u><u>(0.014)</u></u>	<u><u>0.054</u></u>

**Barka Water and Power Company SAOG****Statement of changes in shareholders' equity for the year ended 31 December 2022****(Expressed in Omani Rial)**

	Share capital	Legal reserve	Special reserve	Retained earnings	Total
At 31 December 2020	16,000,000	5,333,333	85,555	6,479,178	27,898,066
Net profit after tax and total comprehensive income for the year	-	-	-	8,673,302	8,673,302
At 31 December 2021	<u>16,000,000</u>	<u>5,333,333</u>	<u>85,555</u>	<u>15,152,480</u>	<u>36,571,368</u>
Net loss after tax and total comprehensive loss for the year	-	-	-	(2,262,270)	(2,262,270)
At 31 December 2022	<u><u>16,000,000</u></u>	<u><u>5,333,333</u></u>	<u><u>85,555</u></u>	<u><u>12,890,210</u></u>	<u><u>34,309,098</u></u>

## Barka Water and Power Company SAOG

### Statement of cash flows for the year ended 31 December 2022

(Expressed in Omani Rial)

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
<b>Operating activities</b>			
Net (loss)/profit before tax for the year		(2,235,220)	10,210,389
<b>Adjustments for:</b>			
Depreciation on property, plant and equipment	7	3,611,554	6,604,232
Amortisation of intangible assets	8	38,890	80,191
Amortisation of right-of-use assets	9	22,285	22,285
Amortisation of deferred financing costs	17	133,538	235,874
Accretion charge/ interest on provision for site restoration	19	216,772	204,348
Interest on lease liabilities	21	43,501	41,685
Provision for Employee benefit liabilities	20	11,319	12,724
Allowance for expected credit losses of trade and other receivables	26	(7,600)	(6,553)
Allowance for expected credit losses of cash and bank balances	26	(1,874)	(8,972)
Finance costs	28	1,288,236	1,792,571
Property, plant and equipment-written - off		-	810,421
<b>Working capital changes:</b>			
Inventories	10	28,252	169,090
Trade and other receivables	11	8,720,450	7,079,494
Trade and other payables	22	(4,477,934)	(7,317,244)
<b>Cash generated from operating activities</b>		<b>7,392,169</b>	<b>19,930,535</b>
Employee benefit liabilities paid	20	(62,923)	(19,147)
Income tax paid	18	(415,849)	(3,895,314)
<b>Net cash generated from operating activities</b>		<b>6,913,397</b>	<b>16,016,074</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	7	-	(5,304,992)
<b>Net cash used in investing activities</b>		<b>-</b>	<b>(5,304,992)</b>
<b>Financing activities</b>			
Finance costs paid		(1,518,078)	(1,922,374)
Loan arrangement fees		(60,330)	-
Repayment of long-term loan	17	(4,780,716)	(11,899,076)
Payment of lease liabilities	21	(12,902)	(18,143)
<b>Net cash used in financing activities</b>		<b>(6,372,026)</b>	<b>(13,839,593)</b>
<b>Net change in cash and cash equivalents</b>		<b>541,371</b>	<b>(3,128,511)</b>
Cash and cash equivalents, beginning of the year (gross)		5,553,648	8,682,159
<b>Cash and cash equivalents, end of the year (gross)</b>	12	<b>6,095,019</b>	<b>5,553,648</b>

Disclosure as required by IAS 7, "Statement of Cash Flows" has been shown in Note 36 to the financial statements.

## **Barka Water and Power Company SAOG**

### **Notes to the financial statements for the year ended 31 December 2022**

(Expressed in Omani Rial)

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#### **1 LEGAL STATUS AND ACTIVITIES**

Barka Water and Power Company SAOG (formerly known as "ACWA Power Barka SAOG") ("The Company") is an Omani public joint stock company. It was incorporated as a closely-held joint stock company in the Sultanate of Oman on 19 November 2000 under a trade license issued by the Ministry of Commerce, Industry and Investment Promotion ("MOCIIP"). The Company's registered address is at P.O. Box 572, Postal Code 320, Barka, Sultanate of Oman.

Based on the terms of the Project Founders Agreement, the Company, through an Initial Public Offering (IPO) offered 35% of its existing shares to the public when the Company was transformed from a closely-held joint stock company to a public joint stock company listed on the Muscat Stock Exchange (MSX). The shares were listed on the MSX on 12 January 2005.

The Board of Directors called for an Extra-Ordinary General Meeting (EOGM) to consider and approve the change in the Company's name from "ACWA Power Barka SAOG" to "Barka Water and Power Company SAOG" and amending the Company's Articles of Association (AoA) to note the change in the Company's name. These proposed resolutions were unanimously approved by the shareholders at the EOGM and the necessary formalities to amend the name of the Company with the MOCIIP, Tax Authority and MSX were completed during the year.

The registered address of ACWA Power Company (formerly known as International Company for Water and Power Projects) ("ACWA Power"), the ultimate parent company is at Airport Road, Qurtubah, Building 5, Business Gate Office Complex, Riyadh, Kingdom of Saudi Arabia.

The principal activities of the Company are to develop, design, finance, construct, operate, maintain, insure and own a power generating station and water desalination plant and associated gas inter-connection facilities and other relevant infrastructure. The Company commenced its commercial operations from 11 June 2003.

Below are the major Plants operated by the Company and their dates of commencement of commercial operation:

- Main Plant which consists of 427MWH gas fired power generation facility and 20 MIGD Multi-Stage Flash Distillation (MSF) water facility commenced its commercial operations on 11 June 2003.
- Sea Water Reverse Osmosis (SWRO) Plant of 10 MIGD (Expansion - Phase I) commenced its commercial operations on 29 May 2014.
- Sea Water Reverse Osmosis (SWRO) Plant of 12.5 MIGD (Expansion - Phase II) commenced its commercial operations on 26 February 2016.

In addition, the Company also owns 50% shareholding interest in Barka Seawater Facilities Company SAOC (BSFC) which has been accounted for as a Joint Operation in the Company's financial statements under joint arrangement.

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

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#### 2 SIGNIFICANT AGREEMENTS

A) The Company has entered into the following significant agreements with respect to the Main Plant:

i. Power and Water Purchase Agreement (PWPA) with the Ministry of Housing, Electricity and Water (MHEW) granting the Company the right to generate electricity and desalinate water in Wilayat of Barka for a period of fifteen years commencing from the commercial operations date based on a tariff structure.

Effective 1 May 2005, the rights and obligations of MHEW under the Oman Power have been novated to Oman Power and Water Procurement Company SAOC (OPWPC) in accordance with the arrangements described in the Master Novation Agreement signed on 26 November 2000. All the financial obligations of OPWPC under the Project Agreements are secured under the guarantee issued by the Ministry of Finance, Government of Oman, which has come into force on execution of the Novation Agreement.

Effective from 1 May 2005, the Company has been granted a Generation and Desalination license by the Authority for Public Services Regulation ("APSR") (formerly Authority for Electricity Regulation - AER), Oman for a period of twenty-five years.

Although, the term of the PWPA expired on 31 December 2021, this term was extended due to certain force majeure events resulting in extension of PWPA till 09 February 2022.

ii. Natural Gas Sales Agreement (NGSA) including subsequent amendment with the Ministry of Energy and Minerals ("MEM") (formerly Ministry of Oil and Gas - MOG) for the purchase of natural gas for fifteen years.

iii. Usufruct agreement with the Government for grant of usufruct rights over the plant site for twenty-five years.

iv. Agreement with local and regional banks for long-term loan facilities.

v. Operation and Maintenance Agreement (O&M Agreement) with First National Company for Operation and Maintenance Services LLC (NOMAC Oman) to operate and maintain the plant.

vi. Shareholders' agreement with SMN Barka Power Company SAOC for establishment of Barka Seawater Facilities Company SAOC (BSFC) pursuant to the PWPA.

vii. Amendment Agreement to the PWPA with OPWPC for the extension period till 31 December 2021. However, the operation of the Power Plant is in force majeure events which was accepted by OPWPC which resulted in the extension of the Power Plant contract period up to 09 February 2022.

viii. Second Amendment Agreement to the NGSA with the MEM for the purchase of natural gas for the extension period which ended on 31 December 2021.

xi. Amendment Agreement to the O&M Agreement with NOMAC Oman for the extension period till 31 December 2021. The Company is in the process of discussing and agreeing counter agreements based on ongoing discussion with OPWPC and potential bilateral agreement discussion and spot market scenarios.

## **Barka Water and Power Company SAOG**

### **Notes to the financial statements for the year ended 31 December 2022**

(Expressed in Omani Rial)

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#### **2 SIGNIFICANT AGREEMENTS (CONTINUED)**

##### **B) The Company has entered into following significant agreements with respect to 10MIGD Reverse Osmosis Water Expansion Project (Phase I):**

- i. Water Purchase Agreement (WPA) with OPWPC granting the Company the right to desalinate water in the Wilayat of Barka, using Reverse Osmosis technology.
- ii. Usufruct agreement with the Government for grant of usufruct rights over the project site for twenty-five years.
- iii. Agreement with local banks for long-term loan facilities.
- iv. Engineering, Procurement and Construction contracts with Abiensa (Spain) and its subsidiaries for the supply and construction of Expansion Project-Phase I and subsequent agreements thereon.
- v. Supplemental Operation and Maintenance Agreement with NOMAC Oman for the operation and maintenance of Expansion Project-Phase I.
- vi. Effective 16 September 2013, the APSR, Oman, issued the modified existing generation and desalination license to incorporate the water delivered under the Expansion Project - Phase I.
- vii. Amendment Agreement to the Phase I WPA with OPWPC for the extension period till 31 December 2021.
- viii. Second Amendment Agreement to the Phase I WPA with OPWPC on 03 February 2022 executed for extension of the SWRO plant for a period of 23 months (with OPWPC's option to extend for an additional 9 months in three three-month tranches) upto 31 December 2023.

##### **C) The Company has entered into following significant agreements with respect to 12.5MIGD Reverse Osmosis Water Expansion Project (Phase II):**

- i. WPA with OPWPC granting the Company the right to desalinate water in the Wilayat of Barka, using reverse osmosis technology.
- ii. Agreement with local banks for long-term loan facilities.
- iii. Engineering, Procurement and Construction contracts with Osmoflo Group for the supply and construction of Expansion Project - Phase II and subsequent agreements thereon.
- iv. Supplemental Operation and Maintenance Agreement with NOMAC Oman for the operation and maintenance of Expansion Project - Phase II.
- v. Usufruct agreement with the Government for grant of usufruct rights over the project site and temporary areas for twenty-five years.
- vi. Permeate Water Supply Agreement with OPWPC for supply of permeate water.
- vii. Effective 31 August 2015, the APSR, Oman, issued the modified existing generation and desalination licence to incorporate the water delivered under the Expansion Project - Phase II.
- viii. Amendment Agreement to the Phase II WPA with OPWPC for the extension period till 31 December 2021.
- ix. Second Amendment Agreement to the Phase II WPA with OPWPC on 03 February 2022 executed for extension of the SWRO plant for a period of 23 months (with OPWPC's option to extend for an additional 9 months in three three-month tranches), upto 31 December 2023.

## **Barka Water and Power Company SAOG**

### **Notes to the financial statements for the year ended 31 December 2022**

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#### **3 GOING CONCERN ASSUMPTION**

The term of Power and Water Purchase Agreements (PWPA) in the Omani IWPP (IPP) market is typically 15 years. The Company signed its PWPA in November 2000 for a term of 15 years starting from the commercial operation date. The plant started its commercial operations in June 2003 and completed its initial 15-year term in April 2018. The Company also developed two Reverse Osmosis based SWRO Plants which got operational in the years 2014 and 2016, respectively. The term of the Water Purchase Agreements (WPAs) for these two SWRO Plants was co-terminus with expiry of the PWPA. In the year 2017, the Company entered into discussions with OPWPC and was able to secure extension of all its contracts until 31 December 2021. The operation of the Power Plant was subject to certain force majeure events which were accepted by OPWPC accordingly. These events resulted in extension of the Power Plant contract up to 09 February 2022 and, thereafter, the plant is under preventive maintenance mode. However, the Company entered into a short-term contract under bilateral arrangements, with a local industrial unit for a limited supply of Power commencing from 13 September 2022 till 30 September 2022 based on a directive approved APSR, which was applicable only till 30 September 2022. The Company is still continuously pursuing several initiatives to secure future contracts in the coming periods.

#### **SWRO Plants - 2021 Request for Offer**

The Company participated in the Request for Offer (RFO) process in the year 2021 to secure extension of its WPAs for its two Seawater Reverse Osmosis Plants and, accordingly, submitted its proposal to OPWPC. The Company was informed by OPWPC on 02 February 2022 that extension of its RO Plants has been awarded for a period of 23 months (including an option to extend further for a period of 9 months in three tranches of three months each, respectively), upto 31 December 2023.

The Company executed these Amendment Agreements on 03 February 2022. Further, the Company, based on discussions with OPWPC, also believes that it will be able to offer capacity of its SWRO Plants in another procurement process which is expected to be launched by OPWPC in the year 2024, as the PWPA of another generator expires at that point in time.

#### **Power Plant - Spot Market**

OPWPC launched the spot market with a view to further liberalise the Oman power sector and encourage further private participation. Alongside the contracted capacity market, the spot market presents an alternative option for the generators to supply power to the market, particularly for generators who do not have a long-term PPA with the off-taker (i.e., OPWPC). The spot market has recently completed its trial period (wherein the Company also participated) and is functioning from January 2022 onwards. In February 2022, APSR has announced formal launch of spot market. The participants in the spot market are required to bid their variable costs, which will earn a scarcity payment which is a function of the supply-demand gap for capacity at any time.

The spot market price will comprise of two components:

- (i) system marginal price paid per MWh according to the scheduled output in the market schedule; and
- (ii) scarcity price paid per MWh available (even if the plant was not scheduled to run in the market schedule).

The Company is expected to enter in to the spot market operations from summer of year 2023.



## **Barka Water and Power Company SAOG**

### **Notes to the financial statements for the year ended 31 December 2022**

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#### **3 GOING CONCERN ASSUMPTION (Continued)**

##### **Power Plant - Bilateral Agreements**

The Company is exploring options for entering into bilateral agreements with local industrial units. The APSR has approved to collaborate on bilateral arrangements in parallel to develop the formal framework to regulate such arrangements. These contracts are expected to enable the Company to provide the requisite electricity to industrial units at a lower cost than what those units are already paying. Over the last half of 2022, the Company was maintained contacts with these industrial units and finally entered into a short-term arrangement under a bilateral agreement for supply of limited power capacity in the last 17 days of September 2022 which was also approved based on the directives by APSR.

##### **Power Plant - Power 2022**

In April 2020, the Company submitted a bid to OPWPC for a new long-term PPA as part of the Power 2022 Procurement Process. There were three other power generation companies who also participated in this competitive bidding process. Unfortunately, the demand for power was adversely affected over last two years due to prevailing pandemic situation in the country, thereby, resulting in an annulment of this process by OPWPC in the year 2021.

##### **Power Plant - Power 2024**

The Company was notified by OPWPC in the last quarter of the year seeking expression of interest to participate in upcoming Power 2024 procurement process. The Company has submitted its interest to participate and is expecting the formal process to commence by Q2 2023.

##### **Water - 2024**

OPWP has announced in its 2021 annual report that it will be initiating the procurement process for Barka IWP 2024 with procurement process is expected to commence in Q1 2023. The target capacity is similar to Barka V of 100,000 cubic meter per day. The Company is planning to participate by offering the combined capacity of both SWRO1 and SWRO2.

##### **Restructure of loan agreement**

The Company had approached the lenders for rescheduling of the outstanding loan. The Company has successfully negotiated the revised repayment plan on 30 June 2022 based on projected cash flows. As mentioned above, the existing WPA's will expire by 31 March 2024 with an option to further extend for 9 months in 3 equal tranches of 3 months each i.e., upto 31 December 2024. Based on this, the lenders have agreed to keep a balloon payment outstanding of RO 10.40 million as at 31 December 2024. The Company's management expects to restructure this balloon payment for a further period proposed to be December 2024 based on the circumstances prevailing around December 2024.

The Company still believes that it remains as a going concern as at 31 December 2022 for the following reasons:

- (i) On 03 February 2022, the Company signed the WPA Amendment Agreements with the OPWPC for the contracts for a period of 23 months (with OPWPC's option to extend for an additional 9 months in three three-month tranches) at full capacity (22.5MIGD);

## **Barka Water and Power Company SAOG**

### **Notes to the financial statements for the year ended 31 December 2022**

(Expressed in Omani Rial)

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#### **3 GOING CONCERN ASSUMPTION (Continued)**

The Company still believes that it remains as a going concern as at 31 December 2022 for the following reasons (continued):

- (ii) The Company is in discussions on the bilateral arrangements with certain industrial units based on the approval granted by the APSR;
- (iii) The SWRO Plants have a long remaining technical life and can be made available for any future contracted capacity requirements of the off-taker;
- (iv) The Company is in discussions with OPWPC and the APSR to identify viable operating options in future for the CCGT/ SWRO Plants; and
- (v) The revised loan repayment schedule has been agreed with the lender and Amendment to Loan Agreement signed on 29 June 2022 based on the existing cash flows. Two repayment instalments under the Amended Loan Agreement have been paid till 31 December 2022

The Company has successfully secured extension of its two WPAs and is also expected to generate revenues from its power plant in near future which reflects the going concern status of the Company. Accordingly, the Company will continue to operate as going concern.

#### **4 BASIS OF PREPARATION**

##### **(a) Basis of preparation and functional currencies**

The financial statements are prepared under the historical cost convention and going concern assumption, except for fair valuation of certain financial assets and liabilities. The preparation of financial statements is in conformity with International Financial Reporting Standards (IFRS) that requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies.

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

##### **(b) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), the relevant requirements of the Commercial Companies Law and Regulations of the Sultanate of Oman and the relevant Rules and Guidelines on Disclosure requirements applicable for licensed companies as issued by the Capital Market Authority (CMA).

In accordance with Article 158 of the Regulations for the public joint stock companies issued by the CMA, the internal audit unit should have a minimum of 2 auditors. However, during the year, the Company had only 1 full time internal auditor appointed who resigned from the office on 22 September 2022. There was no internal audit function during the period 22 September 2022 to 23 October 2022. After the resignation the in-house of internal auditor, the Company appointed on external independent internal audit firm w.e.f. 23 October 2022. Further, the CMA has allowed the Company to outsource the internal audit function until 30 June 2023.

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

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#### 4 BASIS OF PREPARATION (continued)

##### (b) Statement of compliance (continued)

In accordance with Article 179 of the Commercial Companies Law, the number of the members of the Board shall be comprised of an uneven number. However, the Company had an even number of Board Members as at 31 December 2021. The aforesaid deficiency in the composition of the Board of Directors was complied with during the year by appointment of director on 16 January 2022.

##### (c) Standards, amendments and interpretations effective and adopted during the year 2022

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these financial statements.

Standard or Interpretation	Title	Annual periods beginning on or after
Amendments to IAS 37	Onerous Contracts: Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 1, 9, 16 and IAS 41	Annual Improvements to IFRS 2018-2020	1 January 2022
Amendments to IFRS 3	References to Conceptual Framework	1 January 2022

The application of above revised standards has no impact on the amount reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

##### **Amendments to IAS 37: Onerous Contracts: Cost of Fulfilling a Contract**

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

The amendments to IAS 37.68A clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract- e.g. direct labour and material; and
- An allocation of other costs that relate directly to fulfilling contracts: e.g. Allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

This amendment had no impact on the financial statements of the Company as there were no onerous contracts.

##### **Amendments to IAS 16: Property, Plant and Equipment: Proceeds Before Intended Use**

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

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

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

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#### 4 BASIS OF PREPARATION (continued)

##### (c) Standards, amendments and interpretations effective and adopted during the year 2022 (continued)

###### Annual Improvements to IFRS Standards 2018-2020

- Amendments to IFRS 1: 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 Company.

###### Amendments to IFRS 3: References to Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

##### (d) Standards, amendments and interpretations neither effective and not adopted during the year 2022 (continued)

This amendment had no impact on the financial statements of the Company.

Standard or Interpretation	Title	Effective for annual years beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to IFRS 16	Leases: Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024

The Company is currently assessing the impact of these new accounting standards and amendments. The Company does not expect these amendments and standards issued but not yet effective, to have a material impact on the financial statements of the Company.

#### 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies adopted in the preparation of these financial statements is set out below. These policies have been adopted for all the years presented, unless stated

##### Current versus non-current classification

The Company 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 realised or intended to be sold or consumed in the normal operating cycle;
- Expected to be realised 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.

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

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#### 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Current versus non-current classification (continued)

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 the reporting period;
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as part of non-current assets and liabilities, respectively.

#### (a) Financial instruments recognition, measurement and subsequent measurement

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

#### [A] Financial assets

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, at fair value and 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 Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

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.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

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#### 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (a) Financial instruments recognition, measurement and subsequent measurement (continued)

##### [A] Financial assets (continued)

###### *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); and
- Financial assets at fair value through profit or loss.

###### *Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (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 Company's financial assets at amortised cost includes trade receivables and cash and bank balances.

###### *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 Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

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#### 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (a) Financial instruments recognition, measurement and subsequent measurement (continued)

###### [A] Financial assets (continued)

###### *Derecognition (continued)*

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

###### *Impairment of financial assets*

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-months 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, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provisioning matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment.

###### [B] *Financial liabilities*

###### *Initial recognition and measurement*

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, lease liabilities and long term loan.

###### *Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

###### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

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#### 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (a) Financial instruments recognition, measurement and subsequent measurement (continued)

###### [B] *Financial liabilities (continued)*

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the 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 Company has not designated any financial liability at fair value through profit or loss.

###### *Loans and borrowings*

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

###### *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.

##### [C] Derivative financial instruments and hedge accounting

###### *Initial recognition and subsequent measurement*

The Company uses derivative financial instruments, such as interest rate swaps to hedge interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; and
- 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.



## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

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#### 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (a) Financial instruments recognition, measurement and subsequent measurement (continued)

##### [C] Derivative financial instruments and hedge accounting (continued)

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

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

##### ***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 profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and therefore is not 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.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI remains in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount is immediately reclassified to profit or loss as a reclassification adjustment.

After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI is accounted for depending on the nature of the underlying transaction as described above.

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

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#### 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (b) Taxation

Taxation is provided in accordance with Omani fiscal regulations.

Income tax is recognised in the profit or loss except to the extent that it relates to items recognised in the other comprehensive income or directly in shareholders' equity, in which case it is recognised in the statement of comprehensive income or directly in shareholders' equity, respectively. Current tax is the expected tax payable on the taxable income for the year, using tax-rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax-laws that have been enacted at the reporting date.

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

The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

##### (c) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation, any identified impairment loss and residual value.

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

Particulars	Number of Years
Plant and machinery	30 - 35 Years
Tools	5 Years
Furniture, fixtures and office equipment	5 Years
Motor vehicles	5 Years
Capital spares	8 - 16 Years

Spare parts that are major components of plant and machinery are recorded as capital spares upon purchase and depreciated over a period of 8 -16 years after they have been installed in the plant.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written-down to their recoverable amount, being the higher of their fair value less costs to sell and their value-in-

## **Barka Water and Power Company SAOG**

### **Notes to the financial statements for the year ended 31 December 2022**

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#### **5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(c) Property, plant and equipment (continued)**

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. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the statement of profit or loss as the expense is incurred.

When each major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

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 gains or losses 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 year the asset is derecognised.

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

##### **(d) Intangible Asset**

Intangible asset consists of computer software and it is stated at historical cost less accumulated amortisation and, any identified impairment loss. Amortisation is calculated on a straight-line basis over its estimated useful life which is expected to be five years.

##### **(e) Capital work-in-progress**

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with the Company's policy.

##### **(f) Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Amounts receivable under operating leases, as lessor, are recognised as lease income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. In accordance with IFRS, revenue stemming from (substantial) services in connection with the leased asset is not considered as lease revenue and is accounted for separately.

## **Barka Water and Power Company SAOG**

### **Notes to the financial statements for the year ended 31 December 2022**

(Expressed in Omani Rial)

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#### **5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(f) Leases (continued)**

IFRIC 4 deals with the identification of services and take-or-pay sales or purchasing contracts that do not take the legal form of a lease but convey the rights to customers/suppliers to use an asset or a group of assets in return for a payment or a series of fixed payments. Contracts meeting these criteria should be identified as either operating leases or finance leases. On adoption of IFRIC 4 “Determining whether an arrangement contains a lease” the management concluded that its PWPA for existing plant and WPAs for Expansion Project - Phase I and II contain lease arrangements. These lease arrangements have been determined to be operating leases under IAS 17 and continue to be treated as operating leases under IFRS 16: Leases.

##### **(g) Interest in Joint Operation**

A Joint Operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When the Company undertakes its activities under a Joint Operation, the Company as a joint operator recognises its assets, liabilities, revenue and expenses and its share of the assets, liabilities, revenue and expenses in accordance with the IFRS applicable to those particular assets, liabilities, revenue and expenses.

When the Company transacts with the Joint Operation, profits and losses resulting from the transactions with the Joint Operation are recognised in the Company's financial statements only to the extent of interests in the Jointly Operation that are not related to the Company.

##### **(h) Segment reporting**

A segment is a distinguishable component of the Company engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments.

##### **(i) 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 or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. 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.

##### **(j) Impairment of financial assets**

At each reporting date, the Company reviews the carrying amounts of its assets (or cash-generating units) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

## **Barka Water and Power Company SAOG**

### **Notes to the financial statements for the year ended 31 December 2022**

(Expressed in Omani Rial)

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#### **5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(j) Impairment of financial assets (continued)**

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and the carrying amount of the asset and is recognised immediately in the statement of profit or loss. 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.

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.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised earlier.

##### **(k) Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Where necessary, provision is made for obsolete, slow-moving and defective inventories.

##### **(l) Directors' remuneration**

The Company follows the Commercial Companies Law 2019, and other latest relevant directives issued by the CMA, with regards to determining the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the statement of profit or loss in the year to which it relates.

##### **(m) Revenue**

The Company's business is to supply power and water to its sole customer (OPWPC) under long-term PWPA and WPAs. Revenue from OPWPC comprises of the following:

- Capacity charge covering the investment charge and fixed operation and maintenance charge; and
- Output charge covering the fuel charge and variable operation and maintenance charge.

##### **(a) Capacity charges**

The PWPA and WPAs of the Company are operating lease arrangements and investment charge has been treated as containing a lease which conveys the right to use the underlying assets for a period of time in exchange of consideration. This component of revenue is recognised on a straight-line basis over the lease term to the extent that capacity has been made available based on contractual terms of PWPA/ WPAs.

## **Barka Water and Power Company SAOG**

### **Notes to the financial statements for the year ended 31 December 2022**

(Expressed in Omani Rial)

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#### **5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(m) Revenue (continued)**

###### **(b) Output charges**

Output charges are recognised as revenue upon delivery of electricity and water to the national grid which accrue over time when the customer accepts deliveries and there is no unfulfilled performance obligation that could affect the customer's acceptance of the delivery.

##### **(n) Provisions**

###### **General**

Provisions are recognised when the Company 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 Company 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 profit or loss net of any reimbursement.

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

##### **(o) Site restoration costs**

The Company records a provision for site restoration costs as there is a present obligation as a result of activities undertaken pursuant to the usufruct and PWPA/WPAs. These costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset.

The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the liability. The unwinding of the discount is expensed as incurred and recognised in the profit or loss as finance

The estimated future costs are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

##### **(p) Employee benefit liabilities**

In respect of Omani employees, contributions are made in accordance with the Oman Social Insurance Law and recognised as an expense in the profit or loss as incurred.

For non-Omani employees, provision is made for amounts payable under the Oman Labour Law, based on the employees' accumulated periods of service at the statement of financial position date. This provision is classified as a non-current liability.

Employee entitlements to annual leave and air passage are recognised when they accrue to the employees and an accrual is made for the estimated liability for annual leave and air passage as a result of services up to the reporting date. The accruals relating to annual leave and air passage is disclosed as a part of current liabilities.

## **Barka Water and Power Company SAOG**

### **Notes to the financial statements for the year ended 31 December 2022**

(Expressed in Omani Rial)

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#### **5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(q) Dividend on ordinary shares**

The Board of Directors recommend to the shareholders the dividend to be paid out of the Company's profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law 2019, while recommending the dividend. Dividends on ordinary shares are recognised as a liability and deducted from shareholders' equity when they are approved by the Company's shareholders.

##### **(r) Earnings per share**

The Company presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

##### **(s) Net assets per share**

The Company presents net assets per share for its ordinary shares. Net assets per share is calculated by dividing the net assets as at the year-end by the number of shares outstanding at the year-end.

##### **(t) Foreign currency transaction**

The Company's financial statements are presented in RO, which is also the Company's functional currency. Transactions in foreign currencies are initially recorded by the Company at its 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.

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 gains or losses arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gains or losses on the change in fair value of the item (i.e. translation differences on items whose fair value gains or losses is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

##### **(u) Cash and cash equivalents**

For the purposes of the statement of cash flows, the Company considers all bank and cash balances that are free of lien and fixed deposits with a maturity of less than three months from the date of placement, less bank overdrafts, to be part of cash and cash equivalents.

## **Barka Water and Power Company SAOG**

### **Notes to the financial statements for the year ended 31 December 2022**

(Expressed in Omani Rial)

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#### **6 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

Preparation of financial statements in accordance with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions in the financial statements relate to:

**(i) Useful lives and residual values of property, plant and equipment**

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

**(ii) Impairment of trade receivables**

An estimate of the collectible amount of trade receivables is made using the expected credit loss model which involves days past due information and forward-looking information. This assessment is performed on an individual basis.

**(iii) Net realisable value of inventories**

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

**(iv) Going concern**

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Known material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern has been disclosed in Note 3 to the financial statements. Based on the reasons identified in Note 3, these financial statements continue to be prepared on the going concern basis.

**(v) Taxes**

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Company. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible Tax Authority.



## **Barka Water and Power Company SAOG**

### **Notes to the financial statements for the year ended 31 December 2022**

(Expressed in Omani Rial)

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#### **6 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

The Company also assumes that it will be able to realise deferred tax assets and liabilities as the Company continues to generate taxable profits from operations. Further, the Company assumes certain position in relation to the business in computing deferred tax. Changes in interpretations or business prospects may lead to adjustment in the financial statements in future years.

##### **(vi) Joint Operation**

The management has assessed the shareholders' agreement dated 6 February 2008 between the Company and SMN Barka Power Company SAOC committed to establish a shared facility company owned 50:50 between the shareholders and, has 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 which 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 Joint Operation is structured as a closed public joint stock company and provides the Company and the parties to the agreements with rights to their respective share of the assets, liabilities, income and expenses of the Joint Operation.

##### **(vii) Provision for site restoration**

Upon expiry of their respective Usufruct and PWPA/ WPAs, the Company has an obligation to remove the facilities and restore the affected area. The estimated costs, discount rates and risk-rates used in the calculation are based on management's best estimates.

##### **(viii) Contingencies**

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

##### **(ix) Impairment reviews**

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgment, requiring inter alia an assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate.

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- a) growth in earnings before interest, tax, depreciation and amortisation (EBITDA), calculated as adjusted operating profit before depreciation and amortisation;
- b) timing and quantum of future capital expenditure;
- c) long-term growth rates; and
- d) selection of discount rates to reflect the risks involved.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Company's impairment evaluation and hence results.

## **Barka Water and Power Company SAOG**

### **Notes to the financial statements for the year ended 31 December 2022**

(Expressed in Omani Rial)

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#### **6 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

##### **(x) Implications of COVID-19**

Now in the third year of the COVID-19 pandemic, the Sultanate of Oman similar to other jurisdictions around the world has experienced an improved economic outlook, as the number of COVID-19 cases have declined significantly.

The operations of the Company have returned to business-as-usual, although the crisis did test the commercial, operational, financial and organisational resilience of the Company highlighting the risks and resilience gaps, as the effects of the pandemic continue to impact the global supply chains.

**Barka Water and Power Company SAOG**  
**Notes to the financial statements for the year ended 31 December 2022**  
(Expressed in Omani Rial)

**7 PROPERTY, PLANT AND EQUIPMENT**

(a) The movement in property, plant and equipment is as set out below:

<b>31 December 2022</b>	<b>Plant and machinery</b>	<b>Tools</b>	<b>Furniture, fixtures and office equipment</b>	<b>Motor vehicles</b>	<b>Capital spares</b>	<b>Capital work-in- progress</b>	<b>Total</b>
<b>Cost</b>							
At 1 January 2022	220,041,648	110,063	700,941	138,483	3,894,083	-	224,885,218
Disposals	-	-	-	(7,400)	-	-	(7,400)
At 31 December 2022	<u>220,041,648</u>	<u>110,063</u>	<u>700,941</u>	<u>131,083</u>	<u>3,894,083</u>	<u>-</u>	<u>224,877,818</u>
<b>Accumulated depreciation and impairment</b>							
At 1 January 2022	153,050,298	110,063	682,701	130,087	2,511,835	-	156,484,984
Charge for the year (g)	3,556,512	-	12,002	4,800	38,240	-	3,611,554
Disposals	-	-	-	(7,400)	-	-	(7,400)
At 31 December 2022	<u>156,606,810</u>	<u>110,063</u>	<u>694,703</u>	<u>127,487</u>	<u>2,550,075</u>	<u>-</u>	<u>160,089,138</u>
<b>Net book amount</b>							
At 31 December 2022	<u>63,434,838</u>	<u>-</u>	<u>6,238</u>	<u>3,596</u>	<u>1,344,008</u>	<u>-</u>	<u>64,788,680</u>

**Barka Water and Power Company SAOG**  
**Notes to the financial statements for the year ended 31 December 2022**  
(Expressed in Omani Rial)

**7 PROPERTY, PLANT AND EQUIPMENT (continued)**

(b) The movement in property, plant and equipment is as set out below:

	Plant and machinery	Tools	Furniture, fixtures and office equipment	Motor vehicles	Capital spares	Capital work-in- progress	Total
<b>Cost</b>							
At 1 January 2021	215,803,496	110,063	700,941	138,483	3,894,083	491,002	221,138,068
Additions (e)	-	-	-	-	-	5,304,992	5,304,992
Transferred from capital work-in-progress (f)	5,795,994	-	-	-	-	(5,795,994)	-
Write-offs (h)	(1,557,842)	-	-	-	-	-	(1,557,842)
At 31 December 2021	<u>220,041,648</u>	<u>110,063</u>	<u>700,941</u>	<u>138,483</u>	<u>3,894,083</u>	<u>-</u>	<u>224,885,218</u>
<b>Accumulated depreciation and impairment</b>							
At 1 January 2021	147,257,192	110,063	663,771	123,552	2,473,595	-	150,628,173
Charge for the year (g)	6,540,527	-	18,930	6,535	38,240	-	6,604,232
Write-offs (h)	(747,421)	-	-	-	-	-	(747,421)
At 31 December 2021	<u>153,050,298</u>	<u>110,063</u>	<u>682,701</u>	<u>130,087</u>	<u>2,511,835</u>	<u>-</u>	<u>156,484,984</u>
<b>Net book amount</b>							
At 31 December 2021	<u>66,991,350</u>	<u>-</u>	<u>18,240</u>	<u>8,396</u>	<u>1,382,248</u>	<u>-</u>	<u>68,400,234</u>

(c) In accordance with the terms of its PWPA, the Company had transferred its sea water intake / outfall facilities to BSFC under a joint operating agreement [Note 2 A(vi)]. The transferred assets continue to be used by the Company for its operations since the Company retains significant risks and rewards relating to these assets.

(d) The plant is established on a leased land from the Ministry of Housing for an initial term of twenty-five years from their effective date and is renewable for another term of twenty-five years.

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

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#### 7 PROPERTY, PLANT AND EQUIPMENT (continued)

- (e) During the year 2021, the Company capitalised RO 5,304,992 as capital work-in-progress (CWIP) relating to Gas Turbine (2) Life Extension Activity.
- (f) In the year 2021, the Company transferred OMR 5,795,994 related to GT (2) from CWIP to plant and machinery after completion of Gas Turbine 2 Life Extension Activity. The activity was completed, tested and turbine was back in service since 31 March 2021. Useful life of the Extension Activity is estimated to be 17 years.

- (g) The depreciation charge has been allocated in the statement of profit or loss as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Operating costs (Note 25)	3,594,752	6,578,767
Administrative expenses (Note 27)	16,802	25,465
	<u>3,611,554</u>	<u>6,604,232</u>

- (h) In the year 2021, carrying value of the machinery parts that were replaced as part of the Gas Turbine 2 Lifetime Extension Activity amounting to RO 810,421 have been written-off. These assets has completed their technical useful life which necessitated the write-off.
- (i) Depreciation charge for property, plant and equipment includes depreciation of RO 9,933 (2021: RO 8,732) related to the additional assets of BSFC and RO 8,415 (2021: RO 8,415) related to site restoration asset of BSFC both of which are accounted as Joint Operator's share of BSFC and within the category of operating costs.

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

<b>8 INTANGIBLE ASSETS</b>		
<b>31 December 2022</b>		<b>Computer software</b>
<b>Cost</b>		
At 1 January 2022 and at 31 December 2022		<u>432,976</u> <u>432,976</u>
<b>Accumulated amortisation</b>		
At 1 January 2022		379,983
Charge for the year (Note 25)		<u>38,890</u>
At 31 December 2022		<u>418,873</u>
<b>Net book amount</b>		
At 31 December 2022		<u>14,103</u>
<b>31 December 2021</b>		
<b>Cost</b>		
At 1 January 2021 and at 31 December 2021		<u>432,976</u> <u>432,976</u>
<b>Accumulated amortisation</b>		
At 1 January 2021		299,792
Charge for the year (Note 25)		<u>80,191</u>
At 31 December 2021		<u>379,983</u>
<b>Net book amount</b>		
At 31 December 2021		<u>52,993</u>
<p>During the years 2022 and 2021, the Company did not internally generate or acquire any new intangible assets.</p>		
<b>9 RIGHT-OF-USE ASSETS</b>		
<b>31 December 2022</b>		<b>Leasehold land</b>
<b>Cost</b>		
At 1 January 2022 and At 31 December 2022		<u>654,977</u> <u>654,977</u>
<b>Accumulated amortisation</b>		
At 1st January 2022		222,059
Amortisation charge for the year (Note 25)		<u>22,285</u>
At 31 December 2022		<u>244,344</u>
<b>Net carrying amount</b>		
At 31 December 2022		<u>410,633</u>

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

#### 9 RIGHT-OF-USE ASSETS (CONTINUED)

31 December 2021	Leasehold land
<b>Cost</b>	
At 1 January 2021 and at 31 December 2021	<u>654,977</u> <u>654,977</u>
<b>Accumulated amortisation</b>	
At 1 January 2021	199,774
Amortisation charge for the year (Note 25)	<u>22,285</u>
At 31 December 2021	<u>222,059</u>
<b>Net carrying amount</b>	
at 31 December 2021	<u><u>432,918</u></u>

(a) The amortisation has been charged to operating costs (Note 25).

(b) Right-of-use assets originate from the long-term land lease contracts entered into by the Company with the Ministry of Housing in relation to land acquired for the plants. Under IFRS 16: Leases, these rights are reflected as an assets in the financial statements and amortised over the lease term.

(c) During the year 2019, the Company assessed the lease impact under IFRS 16 using contract rate/ market rate, as applicable, over the remaining useful lives of the plants. Where market rate has been used, a 3% annual escalation has been assumed in the rate starting from 1 January 2020. Expected rates may differ from the actual rates that could be realised and therefore the right-of-use assets and lease liabilities arising out of such revision will be accounted in the respective years.

(d) The Company's right-of-use assets include its 50% share of the assets of BSFC of which cost and accumulated amortisation as at the statement of financial position date amounts to RO 48,087 (2021: RO 48,087) and RO 7,694 (2021: RO 5,770), respectively.

(e) Depreciation charge for the period includes RO 1,923 (2021: RO 1,923) accounted as Joint Operator's share of BSFC.

10 INVENTORIES	31 December 2022	31 December 2021
Consumable spare parts	3,870,445	3,890,377
Fuel oil	674,595	674,595
Chemicals	41,365	49,685
	<u>4,586,405</u>	<u>4,614,657</u>

Management carries out an annual assessment of Inventories at every year-end and whenever provision is required for obsolescence/slow-moving, it is considered to bring the assets to its lower of cost or net realisable value. Currently, no provision has been considered for the year ended 31 December 2022 (31 December 2021: RO Nil).

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

11 TRADE AND OTHER RECEIVABLES	31 December 2022	31 December 2021
Trade receivables	1,940,889	8,058,239
Material Adverse Claim (MAC) receivable from OPWPC (Note 24 (a))	2,357,435	2,364,094
Other receivables	280,717	2,565,961
Advances and deposits to suppliers	12,082	2,000
Due from related parties (Note 23)	18,938	3,264
Staff advances	-	629
Financial assets assessed for ECL (gross)	<u>4,610,061</u>	<u>12,994,187</u>
Less: Loss allowance (e)	<u>(6,825)</u>	<u>(14,433)</u>
Financial assets assessed for ECL (net)	4,603,236	12,979,754
Prepayments	<u>103,644</u>	<u>439,968</u>
	<u><u>4,706,880</u></u>	<u><u>13,419,722</u></u>

(a) The carrying values of trade and other receivables classified at amortised cost approximate their fair values.

(b) The carrying amounts of the Company's trade receivables are primarily denominated in RO.

(c) Trade receivables include receivables from OPWPC and one other customer amounting to RO 1,288,956 (31 December 2021: RO 8,058,239) and RO 651,933 (31 December 2021: RO Nil), respectively.

(d) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The trade receivables of the Main Plant are secured by a guarantee from the Ministry of Finance.

(e) The Company applies the IFRS 9 simplified approach to measure ECL using a lifetime ECL loss allowance for trade receivables. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provisioning matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment. The key inputs to the measurement of ECL are the term structure of the following variables: i) Probability of Default (PD); ii) Loss Given Default (LGD) and; iii) Exposure at Default (EAD). The forward-looking information includes the elements such as macro-economic factors (e.g. unemployment, GDP growth, inflation and house prices) and economic forecasts obtained through internal and external sources.

(f) The movement in loss allowance for ECL of trade receivables is as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Opening balance	14,433	20,986
Reversal during the year (Note 26)	<u>(7,600)</u>	<u>(6,553)</u>
Closing balance	<u><u>6,833</u></u>	<u><u>14,433</u></u>



## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

#### 11 TRADE AND OTHER RECEIVABLES (CONTINUED)

(g) The aging analysis of gross trade receivables is as follows:

	<i>Total</i>	<i>Not past due</i>		<i>Past due</i>	
		<i>0 - 90 days</i>	<i>90 - 180 days</i>	<i>&gt; 180 days</i>	
	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>	<i>RO</i>
31 December 2022	<u>1,940,889</u>	<u>1,898,988</u>	<u>1,945</u>	<u>39,956</u>	
31 December 2021	<u>8,058,239</u>	<u>3,181,761</u>	<u>4,028,266</u>	<u>848,212</u>	

(h) On 20 February 2017, through Royal Decree 9/2017, income tax rate applicable on the Company has been increased from 12% to 15%. This increase falls under the provisions of MAC under the off-take agreements of the Company. The Company is entitled to recover this incremental tax from the off-taker and, accordingly, this has been claimed as a receivable.

#### 12 CASH AND BANK BALANCES

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:	31 December 2022	31 December 2021
Cash on hand	1,356	1,301
Current account with banks	6,093,663	5,552,347
Cash and bank balances (gross)	<u>6,095,019</u>	<u>5,553,648</u>
Less: loss allowance (a)	<u>(4,743)</u>	<u>(6,617)</u>
Cash and bank balances (net)	<u>6,090,276</u>	<u>5,547,031</u>

(a) Bank balances are placed with reputed financial institutions. Loss allowance of ECL recognised on bank balances as at 31 December 2022 is RO 4,743 (2021: RO 6,617). The movement in the loss allowance for ECL of cash and bank balances is as follows:

	31 December 2022	31 December 2021
Opening balance	6,617	15,589
Reversal during the year (Note 26)	<u>(1,874)</u>	<u>(8,972)</u>
Closing balance	<u>4,743</u>	<u>6,617</u>

(b) The current account balances with the banks are non - interest bearing and are denominated in RO.

#### 13 SHARE CAPITAL

Authorised share capital	31 December 2022	31 December 2021
Ordinary shares of RO 0.100 (2021: RO 0.100)	<u>1,000,000,000</u>	<u>1,000,000,000</u>

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

#### 13 SHARE CAPITAL (CONTINUED)

Issued and fully paid-up share capital

	31 December 2022	31 December 2021
Ordinary shares of RO 0.100 (2021: RO 0.100)	<u>160,000,000</u>	<u>160,000,000</u>

A break-down of the share capital as at 31 December 2022 and 31 December 2021 is as follows:

Name of the members	31 December 2022		31 December 2021	
	Percentage shareholding	Amount	Percentage shareholding	Amount
ACWA Power Barka Project LLC, Oman	58.0	9,280,000	58.0	9,280,000
Civil Services Pension Fund, Omar	14.1	2,256,000	14.1	2,256,000
Ministry Of Defence	9.6	1,536,000	9.6	1,536,000
Others	18.3	2,928,000	18.3	2,928,000
	<u>100.0</u>	<u>16,000,000</u>	<u>100.0</u>	<u>16,000,000</u>

#### 14 LEGAL RESERVE

In accordance with Article 132 of the Commercial Companies Law and Regulations of the Sultanate of Oman, 10% of the Company's net profit is to be transferred to a non-distributable legal reserve until such time as the amount of the legal reserve becomes equal to one-third of the Company's issued and fully paid-up share capital. During the year ended 31 December 2022, no transfer has been made, as the legal reserve has already reached the statutory minimum limit of one-third of the share capital (2021: RO Nil).

#### 15 SPECIAL RESERVE

In accordance with the Articles of Association of the Company, the excess of share issue amount collected over actual issue expenses has been transferred to a non-distributable special reserve.

#### 16 DIVIDENDS

During the year, no dividend was proposed to the shareholders (2021: RO Nil).

#### 17 LONG-TERM LOAN

	31 December 2022	31 December 2021
Loan from banks	19,351,025	24,131,741
Less: unamortised transaction costs	(113,343)	(186,552)
	<u>19,237,682</u>	<u>23,945,189</u>
Current portion	4,658,983	12,027,095
Non-current portion	14,578,699	11,918,094
	<u>19,237,682</u>	<u>23,945,189</u>

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

#### 17 LONG-TERM LOAN (continued)

(a) The movement in long-term loan recognised at the reporting date is as follows:

	31 December 2022	31 December 2021
Opening balance	24,131,741	36,030,817
Repaid during the year	<u>(4,780,716)</u>	<u>(11,899,076)</u>
Closing balance	<u>19,351,025</u>	<u>24,131,741</u>

(b) According to the Fourth Amended and Restated Loan Agreement, the term loan facility has the following four tranches:

Tranche	Fx	Principal amount	Interest rates	Final repayment date
A1	RO	62,539,208	5.50% fixed until 30 June 2023 and thereafter rate to be reset annually.	31 December 2024
A2	US\$	28,000,000	LIBOR + 3.25% (repaid on 31 October 2020)	30 October 2020
B	RO	16,600,000	5.50% fixed until 30 June 2023 and thereafter rate to be reset annually.	31 December 2024
C	RO	24,921,292	6.25% fixed until 30 June 2022, 5.5% from 1 July 2022 to 30 June 2023 and thereafter rate to be reset annually.	31 December 2024

Tranche A2 facility was fully repaid on 31 October 2020.

(c) The repayment schedule, before deduction of loan transaction costs, is as follows:

	31 December 2022	31 December 2021
Payable within one year	4,658,983	12,027,095
Payable between 1 and 2 years	14,692,042	4,654,864
Payable between 2 and 5 years	<u>-</u>	<u>7,449,782</u>
	<u>19,351,025</u>	<u>24,131,741</u>

(d) The loan is secured by a charge on all projects, and Expansion Project - Phase I and II assets, Government guarantee under PWPA, assignment of insurance / reinsurances, agreement for security over promoters' shares and charge over the Company's project accounts.

(e) The movement in unamortised transaction costs is as follows:

	31 December 2022	31 December 2021
Opening balance	186,552	422,426
Amortised during the year (Note 28)	(133,538)	(235,874)
Paid during the year	<u>60,330</u>	<u>-</u>
Closing balance	<u>113,344</u>	<u>186,552</u>

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

#### 18 TAXATION

##### (a) Current tax

Provision for income tax has been made after giving due consideration to adjustments for potential allowances and disallowances.

Statement of profit or loss	Year ended 31 December 2022	Year ended 31 December 2021
Tax charge (net)	(17,184)	1,948,015
Deferred tax	44,234	(410,928)
	<u>27,050</u>	<u>1,537,087</u>
	31 December 2022	31 December 2021
<b>Statement of financial position</b>		
<b>Non-current liabilities:</b>		
Deferred tax		
Closing balance	<u>5,547,498</u>	<u>5,503,264</u>
<b>Current liabilities:</b>		
Current year	(17,184)	1,948,015
Prior year	8,596,961	7,064,795
At the reporting date	<u>8,579,777</u>	<u>9,012,810</u>
<b>Deferred tax liabilities:</b>		
Opening balance	5,503,264	5,914,192
Movement for the year	44,234	(410,928)
Closing balance	<u>5,547,498</u>	<u>5,503,264</u>
	31 December 2022	31 December 2021
<b>Provision for income tax</b>		
Opening balance	9,012,810	10,960,109
Charge for the year	(17,184)	1,948,015
Payments during the year	(415,849)	(3,895,314)
Closing balance	<u>8,579,777</u>	<u>9,012,810</u>
The total income tax for the current period can be reconciled to the accounting profits as follows:		
	Year ended 31 December 2022	Year ended 31 December 2021
Net (loss)/profit before tax for the year	<u>(2,235,220)</u>	<u>10,210,389</u>
Tax at statutory tax rate of 15% (2021: @15%)	(335,283)	1,531,558
Tax effect of items non-deductible for tax purposes	362,333	5,529
Income tax expense for the year	<u>27,050</u>	<u>1,537,087</u>

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

#### 18 TAXATION (CONTINUED)

##### (b) Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2021 - 15%). The net deferred tax liability and deferred tax (reversal)/ charge in the statement of profit or loss are attributable to the following items:

	At 1 January 2022	Charge / (reversal) to statement of profit or loss	At 31 December 2022
<b>Assets</b>			
Provision for site restoration expenses	(535,702)	(29,901)	(565,603)
ECL allowance	(3,157)	1,421	(1,736)
Income tax losses available for carry forward	(17)	17	-
Right-of-use assets	(108,828)	(3,995)	(112,823)
<b>Liabilities</b>			
Property, plant and equipment	5,679,367	100,843	5,780,210
Right-of-use assets	64,938	(3,054)	61,884
Decommissioning/ site restoration asset	406,663	(21,097)	385,566
	<u>5,503,264</u>	<u>44,234</u>	<u>5,547,498</u>

	At 1 January 2021	Charge / (reversal) to statement of profit or loss	At 31 December 2021
<b>Assets</b>			
Provision for site restoration expenses	(505,053)	(30,649)	(535,702)
ECL allowance	(5,486)	2,329	(3,157)
Income tax losses available for carry forward	(4,406)	4,389	(17)
Right-of-use assets	(105,297)	(3,531)	(108,828)
<b>Liabilities</b>			
Property, plant and equipment	6,037,129	(357,762)	5,679,367
Right of-use assets	68,281	(3,343)	64,938
Decommissioning/ site restoration asset	429,024	(22,361)	406,663
	<u>5,914,192</u>	<u>(410,928)</u>	<u>5,503,264</u>

##### (c) Status of tax assessments

###### c.1 Prior to tax year 2009

The assessments are completed up to tax year 2009 with no pending matters with the Tax Authority or Commercial Courts.

###### c.2 Tax years 2010 to 2012

The Company has lodged an Appeal with the Income Tax Grievance Committee to claim: a) indefinite carry forward of tax losses incurred during the exemption period of five years from commercial operations date and b) reversal of additional tax levied for the tax years 2011 and 2012. The decision from the Committee is awaited.

## **Barka Water and Power Company SAOG**

### **Notes to the financial statements for the year ended 31 December 2022**

(Expressed in Omani Rial)

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#### **18 TAXATION (CONTINUED)**

##### **c.2 (a) Tax losses incurred during the exempt period**

In accordance with Royal Decree No. 54/2000 ("RD 54/2000"), the Company was exempted from income tax for a period of five years with effect from commencement of commercial operations. The tax exemption was granted for a period of five years commencing from 11 June 2003 and expiring on 10 June 2008 (the Tax Holiday Period). At the time of issuance of RD 54/2000, the Company was eligible to carry forward its tax losses indefinitely under Article 14 of the applicable Income Tax Law.

Amongst others, the Tax Authority ("TA"), in completed assessments of tax years 2006 to 2009 had not allowed to carry forward and set-off of tax losses incurred during the exemption period. The issue of tax losses was litigated before the commercial courts. In the year 2018, the Supreme Court issued its judgment on Appeal filed by the TA against the Appeal Court judgment and ruled against the Company in respect of carry forward of tax losses. The Company believes that position taken by TA has turned an incentive given under the RD 54/2000 into a disincentive. The impact of this ruling was an increase in income tax liability of the Company by RO 4,704,964 which was recognised in the financial statements for the year ended 31 December 2017.

Consequent to the judgment of the Supreme Court for tax years 2006 to 2009, the TA, in the year 2019, had issued the assessment orders under Article 148 of the Income Tax Law for the tax years 2010 to 2012 to give consequential effect of the judgment and raised a tax demand of RO 2,204,624 for the tax years 2011 and 2012. The Company settled this tax demand accordingly.

In the year 2019, the Supreme Court issued its judgment in case of another Power Company (exempt from income tax under the same RD 54/2000) and allowed indefinite carry-forward of tax losses incurred during the exemption period. The Company believes that Supreme Court judgment issued in case of that Power Company subject to same Royal Decree reflects the correct and final interpretation of the Law and should be applied in its case as well.

##### **c.2 (b) Additional tax**

During the year 2019, the Company has, under protest and without prejudice, paid an additional tax of RO 526,850 for the tax years 2011 and 2012 against a demand notice issued by the TA. The Company believes that demand raised by the TA was not payable because it had not given a consequential effect arising from a favourable ruling of the Appeal Court (for certain other tax years). The TA had issued the demand notice earlier, which was considered as cancelled based on favourable ruling of the Appeal Court. The Company's position is that tax liability for the subject years was payable only when once the order giving effect to the Supreme Court judgment (for certain other tax years) was issued reversing the ruling of the Appeal Court and not from the date of the original order. The Company believes that it has complied with the tax laws on a timely basis.

##### **c.3 Tax year 2013**

At the end of year 2019, the Company received an assessment order for the tax year 2013 assessing an additional tax payment of RO 372,716. The Company filed an objection in February 2020 along with a request to keep the tax demand raised in the order in abeyance which was rejected by the TA. Consequently, the Company settled this demand prior to lodging an Appeal against the rejection of the objection. The Company filed the Appeal on the same grounds claiming tax losses incurred during the exempt period (refer C.2 (a) above for tax years 2010-2012). During the year 2021, TA re-assessed tax return for year 2013 and made corrections previously highlighted by the Company in good faith. Consequently, TA demanded additional tax liability of RO 1,286,696 which was settled by the Company. As the assessment was revised, objection submitted by the Company in the year 2020 was nullified and revised objection was filed on the same grounds. The Company has paid additional tax liability of RO 415,849 for tax year 2013 on 15 March 2022 and has submitted Grievance letter to the Tax Grievance Committee on 22 March 2022.

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

#### 18 TAXATION (CONTINUED)

##### c.4 Tax years 2014 - 2016

In December 2020, TA issued assessment orders for the tax years 2014 to 2016 and raised a demand of RO 2,608,618 which was settled by the Company during the year 2021. The Company already had provided for this liability in its financial statements. The Company upon advice of its tax consultant, filed an objection on the same grounds claiming tax losses incurred during the exempt period (refer C.2 (a) above for tax years 2010-2012).

##### c.5 Tax years 2017 - 2020

In December 2022, TA issued assessment orders for the tax years 2017 to 2020 and raised a demand of RO 7,045,616 which is due to be settled by the Company before 25 January 2023. The Company already had provided for this liability in its financial statements. The Company has filed an objection on the same grounds claiming tax losses incurred during the exempt period [refer C.2 (a) above for tax years 2010-2012]. Subsequent to the year-end, the Company has paid RO 7,045,616 against the provision made in earlier years.

##### c.6 Tax Year 2021

The Company has already submitted assessment response for the tax year 2021 and the assessment is pending to be closed.

No other tax related matters are outstanding in Commercial Courts as at the financial statements date.

#### 19 PROVISION FOR SITE RESTORATION

	31 December 2022	31 December 2021
Opening balance	3,571,362	3,367,014
Accretion charge/ interest for the period (Note 28)	<u>216,772</u>	<u>204,348</u>
Closing balance	<u><u>3,788,134</u></u>	<u><u>3,571,362</u></u>

Plants are constructed on leasehold lands, (including seawater facility - Joint Operation) taken from the Ministry of Housing under the respective Usufruct Agreements which are originally given for a period of 25 years, with the Company having the right to renew for another period of 25 years. These contracts require decommissioning and restoration of land at the end of their respective contract terms.

- (a) The accretion charges for the year includes 50% share of BSFC amounting to RO 17,433 (31 December 2021: RO 16,292).

#### 20 EMPLOYEE BENEFIT LIABILITIES

	31 December 2022	31 December 2021
Opening balance	80,688	87,111
Provision for the year (Note 27)	11,319	12,724
Transfer adjustment	19,823	-
Payments made during the year	<u>(82,746)</u>	<u>(19,147)</u>
Closing balance	<u><u>29,084</u></u>	<u><u>80,688</u></u>
Number of employees	<u><u>2</u></u>	<u><u>2</u></u>

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

21 LEASE LIABILITIES	31 December 2022	31 December 2021
Opening balance	725,521	701,979
Interest expense (Note 28)	43,501	41,685
Lease payments	<u>(12,902)</u>	<u>(18,143)</u>
Closing balance	<u><u>756,120</u></u>	<u><u>725,521</u></u>

Operating lease payments under the Usufruct Agreements are as follows:

	31 December 2022	31 December 2021
Within 1 year	11,521	8,353
Within 2 - 5 years	171,558	109,684
More than 5 years	<u>1,178,703</u>	<u>1,256,647</u>
	<u>1,361,782</u>	<u>1,374,684</u>
Less: implicit finance costs	<u>(605,662)</u>	<u>(649,163)</u>
Present value of lease payments	<u><u>756,120</u></u>	<u><u>725,521</u></u>

	31 December 2022	31 December 2021
Lease liabilities as at the reporting date is classified as follows:		
Current portion	11,521	8,353
Non-current portion	<u>744,599</u>	<u>717,168</u>
	<u><u>756,120</u></u>	<u><u>725,521</u></u>

- (a) Lease liability as at the statement of financial position date include 50% share of the lease liability of BSFC which amounts to RO 60,657 (2021: RO 56,689). The component of interest expense recognised for the year in relation to BSFC is RO 3,968 (2021: RO 3,741). The Company's share of the lease payment for the period amounts to RO 1,000 (2021: RO NIL).

22 TRADE AND OTHER PAYABLES	31 December 2022	31 December 2021
Trade payables	884,178	5,603,480
Amounts due to related parties (Note 23)	6,840,182	6,529,129
Accrued and other expenses	<u>625,224</u>	<u>924,744</u>
	<u><u>8,349,584</u></u>	<u><u>13,057,353</u></u>

Trade payables are generally settled within 30 to 60 days of the suppliers' invoice date and are denominated in RO.

The contractual maturity date for trade payables is due within 12 months from the statement of financial position date.



## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

#### 23 RELATED PARTY TRANSACTIONS AND BALANCES

The Company, in the ordinary course of business, deals with parties, which fall within the definition of 'related parties' as contained in International Accounting Standard (IAS) 24. The management believes that such transactions are not materially different from those that could be obtained from unrelated parties.

During the year, the Company entered into the following transactions with related parties:

	31 December 2022		31 December 2021	
	Services rendered	Services received	Services rendered	Services received
Related parties	19,250	7,280,549	102,788	18,778,441

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

Due to related parties:	Nature of relationship	31 December 2022	31 December 2021
ACWA Power Barka Services 1 (Mauritius) Limited	Group entity	1,271,263	244,909
ACWA Power Barka Services 2 (Mauritius) Limited	Group entity	1,271,263	244,909
ACWA Power Oman LLC, Oman	Group entity	-	4,372
ACWA Power Global Services LLC, Oman	Group entity	1,677	-
Barka Seawater Facilities Company SAOC, Oman	Joint Operation	148,097	90,080
Dhofar Desalination Company SAOC, Oman	Group entity	-	23
ACWA Power Company - Riyadh	Group entity	-	37,392
First National Company for Operation and Maintenance Services LLC, Oman	Group entity	4,147,882	5,907,444
		<u>6,840,182</u>	<u>6,529,129</u>
<b>Due from related parties:</b>		<b>31 December 2,022</b>	<b>31 December 2,021</b>
ACWA Power Oman LLC, Oman	Group entity	4,055	-
ACWA Power Barka Project LLC, Oman (a)	Group entity	3,143	2,478
ACWA Power Global Services LLC, Oman	Group entity	-	786
ACWA Power Company - Riyadh	Group entity	11,740	-
		<u>18,938</u>	<u>3,264</u>

As required by Article 272 of the Commercial Companies Law and Regulations of Sultanate of Oman, the Shareholders are prohibited from obtaining loan from the company. However, as at 31st December there are debit balances of RO 3,143 lying in the books of account representing monies due for certain past transactions which are entered by the Shareholders in the normal course of business.

Outstanding balances at the year-end arise in the normal course of business, are unsecured and settlement occurs in cash.

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

#### 23 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

##### Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Short-term benefits	230,581	292,956
Employee benefit liabilities	28,697	20,198
	<u>259,278</u>	<u>313,154</u>
Directors' sitting fees	<u>25,200</u>	<u>20,400</u>
Directors' remuneration	<u>-</u>	<u>28,721</u>

#### 24 REVENUE

	Year ended 31 December 2022	Year ended 31 December 2021
<b>Revenue from contracts with customers</b>		
Capacity charges - electricity	792,886	6,984,269
Capacity charges - water	3,233,156	6,998,222
Energy charge - electricity	533,151	5,533,641
Output charge - water	2,614,990	2,230,601
MAC event revenue (a)	-	446,821
	<u>7,174,183</u>	<u>22,193,554</u>
<b>Revenue from lease contracts</b>		
Capacity charges - electricity	1,352,626	11,181,743
Capacity charges - water	6,144,521	6,185,162
	<u>7,497,147</u>	<u>17,366,905</u>
<b>Total</b>	<u>14,671,330</u>	<u>39,560,459</u>

(a) On 20 February 2017, through Royal Decree 9/2017, income tax rate applicable on the Company has been increased from 12% to 15%. This increase falls under the provisions of MAC under the off-take agreements of the Company. The Company is entitled to recover this incremental tax from the off-taker and, accordingly, this has been claimed and recorded as a receivable (Note 11).

(b) The future minimum lease receipts under non-cancellable operating leases in the aggregate and for each of the following years is as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Operating lease arrangement - lessor		
Future minimum lease payments:		
Within one year	7,813,865	-
After one year but not more than five years	1,926,706	-
	<u>9,740,571</u>	<u>-</u>

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

25 OPERATING COSTS	Year ended 31 December 2022	Year ended 31 December 2021
Operation and maintenance fee - NOMAC Oman (a)	4,956,122	9,472,236
Depreciation property, plant and equipment (Note 7-g)	3,594,752	6,578,767
Electricity back-up maintenance	2,069,609	2,336,179
Operating and technical services fee	1,888,342	1,865,087
Insurance	745,462	718,526
Natural gas	519,500	4,806,232
Repairs and maintenance	278,835	215,101
Amortisation of intangible assets (Note 8)	38,890	80,191
Amortisation of right of-use-assets (Note 9)	22,285	22,285
Write-off of property, plant and equipment (Note 7-i)	-	810,421
Fuel oil	-	71,046
	<u>14,113,797</u>	<u>26,976,071</u>

(a) The Company had entered into an agreement with NOMAC Oman for the services to operate and maintain its Power and SWRO plants. Under this agreement, the Company pays monthly fixed and variable fees to NOMAC Oman in consideration of its undertaking of all planned and unplanned operating and maintenance activities over the terms of the PWPA /WPAs. During the year, the Company has not incurred any expenses in relation to the termination of the PWPA/WPAs of nil (31 December 2021: RO 825,269). NOMAC Oman is an affiliate of the Company.

(b) The Amended Agreement with NOMAC is approved by the shareholders at the OGM held on 7 December 2022 and it is currently under execution.

26 OTHER INCOME	Year ended 31 December 2022	Year ended 31 December 2021
Interest income	18,921	45,644
Reversal of ECL on trade receivables (Note 11)	7,600	6,553
Gain on disposal of property plant and equipment	1,500	-
Reversal of ECL on bank balances (Note 12)	1,874	8,972
Insurance claims (a)	-	1,175,443
	<u>29,895</u>	<u>1,236,612</u>

(a) The Company recognised an insurance claim of RO 1,175,443 during previous year for the business interruption due to technical failures which occurred on 18 June 2020 in Gas Turbine Generator of its Power Plant.

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

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#### 27 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2022	Year ended 31 December 2021
Salaries and allowances	688,219	721,188
Legal and professional fees	190,868	305,462
Fees and subscription	119,826	120,430
Directors' remuneration and sitting fees (Note 23)	25,200	49,121
Communication	34,942	36,419
Security and agency fees	19,255	19,255
Depreciation on property, plant and equipment (Note 7-g)	16,802	25,465
Contribution to social insurance	11,648	17,616
Employee benefit liabilities (Note 20)	11,319	12,724
Events and office supplies	5,544	405
Corporate Social Responsibility expenses	4,862	7,787
Travel	2,988	923
Training	2,884	2,936
Repairs and maintenance	947	6,884
Loss on exchange(net)	344	2,558
Advertisement	-	500
Miscellaneous expenses	4,953	6,460
<b>Total</b>	<b>1,140,601</b>	<b>1,336,133</b>

#### 28 FINANCE COSTS

	Year ended 31 December 2022	Year ended 31 December 2021
Interest on long-term loan	1,288,236	1,791,373
Accretion charge/ interest on provision for site restoration (Note 19)	216,772	204,348
Amortisation of finance costs (Note 17)	133,538	235,874
Interest on lease liabilities (Note 21)	43,501	41,685
Commitments/administration fees	-	1,198
	<b>1,682,047</b>	<b>2,274,478</b>

#### 29.a BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit/ (loss) for the period with the weighted average number of shares issued and outstanding during the period.

	Year ended 31 December 2022	Year ended 31 December 2021
Net (loss)/profit for the year	<b>(2,262,270)</b>	<b>8,673,302</b>
Weighted average number of ordinary shares issued and outstanding during the period (number)	<b>160,000,000</b>	<b>160,000,000</b>
Basic and diluted (loss) / earnings per share (RO)	<b>(0.014)</b>	<b>0.054</b>

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

#### 29.a BASIC AND DILUTED EARNINGS PER SHARE (continued)

No figure for diluted earnings per share has been presented because the Company has not issued any instruments which would have an impact on earnings per share when exercised.

#### 29.b NET ASSETS PER SHARE

Net assets per share is calculated by dividing the shareholders' funds at the end of the year by the weighted average number of shares issued and outstanding as follows:

	31 December 2022	31 December 2021
Shareholders' funds (RO)	<u>34,309,098</u>	<u>36,571,368</u>
Weighted average number of ordinary shares issued and outstanding during the year (number)	<u>160,000,000</u>	<u>160,000,000</u>
Net assets per share (RO)	<u><u>0.214</u></u>	<u><u>0.229</u></u>

#### 30 IMPAIRMENT ASSESSEMENT FOR PROPERTY, PLANT AND EQUIPMENT

##### (a) Power Plant

Based on the outcome of the Request for Offer bidding process, the Company was not able to secure extension of its Power Purchase Agreement ('PPA') for its Power Plant beyond December 2021. Accordingly, the management had identified this as an impairment indicator for its power plant and, accordingly, during the year ended 31 December 2020, the Company had recorded an impairment charge amounting to RO 17.7 million on the main power plant.

In the year 2021, the Company has received formal confirmation from OPWPC about the Annulment of Power 2022 procurement process and currently the operation of this plant is subject to certain force majeure events which were accepted by OPWPC. Accordingly, this resulted into a contract extension to on or around until 07 February 2022. Further, during the year 2022 OPWPC has launched the spot market mechanism, which was announced in February 2022. The Company has participated in the trial period and is willing to participate in the spot market. Additionally, Company also entered a bilateral arrangement with OQ Plastics in the month of September 2022 for 17 days as a trial run whereby power plant supplied 25% of its total capacity. However, considering the annulment of Power 2022 procurement process and uncertainties about the participation in spot market and lack of bilateral arrangement as of yet, the Company has identified it as an impairment indicator and performed an impairment assessment.

Accordingly, the management hired an International reputed consultancy firm based in Madrid (Spain), to assess the Oman market situation and provide an estimate of the NBV of the Main Power Plant, which has been used for the Impairment analysis purposes. Independents consultant approach and results have been summarised in their report.

Based on Independent consultant's report, the management has estimated the recoverable amount of the Power Plant and concluded that no need for the additional impairment as at 31 December 2022 the carrying amount of the cash-generating unit (i.e. main Power Plant) does not exceed the recoverable amount. Total carrying value of Power Plant is RO 42.04 million compared with its recoverable value of RO 42.48 million. Further, considering the conservative approach as well as initial stages of Power 2024 procurement process, uncertainties about the participation in the spot market and lack of any confirmed Direct Sales agreement under the bilateral arrangement, management has not reversed the impairment of RO 0.44 million. Further, the reassessment of the main power plant and SWRO plants will be performed again by end of the financial year 2023, wherein detailed information will be available to revalidate / revisit the assumptions used for the impairment assessment.

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

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#### 30 IMPAIRMENT ASSESSEMENT FOR PROPERTY, PLANT AND EQUIPMENT

##### (b) SWRO Plants

Based on the outcome of the Request for Offer bidding process, the Company was not able to secure extension of its Water Purchase Agreement (“WPA”) for its SWRO Plants beyond December 2021. Accordingly, the management had identified this as an impairment indicator for its SWRO Plants in the year 2020 and recognised an impairment charge amounting to RO 1.7 million on SWRO1 and RO 3.1 million on SWRO 2 in the year ended 31 December 2020.

On 03 February 2022, the Company signed the WPA Amendment Agreements with the OPWPC for the contracts for a period of 23 months (with OPWPC's option to extend for an additional 9 months in three three-month tranches) at full capacity (22.5MIGD). Therefore, considering the above facts, management has performed an impairment assessment and internally estimated the recoverable amount for SWRO Plant-1 and SWRO Plant-2 based on value-in-use computation and, concluded that, there is no need for additional impairment as the carrying amount of the cash-generating unit (SWRO1 and SWRO 2 plant) does not exceed its recoverable amount.

In the calculation of value-in-use for the years 2022 and 2023, management has considered tariff rates based on the letter awarded by OPWPC on 02 February 2022 for the extension of SWRO's Plant for the period of 23 months. Further, the management has considered discounted tariff (Barka V proposal) from the period 2024 to 2043.

Total carrying value is RO 9.96 million for SWRO -1 plant and RO 13.21 million for SWRO -2 and the recoverable value is RO 10.77 million for SWRO -1 and RO 13.42 million for SWRO -2. However, considering the conservative approach and uncertainties about the further extension of WPA agreements, management has not reversed the impairment reversal of RO 1.02 million for SWRO -1 and RO 0.21 million for SWRO -2.

##### (c) Power Plant and SWRO

The Company has assessed its future cashflows from each cash generating unit and carried out an impairment exercise as at 31 December 2021 as required by IAS 36 “Impairment of Assets”. Future cashflows were discounted and impairment testing was performed. Recoverable value was estimated based on value-in-use method as it reflects more accurately the manner in which the economic benefits embodied in the asset are expected to be realised by the Company. All future cash flows were based on management's best estimate discounted at a post-tax discount rate of 7.78% (2021: 7.57%) in assessing the Net Present Value (NPV) of future cash flows.

Further, reassessment of the main power plant and SWRO plants will be carried out by end of the financial year 2022 as part of the standard annual impairment assessment process, wherein detailed information will be available to validate / revisit the assumptions used for the impairment assessment.

##### (d) Based on the conditions and the assessment, as explained in point (a), (b) and (c) above, the Company has not recognised any impairment in the financial statements as at 31 December 2022.

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

#### 30 IMPAIRMENT ASSESSEMENT FOR PROPERTY, PLANT AND EQUIPMENT (continued)

(e) A summary of the impairment assessment of impaired assets is disclosed below:

	Year ended 31 December 2022	Year ended 31 December 2021
Recoverable value		
Power Plant	42,486,448	47,290,524
RO1 Water Plant	10,766,442	11,209,415
RO2 Water Plant	13,424,376	14,011,769
Total	<u>66,677,266</u>	<u>72,511,708</u>
Carrying value		
Power Plant	42,040,343	45,233,898
RO1 Water Plant	9,959,208	10,402,181
RO2 Water Plant	13,214,148	13,801,541
Total	<u>65,213,699</u>	<u>69,437,620</u>

#### 31 OPERATING SEGMENTS

Information regarding the Company's operating segments is set out below in accordance with IFRS 8 - "operating segments". IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the senior management and the Board of Directors in order to allocate resources to the segment and to assess its performance. There has not been any change in segment reporting compared to the previous year.

##### Reportable segments

At 31 December 2022, the Company is organised into two main operating segments:

##### Base Plant

Base Plant segment comprises of power production and Multi-Stage Flash Distillation (MSFD) facilities which commenced its commercial operations on 11 June 2003. MSFD was impaired in the year 2018 and has not been operational thereafter.

##### Expansion Plants

Expansion Plants segment comprises of two SWRO based water production facilities which commenced their commercial operations on 29 May 2014 and 26 February 2016, respectively. In view of similar operating and economic characteristics, these two plants have been aggregated as one reportable segment in line with the requirements of IFRS 8.

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

#### 31 OPERATING SEGMENTS (continued)

Segment revenues and results Year ended 31 December 2022	Base Plant	Expansion Plants	Total
Revenue	2,949,180	11,722,150	14,671,330
Natural gas	519,500	-	519,500
Operation and maintenance fees - NOMAC Oman	1,376,174	3,579,948	4,956,122
Depreciation on property, plant and equipment	2,570,176	1,024,576	3,594,752
Interest on long-term loan	385,895	902,341	1,288,236
<b>Operating costs</b>	<b>4,851,745</b>	<b>5,506,865</b>	<b>10,358,610</b>
Segment (loss) / profit before income tax	(5,416,015)	3,180,795	(2,235,220)
Year ended 31 December 2021	Base Plant	Expansion Plants	Total
Revenue	29,316,815	10,243,644	39,560,459
Natural gas	4,609,973	196,259	4,806,232
Operation and maintenance fee - NOMAC Oman	6,429,082	3,043,154	9,472,236
Depreciation on property, plant and equipment	5,554,191	1,024,576	6,578,767
Interest on long-term loan	642,487	1,148,886	1,791,373
<b>Operating costs</b>	<b>17,235,733</b>	<b>5,412,875</b>	<b>22,648,608</b>
Segment profit before income tax	7,096,594	3,113,795	10,210,389

#### 32 CAPITAL RISK MANAGEMENT

The capital is managed by the Company in a way that it is able to continue to operate as a going concern while maximising returns to the shareholders.

The capital structure of the Company consists of share capital, reserves and retained earnings. The Company manages its capital by making adjustments in dividend payments and bringing in additional capital in light of changes in business conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2022 and 2021.

#### 33 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT

##### (a) Financial assets and liabilities

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, trade and other receivables, lease liabilities, trade and other payables and long-term loans. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

##### (b) Risk management

Risk management is carried out by the Finance Department of the Company under the guidance of the senior management and the Board of Directors. The senior management and the Board of Directors provide significant guidance for overall risk management covering specific areas such as credit risk, interest rate risk, foreign exchange risk and investment of excess liquidity.



## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

#### 33 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (continued)

##### (c) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Current and non-current components of long-term loan and lease liabilities comprise of debt while capital includes share capital, reserves and retained earnings.

	31 December 2022	31 December 2021
Long-term loan	19,237,682	23,945,189
Lease liabilities	756,120	725,521
Total debt	<u>19,993,802</u>	<u>24,670,710</u>
Share capital	16,000,000	16,000,000
Legal reserve	5,333,333	5,333,333
Special reserve	85,555	85,555
Retained earnings	12,890,210	15,152,480
Total capital emp	<u>34,309,098</u>	<u>36,571,368</u>
Total capital and net debt	<u>54,302,900</u>	<u>61,242,078</u>
Gearing ratio	<u>37%</u>	<u>40%</u>

In addition, the Company's activities expose it to a variety of financial risks: market risk (including currency rate risk, interest rate risk and price risk), credit risk and liquidity risk.

##### (d) Market risk

###### (i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's functional and presentation currency is RO and the Company's performance is substantially independent of changes in foreign currency rates. The Company has transactional currency exposures. There are no significant financial instruments denominated in foreign currencies, and consequently, foreign currency risk is not significant.

###### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

As at the statement of financial position date, the Company does not have outstanding debt obligation obtained on variable interest rate. Further, the Company places short-term bank deposits with fixed interest-rates and is, therefore, not exposed to interest-rate risk. The Company adopts a policy of ensuring that major portion of its borrowings are on a fixed-rate basis.

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

(Expressed in Omani Rial)

#### 33 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (continued)

##### (ii) Interest rate risk (continued)

At the reporting date, the interest-rate risk profile of the Company's interest-bearing financial instruments is as follows:

	31 December 2022	31 December 2021
Fixed rate instruments		
Financial liabilities - long-term loans	<u>19,237,682</u>	<u>23,945,189</u>
	<u>19,237,682</u>	<u>23,945,189</u>

##### (iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest-rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As the Company has no exposure to investments, it does not have the risk of fluctuation in prices.

##### (e) Credit risk

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

The Company provides services to OPWPC, a Government entity in the Sultanate of Oman. This customer accounts for 100% of the outstanding trade receivables as at 31 December 2022 (31 December 2021: 100%).

With respect to credit risk arising from other financial assets of the Company, including cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, maximum exposure being equal to the carrying amount of these instruments. Management believes that the Company's other financial assets are not susceptible to significant credit risk.

The maximum exposure to credit risk at the reporting date was on account of:

	31 December 2022	31 December 2021
Trade receivables (net)	1,934,064	8,043,806
Other receivables	2,650,234	4,932,684
Due from related parties	18,938	3,264
Bank balances (net)	<u>6,088,920</u>	<u>5,545,730</u>
	<u>10,692,156</u>	<u>18,525,484</u>

##### (f) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient bank balances and cash to meet the Company's obligations as they fall due for payment.

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

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#### 33 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (continued)

##### (f) Liquidity risk (continued)

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company is relying on short-term facilities from banks to manage liquidity on a need basis.

The tables below summarise the maturities of the Company's undiscounted financial liabilities based on contractual payment dates and current market interest rates:

As at 31 December 2022	Carrying value	Less than 1 year	1 - 2 years	More than 2 years	Total
Term loan	19,237,682	4,545,640	14,692,042		19,237,682
Trade payables	884,178	884,178	-	-	884,178
Lease liabilities	756,120	11,521	171,558	573,041	756,120
Due to related parties	6,840,182	6,840,182	-	-	6,840,182
Other payables	625,224	625,224	-	-	625,224
	<b>28,343,386</b>	<b>12,906,745</b>	<b>14,863,600</b>	<b>573,041</b>	<b>28,343,386</b>

As at 31 December 2021	Carrying value	Less than 1 year	1 - 2 years	More than 2 years	Total
Term loan	23,945,189	13,249,512	5,314,626	5,381,051	23,945,189
Trade payables	5,603,480	5,603,480	-	-	5,603,480
Lease liabilities	725,521	11,939	12,217	701,365	725,521
Due to related parties	6,529,129	6,529,129	-	-	6,529,129
Other payables	924,744	924,744	-	-	924,744
	<b>37,728,063</b>	<b>26,318,804</b>	<b>5,326,843</b>	<b>6,082,416</b>	<b>37,728,063</b>

#### 34 SUBSEQUENT EVENTS

There were no events occurring subsequent to 31 December 2022 and before the date of report that are expected to have a significant impact on these financial statements.

#### 35 COMPARATIVE FIGURES

Certain comparative figures of the previous year have been either regrouped or reclassified, wherever necessary, in order to conform with the presentation adopted in the current years' financial statements. Such regroupings or reclassifications did not affect previously reported net profit or shareholders' equity.

## Barka Water and Power Company SAOG

### Notes to the financial statements for the year ended 31 December 2022

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#### 36 NOTES SUPPORTING THE STATEMENT OF CASH FLOWS

Transactions from financing activities shown in the reconciliation of liabilities from financing transactions is as follows:

Year ended

31 December 2022

Particulars	1 January 2022	Cash inflows/ (outflows)	Non-cash changes	31 December 2022
Long-term loan	23,945,189	(4,841,046)	133,538	19,237,681
Lease liabilities	725,521	(12,902)	43,501	756,120

Year ended

31 December 2021

Particulars	1 January 2021	Cash inflows/ (outflows)	Non-cash changes	31 December 2021
Long-term loan	35,608,391	(11,899,076)	235,874	23,945,189
Lease liabilities	701,979	(18,143)	41,685	725,521