Phoenix

PHOENIX POWER COMPANY SAOG

Generating for Generations

ANNUAL REPORT

2019

His Majesty
Sultan Qaboos Bin Said (Late)

His Majesty
Sultan Haitham Bin Tarik

Contents

VISION

To be safest, most reliable, efficient, and environmentally conscious energy provider in Oman

MISSION

To deliver safe, reliable and efficient power to the people of Oman in an environmentally Compliant manner, such that Sur IPP is held in high regard by all those involved with the business.

VALUES

STRONG:	Safety . Teamwork . Respect . Ownership . Nurturing . Growth
SAFETY:	We will keep each other safe by making sure that at all times that nothing is so urgent or important that it cannot be done safely.
TEAMWORK:	The power of the Team is highly important to business success.
RESPECT:	We will treat people in a positive manner and pay due attention to the views and feelings of those around us.
OWNERSHIP:	We will be honest with each other and we take responsibility and ownership for our actions.
NURTURING:	Support & encourage the development for each other .
GROWTH:	We learn from each other & other around us which results in overall growth and improvement .

Board of Directors and Key Executive Officers

Board of Directors		Representing
Mr. Khalid Jolo	Chairman	Nebras Power Q.P.S.C
Mr. Peter Jones	Deputy Chairman	Axia Power Holdings B.V.
Mr. Carlos Alcazar	Director	
Mr. Tomoki Nishino	Director	
Mr. Jun Sano	Director	JERA Power Management Mid East B.V.
Mr. Motoharu Nakada	Director	

Key Executive Officers	
Mr. Paul Adam Atkinson	Chief Executive Officer
Mr. Koichi Matsumoto	Chief Financial Officer
Mr. Khalid Al Maawali	Commercial Manager

Chairman's (Board of Directors') Report

Dear Shareholders,

On behalf of the Board of Directors of Phoenix Power Company SAOG ("PPC" or the "Company"), I have the pleasure to present the Annual Report of the Company for the year ended 31 December 2019.

The Company, incorporated in 2011, owns and operates the 2000 MW Sur Independent Power Plant ("the Plant"), located in the Sur industrial area, approximately 175km south-east of Muscat. Phoenix Power currently generates its revenues pursuant to a 15-year term Power Purchase Agreement ("PPA") with Oman Power and Water Procurement Company SAOC ("OPWP") and purchases gas from the Ministry of Oil and Gas ("MOG") under a 15-year Natural Gas Sales Agreement ("NGSA"). The operations and maintenance of the plant is subcontracted to Phoenix Operation and Maintenance Company LLC ("POMCo" or "the Operator") under a 15-year Operation and Maintenance Agreement.

Health, Safety and Environment

Ensuring high standards of Health, Safety and Environmental performance continues to be given a high priority by the Company and its Operator, POMCo, and during the year no Lost Time Accidents ("LTA") or environmental incidents occurred. As at 31 December 2019, the Company has achieved 1847 days without a LTA. As part of an annual review process, the health, safety, environmental and quality processes of both the Company and the Operator were carefully audited by an independent third party and both businesses retained accreditation to ISO 14001 and ISO 9001 standards. In addition, both businesses successfully transitioned and were accredited to the new international health and safety standard, ISO 45001, demonstrating a continued commitment to health & safety performance and improvement. For the third consecutive year, both PPC and POMCo were also recognised by the UK`s Royal Society for the Prevention of Accidents (RoSPA) with a gold award in 2019.

Corporate Governance

PPC has a comprehensive system of internal controls in place with clear structures, delegated authority levels and accountability.

During 2019, the Company continued to carry out a review of key internal policies and procedures in order to ensure highest standards of corporate governance and to ensure compliance with the Code of Corporate Governance as issued by the Capital Market Authority. Through the Audit

Committee, the Board has implemented a programme of internal audits of different aspects of the Company's business to monitor compliance and drive best practice.

The Corporate Code of Governance also requires to appoint an independent third party to carry out an assessment of the Internal Audit Unit. The Board appointed MGI Vision to carry out this assessment and a summary of their findings has been included in the Corporate Governance Report.

Operations

During the year 2019, I am pleased to report that the Company has achieved an excellent operational performance with the Sur Power Plant demonstrating a commercial availability of 99.27%, the key parameter to be considered when assessing the revenues generated during the period. This figure includes the impact of two Force Majeure events that incurred a 0.3% loss of availability that are outwith the Company's control, and compares to a commercial availability of 99.70% in 2018.

The Plant dispatched an aggregated net power volume of 7939.13 GWhrs (a decrease of 6.5% on the 8453.80 GWhrs dispatched in 2018) which represents a load factor of 45.56% when averaged over the year (compared to a load factor of 48.56% in 2018).

Financial Results

The company generated revenues of RO 132.96 million in 2019 which were lower than the RO 134.59 million generated in 2018 mainly due to lower dispatch. Costs in 2019 were RO 96.73 million which were lower than the RO 98.70 million spent in 2018 mainly due to lower dispatch resulting in reduced fuel costs.

The Net Profit of the Company was RO 14.51 million in 2019 which was higher than RO 12.92 million earned in 2018 mainly due to lower finance costs.

The Company paid a dividend of Bzs 3.75 per share in 2019 compared to Bzs 5.0 per share in 2018.

The share price ended the year at Bzs 66.

Corporate Social Responsibility

The Company fully recognizes its role as a responsible corporate citizen with support focusing on the local community at Sur in the areas of education, health & safety and environmental care. During 2019, the Company provided RO 30,000 of funding, support and sponsorship to various community causes. These included provision of new equipment to local schools in Sur, contributions to the local Royal Oman Police ("ROP") traffic safety campaign, furnishing a training center at the Sur Ministry of Health as well as supporting environmental improvement initiatives, such as support to the Ministry of Environment campaign to return lost turtles to protected areas at Ras Al Had.

People and Employment

In 2019 the Commercial Manager Mr. Khalid Al Maawali commenced a secondment to the O&M Company, POMCo as part of the Company's commitment to the development of Omani personnel. He was replaced by Mr. Yaarub Al Naabi in October. The Company is committed to the ongoing development of Omani personnel and the Omanisation level at the end of 2019 is 77%.

Future Outlook

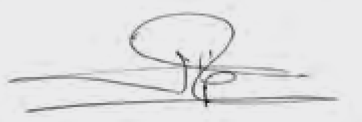
All reasonable measures will be taken by the management of the Company to ensure that the high standards of health, safety, environmental compliance, reliability and availability achieved in 2019 are maintained.

In Conclusion

As Chairman of the Board, I would like to thank our shareholders, not only for their confidence, but also for their continued support and for the expertise they bring to the Company. On behalf of the Board of Directors, I express my gratitude to OPWP, the Authority for Electricity Regulation ("AER"), the CMA and other governmental and non-governmental bodies for their guidance and support. I also give thanks to the operations and maintenance staff in the power plant as well as the employees of the Company for their dedication and commitment during 2019. Thanks to their contribution, the Company was able to achieve its goals and objectives.

Finally, on behalf of the Board of Directors, I would like to extend our deep and sincere condolences to the people of Oman due to the passing of His Majesty Sultan Qaboos bin Said Al Said in 2019. His legacy to the Sultanate and the region will forever be remembered.

I would also like to extend our congratulations to His Majesty Sultan Haitham bin Tariq Al Said for his accession to the throne and our deep appreciation to his Government for their support and encouragement given to the private sector. Continuing to promote an environment dedicated to achieving the building of a strong nation allows us to participate effectively in the growth of the Sultanate`s economy.



Khalid Jolo
Chairman of the Board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Operational Highlights

Health, Safety & Environmental Performance

The health, safety and welfare of people continues to be of paramount importance both within PPC and its Operator, POMCo. The health and safety of our employees, contractors, visitors and all those who may be impacted by our activities, is given uppermost priority.

The overall health, safety and environmental performance in 2019 remained excellent, building on the foundations established during the first five years of commercial operation. Our ultimate aim is zero harm to people and zero environmental incidents based on our adopted principle that:

"Nothing is so urgent or important that it cannot be done safely"

During 2019, and since commercial operation, both health and safety and environmental goals have been achieved with the Sur plant now having completed 1847 days without a Lost Time Accident or an environmental incident as at 31 December 2019.

Both the Company and the Operator have retained accreditation to ISO 14001 (2015) & ISO 9001 (2015) and also successfully transitioned from OHSAS 18001 to the most current health and safety standard, ISO 45001 (2018), during 2019. In addition, and as a consequence of a goal to continually benchmark health and safety performance externally, both PPC and POMCo were recognized by the UK`s Royal Society for the Prevention of Accidents (RoSPA) with a Gold award in 2019 for the third year in succession.

The Company continues to implement a strategic roadmap designed to foster ongoing improvement and ensure that the focus on preventing accidents and incidents is maintained. Proactive actions continue to have been taken to both develop and improve safety culture as well as target the delivery of a safe, secure and environmentally compliant site. Such actions include:

- Development of a progamme to confirm the integrity of operating systems and processes to assure unintentional releases of chemicals, energy, or other materials are avoided (internationally referred to as "Process Safety").
- Continued focus on employee and contractor engagement through a programme of behavioural based safety observation recording as well as investigating near misses through initiation of safety awards and staff recognition.
- Point of Work Risk Assessment ensuring staff engagement prior to undertaking work.
- A comprehensive internal audit programme covering both general safety and safety from the system.

- High quality education and training provision for both employees and contractors including IOSH managing and working safely programmes through the Institute of Occupational Health and Safety organization.
- Focus on employee health and welfare with all employees undergoing a detailed periodic medical checks.
- Use of leading HSE key performance indicators utilising the Intelex software system for action tracking and reporting.

Safety performance is reported and reviewed regularly by the management team and the Board of Directors. Any incident is comprehensively analysed and reviewed in order to identify the immediate and underlying causes to prevent the future recurrence. Lessons learnt are shared with employees and actions taken to mitigate against recurrence.

Capacity

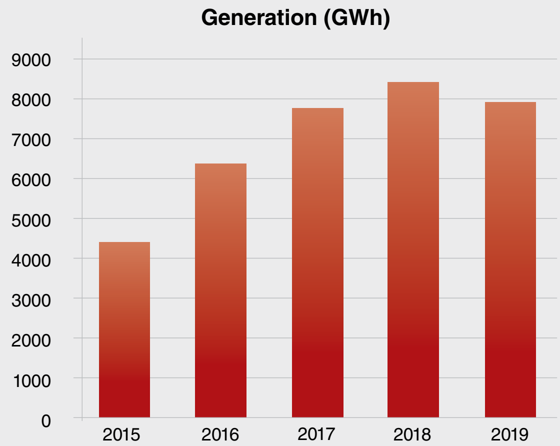
The capacity of a plant is defined as the total electrical power (MW) which can be delivered by the plant at reference conditions.

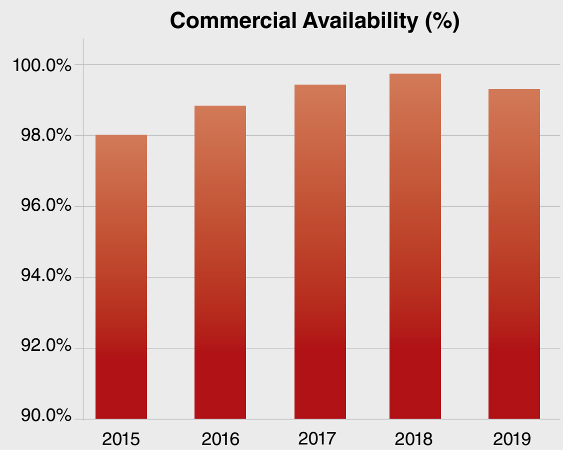
The contractual capacity of the Sur Power Plant under the PPA applicable from May 2019 to April 2020 is 1981.8 MW. The Annual Performance Tests conducted in April 2019 demonstrated that the plant met these contractual requirements.

Reliability

The reliability of the Plant is a measure of its availability to deliver the declared capacity in accordance with the PPA. During 2019 the Sur Plant achieved a reliability of 99.27% experiencing a forced outage rate of 0.73%. This figure includes the impact of two Force Majeure events in June and September/October that are outwith the Company's control and contributed 0.3% to the forced outage rate.

During the year, the Plant exported a total of 7939.13 GWhrs of electrical energy with a load factor averaging 45.56%.





Plant Efficiency (Heat Rate)

The efficiency of the Plant is measured in terms of the amount of heat required to produce one unit of electrical energy. Based on the running regime experienced during the year, the actual efficiency for 2019 met the contractual requirements under the PPA, and achieved an improvement on previous years due to a strategic programme of efficiency improvements launched in 2019.

Maintenance

Maintenance of the Plant was undertaken in accordance with Original Equipment Manufacturers (OEM) recommendations, as per the operations and maintenance manuals.

The Long Term Service Agreement (LTSA) covering the maintenance of Gas Turbines was amended in 2019 following renegotiation with the supplier, Siemens. The amendment increased the scope of the Agreement to include the long term maintenance of the three Steam Turbines and five Electrical Generators at Sur whilst also achieving cost savings over the term of the Agreement.

All minor inspections scheduled for 2019 were progressed in line with the terms of the renegotiated LTSA.

Human Resources and Training

Development, motivation and retention of people remains a key focus. 2019 saw the continuing use of the comprehensive on-site training centre, aimed at developing technical staff in operations and maintenance activity. Here, employees are encouraged to work through programmes utilising online tailor-made training packages as well as offline resources.

In addition, the training centre is used as a tool of benefit for external individuals and during the year was utilised by visitors from OPWP, Qatar and local Sur interns.

All employees benefit from a range of policies to support them in the workplace. The Company strives to maintain high standards of employment practices with an aim to give employees positive engagement with the business and its goals.

Omanisation plans are in place with a view to continuing to develop local staff in a manner which grows their skills and competency appropriately as well as ensuring safe and secure supply of power to the peoples of the Sultanate.

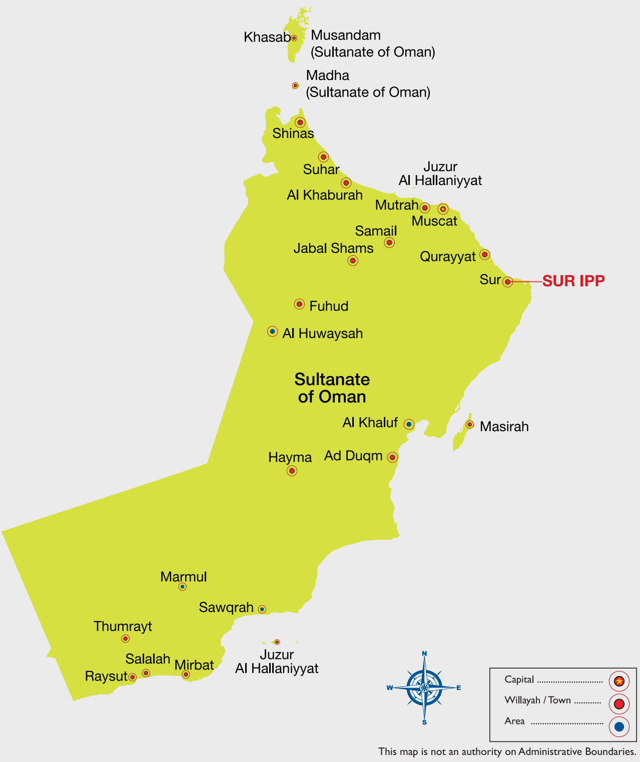

WELCOME

Description of the Business

Overview

The Company's core business activity is to develop, own and operate the Sur independent power plant, a gas-fired combined cycle power generation plant with a contracted power capacity of 2000 MW, located in the Sur industrial estate between the Oman LNG terminal and Oman India Fertilizer Company plant, approximately 175km south-east of Muscat in Oman. The Plant comprises three blocks, (2*800 MW) and (1*400 MW) and has been in full commercial operation since 11 December 2014.

The following diagram displays the approximate location of the Plant:



The Company currently generates its revenues pursuant to a 15-year term PPA with OPWP, which is indirectly wholly owned by the Government. The power produced from the Plant is fully contracted to OPWP and used to meet the growing power demand of the Main Interconnected System ("MIS") during the term of the PPA and beyond. As the largest operational power plant in Oman, the contracted Plant's power capacity of circa 2000 MW represents circa 21% of the MIS total currently contracted capacity of approximately 9764MW as per OPWP's 7 year statement (2019-2025).

The Plant has been established under a BOO scheme, which enables it to be operated beyond the PPA term of 15 years, either by extending the PPA (if agreed to by OPWP), or by selling the power into a wholesale electricity market (or "spot market") which is planned for the future to eligible customers.

The Plant's contracted power capacity is sold exclusively to OPWP in accordance with the terms of the PPA. Natural gas, supplied by the MOG, is the primary fuel with distillate fuel oil (diesel) as back-up. Phoenix Power has a long-term agreement with the MOG securing supply of fuel over the contracted PPA period. The power is supplied to Oman Electricity Transmission Company SAOC (OETC)'s grid.

The Plant is based on gas turbine combined cycle technology that is proven and has been implemented globally on numerous projects. It has dual fuel capability with natural gas as the primary fuel and diesel as a back-up fuel.

The Plant consists of five Siemens AG SGT5-4000F gas turbines ("GT"), five Nooter Eriksen triple pressure heat recovery steam generators ("HRSG") and three Fuji Electric steam turbines ("ST"). The condenser is cooled via a once through seawater system. Seawater is extracted by a submerged pipe intake and discharged through a seal-pit and diffusers. The gas turbines are fitted with by-pass stacks to enable the operation in open cycle. Although capable of open cycle

operation, the normal operating mode of the Plant is in combined cycle ("CCGT") for higher thermal efficiency. At site reference conditions of 50°C ambient temperature and 30% relative humidity, the Plant has a net power capacity of approximately 2000 MW.

With this technology, the energy for electricity generation is obtained from the combustion of natural gas. Hot combustion gases formed by the combustion of natural gas drive a gas turbine, which, in turn, rotates an alternator to produce electricity. After driving the gas turbine, the exhaust gases still contain sufficient heat to produce steam in a heat recovery boiler. The steam generated in the heat recovery boiler drives a steam turbine, which rotates another alternator to produce additional electricity. The CCGT technology is well proven and more efficient than conventional power plant technology.

The Plant is connected to the gas transmission infrastructure owned by MOG. Gas used by the Plant comes from central Oman gas fields and is carried through a 48 inch pipeline operated by Petroleum Development Oman (PDO). The Plant is designed for black start operation by means of black start diesel generators that are capable of starting the plant in the event of a country-wide power loss.

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

The Power Plant entered into full commercial operation on 11 December 2014.

Profile of the Major Shareholders

Axia Power Holdings B.V.

Axia Power Holdings B.V. is an entity that is 100% owned by Marubeni, which serves as an overseas investment vehicle for Marubeni's investments into power projects.

Marubeni, acting as the lead member of the consortium, was established in 1858 and grew to become one of the leading Japanese trading and investment houses. It oversees a range of operations that encompass the domestic market, export-import, and offshore trade, with total assets of around USD 61 billion (as of March 2019). As of 1st April 2019, Marubeni has five business groups directly under the president and several committees, covering Consumer Products Group, Food, Agriculture & Chemicals Group, Power Business, Energy & Metals Group, Machinery, Infrastructure & Financial Business Group, and Chief Digital Innovation Officer. The Power Business and Energy & Metals Group consists of Power Business Division, Energy Division, and Metals & Mineral Resources Division, and is one of the core groups within Marubeni.

Marubeni is very active in the industry, having participated in 44 I(W)PP projects with an overseas total gross capacity of 38,167MW and the total net capacity of 11,031MW (as of December 2019). Marubeni's role in the I(W)PP business includes development, financing, equity participation as well as engineering, procurement and construction ("EPC") and O&M. Marubeni operates I(W)PP projects in many countries around the world, including Oman, Saudi Arabia, Qatar, U.A.E., Tunisia, Portugal, United Kingdom, Jamaica, Trinidad and Tobago, Chile, U.S.A, the Philippines, Taiwan, Pakistan, India, Indonesia, Singapore, Vietnam, Korea, and Japan. In addition, Marubeni is an active player in the EPC business and has built over 112 GW of power plants worldwide. The Power Business Division's vision is to establish itself in the top position in the comprehensive power business in Japan and abroad.

In addition to the power business, Marubeni has a variety of experiences in non-recourse project financing such as LNG related business and ship transportation business. Marubeni has an outstanding record in project financing in emerging markets and has arranged for funds from various export credit agencies, multilateral institutions, international commercial banks, institutional investors and local banks.

Further information about Marubeni is available at: www.marubeni.com.

JERA Power Management Mid East B.V.

JERA Power Management Mid East B.V. (JERA PMME), (formerly known as Chubu Electric Power Sur B.V.), is a wholly owned subsidiary of JERA Co. Inc., which holds shares in and participates in the management of Phoenix Power Company and the Operation and Maintenance Company for the Project.

JERA is an energy company with global reach that has strength in the entire energy supply chain, from participation in LNG and other fuel resource projects and fuel procurement through to power generation.

JERA was jointly established in April 2015 as an equal joint venture of two major Japanese electric companies, Chubu Electric Power Co., Inc. (CEPCO) and TEPCO Fuel & Power, Inc. (TEPCO FP) to become a leading global energy player. In April 2019, JERA integrated CEPCO and TEPCO FP's fuel and power generation business and assets. JERA became the largest power generation company in Japan, with its LNG procurement volume and power generation capacity of 35 million tonnes per year and 77 GW all over the world respectively. In terms of having business experience in the Middle East region, JERA is participating in IPP/IWPP projects in Oman, Qatar and UAE as a shareholder.

JERA aims to become a global leader in LNG and renewables, sparking the transition to clean energy economy by 2025.

Further information about JERA is available at: http://www.jera.co.jp/

Nebras Power Q.P.S.C.

Established in 2014 and headquartered in Doha, State of Qatar, Nebras Power is a global power development, investment and operating company. Nebras was set up to take advantage of the investment opportunities created by the continuously growing demand for electricity and water throughout the world, especially in the rapidly developing markets of the Middle East, Asia, Africa and Latin America. It was also set up to participate in the evolving nature of the global power industry and to pioneer future energy solutions in its investments.

Nebras was created as a fully-fledged investment company capable of building on this long-term opportunity. It is the vehicle through which Qatar intends to develop and manage a portfolio of strategic investments in power, water and renewables throughout the world. Nebras forms part of Qatar's 2030 vision to diversify the economy away from oil and gas and be the custodian of wealth for future generations of Qataris.

Nebras is a joint venture of two Government Related Entities ("GREs"): Qatar Electricity and Water Company ("QEWC") and Qatar Holding ("QH"). QH is fully owned (directly and indirectly) by the State of Qatar, whereas QEWC has been partly floated on the Doha stock exchange and State of Qatar owns directly and indirectly 52%.

Nebras draws on the extensive experience gained by its major shareholder, QEWC, in developing power and water projects in Qatar and abroad. QEWC is the Qatar national power generating company, it controls the majority of Qatar's power generating fleet and it is the second largest utility in the Middle East and North Africa regions.

Nebras has built a power generating portfolio of 14 assets across 7 Countries in 5 Continents totaling 6.3 GW of gross generating capacity out of which 5.3 GW in operation and 1.0 GW under construction.

Nebras has built a highly professional management team with many years of experience in the power and utilities sectors. The management team has a mix of global, regional and local experience to ensure full alignment with its shareholders and global knowledge of the power sector.

Nebras pursues long term value creation through active management of the investment portfolio and direct involvement in engineering and construction, operation and maintenance, energy trading, sourcing and logistics of fuel. Long-term investment opportunities pursued either through direct control or with associated significant governance rights are used to influence decision making and protection of underlying value.

Nebras has the ambition and the strategic target to build a portfolio of 15 GW+ gross by 2023 almost 90% of which comprise clean energy sources.

For more information about Nebras Power please visit www.nebras-power.com.

Middle East Investment LLC

Middle East Investment LLC (MEI) is a subsidiary of Suhail Bahwan Group, which is one of the foremost and most reputed business houses in the Sultanate of Oman.

In February 2019 MEI joined as a Major Shareholder of the Company by purchasing all shares previously held by Multitech LLC.

MEI is mainly engaged in investment & trading in quoted & un-quoted equity and debt securities. MEI has grown to become a reputed Omani Investment Company. An achievement resulting from unwavering commitment to Sultanate of Oman, the professionalism of the Group's employees, a keen sense of social responsibility with a strong awareness of its operating environment and the exceptional vision and close adherence to basic values. Our portfolios focus on investing in banking, power, telecom, consumer & pharmaceutical sectors that provide the opportunity to create and capture value in a risk averse manner. The Company professionally managed investment stakes consist of local and international diversified portfolios of securities, debts and direct investment.

Management Discussion and Analysis Report

Industry Overview

The electricity and water generation, transmission, distribution and supply sector is governed by the law for the Regulation and Privatisation of the Electricity and Related Water Sector (the Sector Law) promulgated by Royal Decree 78/2004 in August 2004. The Sector Law regulates all companies and establishments operating in the sector of electricity and water, including PPC.

Pursuant to the Sector Law, OPWP was established as the single buyer of electricity and water in Oman (a single procurement company) and a system of non-discriminatory access to license transmission and distribution systems was provided to generators. Pursuant to the Sector Law, AER was established and is competent to regulate the electricity and related water sector as an administratively and financially independent entity.

OPWP is responsible for ensuring that there is sufficient electricity and water production capacity available at the lowest cost to meet growing demands in Oman. OPWP undertakes long-term generation planning and publishes an annual seven-year statement that identifies the strategy to meet the future power generation and water desalination requirements. Article 74 of the Sector Law specifies the functions and duties of OPWP, including but not limited to:

- Securing production capacity and output to meet demand for electricity in the MIS and Salalah System, in coordination with RAECO;
- Securing production capacity and output to meet demand for desalinated water in Oman;
- Meeting requirements for new electricity and desalinated water capacity in Oman, with new projects to be designed, constructed, financed, owned and operated by local and foreign investors, and;
- The purchase, procurement, and management of production capacity and output, ancillary services and all goods and other services on the basis of economic purchase.

In 2018 AER amended the Company's Generation License to include the provision of a future electricity pool "spot market" that will allow power and water for the MIS to be commercially traded between OPWP and suppliers. This does not impact the existing 15 year PPA in place between the Company and OPWP but will provide a commercial market through which the Company can trade its generation output at the cessation of the existing PPA.

Risk Management

The Company has a well-established contractual framework which mitigates commercial risk as shown on the next page:

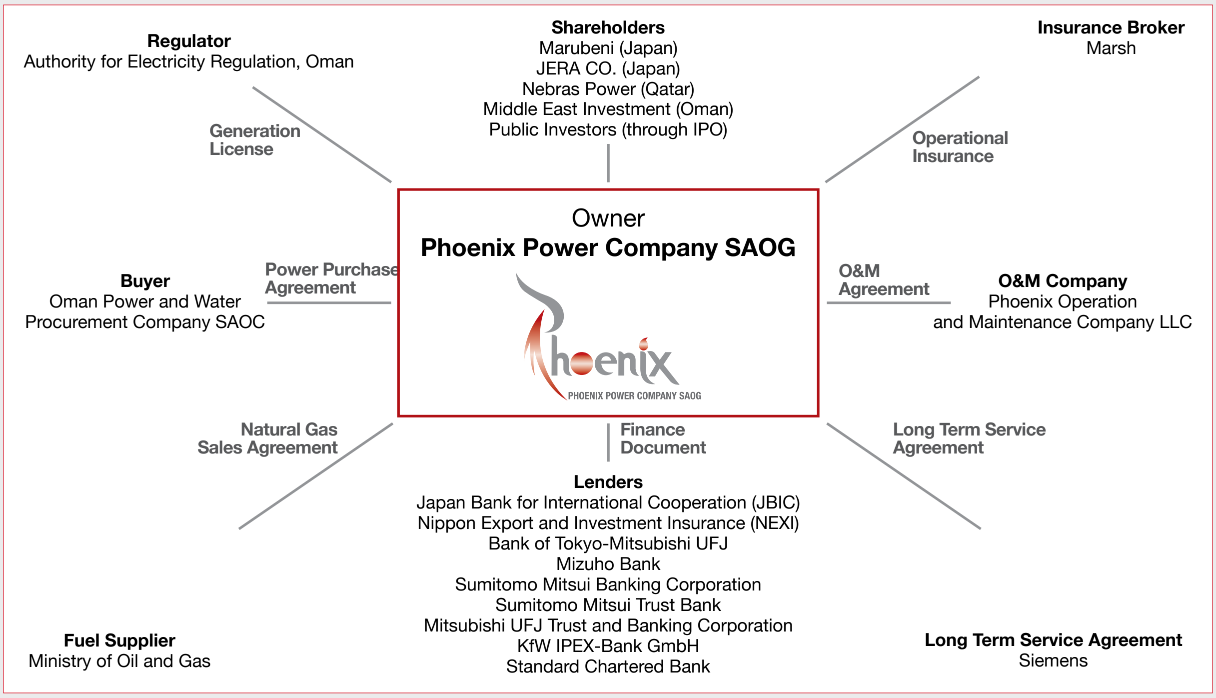
Risk Management Process

The Company has a comprehensive risk management framework in place aimed at identifying principal risks that threaten achievement of business objectives and enables assessment of their significance to be understood. Mitigating controls to manage identified risks to an acceptable level are then put in place.

All new and emerging risks are reviewed as well as any changes to existing risk levels. The risks are reviewed every quarter and reported to the Board of Directors.

Power Purchase Agreement (PPA)

The Company has entered into the PPA with OPWP who is the sole purchaser for a 15 year period until 31 March 2029. Under the PPA, PPC is obliged to exclusively sell electrical energy output to OPWP and in return, receive from OPWP



capacity charges, electrical energy charges and fuel charges. Capacity charges are designed to cover fixed costs (including debt service and return on capital), electrical energy charges are designed to cover variable operating costs of generation (excluding fuel costs). The fuel charge is the amount payable to compensate PPC for the total fuel demand required for the production of electrical energy to be delivered in accordance with the terms of the PPA.

Natural Gas Sales Agreement (NGSA)

The NGSA was entered into between MOG and the Company. It establishes the terms upon which PPC purchases natural gas as feedstock for the Plant from the MOG. The NGSA term is linked to the PPA term and, therefore expires on 31 March 2029. The NGSA term will automatically be extended to reflect any extensions to the term of the PPA.

In accordance with the NGSA, natural gas will be supplied up to the gas delivery point of the Plant. Phoenix Power has no obligation to pay the MOG for any natural gas delivered and accepted until Phoenix Power has received the amount of the PPA payment from OPWP.

Financial Arrangement

The Company entered into financing agreements with a consortium of international banks and export credit agencies at project inception, for an original amount of approximately RO 459 million. The Company senior debt is hedged in compliance with the requirement of the financing agreements through entering into interest rate swap agreements which further improves the predictability of cash-flows available to shareholders.

Operation and Maintenance

Technical risk associated with Operations & Maintenance is considered low as the Plant uses proven technology from renowned international suppliers. POMCo is the operator and maintainer of the Plant through the O&M Agreement with the Company. In addition, the maintenance of the gas turbines, steam turbines and electrical generators, which is considered a specialised activity, has been contracted on a long-term basis to the original equipment manufacturer, Siemens, whose capabilities in this area are among the best globally.

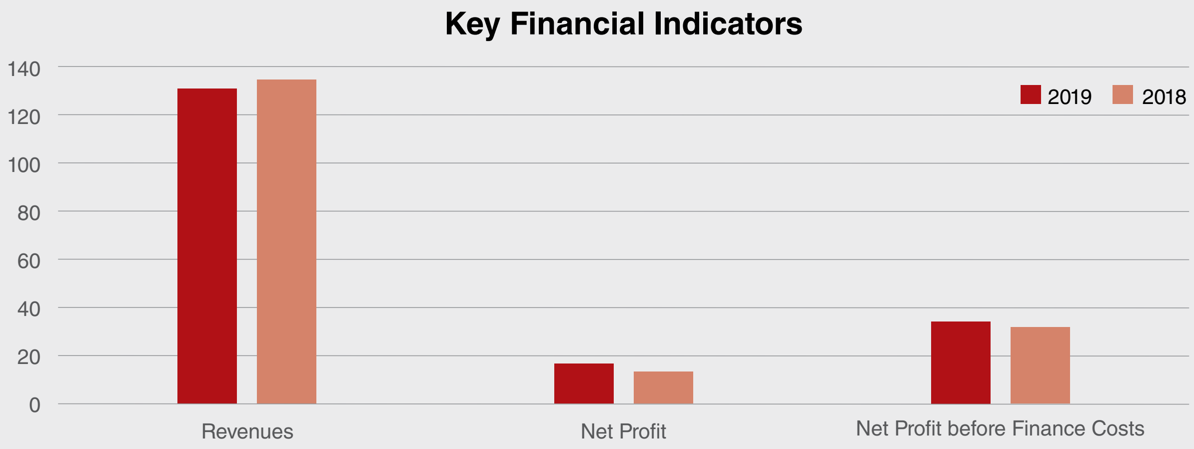
Discussion on Operational and Financial Performance

Operational Highlights

Please refer to Section "Operational Highlights" for the operational performance of the Company.

Financial Highlights

All figures in RO Millions		2019	2018
Revenues	1	132.96	134.59
Net Profit	2	14.51	12.92
Net Profit before Finance Costs	3	32.55	31.89
Total Assets	4	617.13	585.07
Capital (Paid-up)	5	146.26	146.26
Shareholders' Fund (Net Assets)	6	177.08	179.38
Term Loans (1)	7	310.48	338.37
Weighted average number of shares	8	1,462.60	1,462.60
Actual number of shares outstanding	9	1,462.60	1,462.60
Ordinary Dividends	10	5.48	7.31



Key Financial Indicators		2019	2018
Net Profit margin	2/1	10.91%	9.60%
Return on Capital (Paid-up)	2/5	9.92%	8.83%
Return on Capital Employed	3/(6+7)	6.68%	6.16%
Debt Equity ratio	7 : 6	63.7 : 36.3	65.4 : 34.6
Net assets per share (Baizas)	6/8	121.07	122.64
Basic earnings per share (Baizas)	2/8	9.92	8.83
Dividends per share (Baizas)	10/9	3.75	5.00

(1) Excluding unamortised transaction cost

Analysis of Profit and Loss

Revenues of RO 132.96 million in 2019 were lower than the RO 134.59 million generated in 2018 mainly due to lower dispatch. Costs in 2019 were RO 96.72 million which were lower than the RO 98.70 million spent in 2018 mainly due to lower dispatch resulting in lower fuel costs.

The Net Profit of the Company was RO 14.51 million in 2019 which was higher than RO 12.92 million earned in 2018 mainly due to lower finance cost. Finance cost was RO 18.04 million in 2019 which is lower than RO 18.97 million in 2018.

Analysis of Balance Sheet

Total Assets of the Company stood at RO 617.13 million as at 31 December 2019 as compared to RO 585.07 million in 2018. This was mainly due to increased receivables.

Cash and cash equivalents stand at RO 7.53 million as at 31 December 2019 as compared to RO 13.77 million at the same date in 2018.

Shareholders' Funds (Net Assets) stand at RO 177.08 million as at 31 December 2019 which is lower when compared to RO 179.38 million at the same date in 2018. This is due to profit for the year being offset by the dividend distribution in line with the net profit for the year.

Hedging Reserve (net of Deferred Tax) reducing Equity by RO 27.36 million reflects the fair value of the seven interest rate swaps and three currency swaps as at the balance sheet date and does not impact the Company's capability to distribute dividends to the shareholders.

Term Loans (including non-current and current balances) reduced to RO 310.48 million as a result of scheduled repayments in accordance with financing agreements.

The Company continues to make adequate provision for asset retirement obligations to enable it to fulfil its legal obligation to remove the plant at the end of its useful life and restore the land. During the year the company has reassessed the provision and the amount has been decreased as a result of that.

Dividend Distribution

The Company follows a balanced dividend pay-out policy, subject to debt repayments, working capital and operational expenditure obligations. The Company's dividend distribution in 2019 was RO 6.07 million (translating to 4.15 Baizas per share paid in July 2019 and January 2020) and paid out of the audited retained earnings for the year ended 31 December 2018.

Omanisation

Omanisation levels across PPC approximate to 73% in 2019 and to 77% for PPC and POMCo combined. Endeavours to achieve the Omanisation requirements are ongoing and based on a holistic human resources approach which includes attracting the necessary talent, developing that talent through training and expertise transfer, consideration of a balanced approach to remuneration and reward as well as creating a positive working environment and culture.

Outlook

All reasonable and prudent measures will be taken by the management of the Company to ensure high standards of health, safety, environmental compliance reliability and availability are maintained over 2020.

Internal Control System

The Board of Directors and management of the Company believes in the importance of the internal control system and PPC has a comprehensive system of internal controls in place, comprising:

- A well-defined governance structure.
- Clearly defined delegated levels of authority.
- Documented key business processes.
- Plans and annual budgets which will deliver the Company strategy supported by regular reporting of these plans and budgets to the Board of Directors.

In recognition of the need to continually focus on controls and to ensure compliance with Code of Corporate Governance as issued by the Capital Markets Authority, the Company has appointed a full-time internal auditor. An internal audit plan was developed for 2019 and implemented with recommendations being provided to the Audit Committee who meet once per quarter. No significant failings or weaknesses have been identified in PPCs system of internal controls in the year ended 31 December 2019.

The management of the Company is fully committed to implementing the agreed recommendations arising from the internal audit reports.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Corporate Social Responsibility

Looking after our people, neighbours and the wider environment is central to PPC's business philosophy.

Corporate social responsibility is fully embedded within day to day business. Health, safety and environmental issues are the first items to be discussed at all meetings, from the Board down to site team meetings. Contributions from employees aimed at actively improving responsible performance are encouraged and staff are incentivised to focus on such issues as part of an annual bonus scheme.

The Health, Safety and Environment committee provides feedback to management to allow clear strategic direction to be developed and implemented that is aligned with the Company's corporate goals. PPC's internal processes are designed to ensure the Company meets all the requirements of the permits and licences that regulate the business and compliance is maintained. Externally, promotion within the local community of the importance of keeping safe and looking after the environment, is important. To this end, employees of PPC and POMCo were engaged in the following activities during 2019, predominantly in the South Al Sharqiya Governorate:

- Support Quran Memorising event organised by the Ministry of Education.
- Sponsorship of the youth charity event "COMEC 2019" at the Middle East College.
- Support the Shabaniya social event with the Ministry of Tourism.
- Support the Ramadan Iftar Gathering with cooperation with the Ministry of Social Development committee.
- Installation of CCTV cameras at schools.
- Fund the Royal Oman Police Open Day (including different activities and sports).
- Support to furnish a training center for the Ministry of Health.
- Provide a sun shade at a school for the Ministry of Education.
- Provide Projectors to a school for the Ministry of Education
- Support the Social Development Committee in the Wilayat of Sur for the Ministry of Social development.
- Run a Campaign to return young lost turtles to

the protected zone at Ras Al Had Area, Ministry of Environment.

- Support the traffic safety program with the Ministry of Education.
- Support Oman Cancer Association, South Al Sharqiya Branch in their organization of a walkathon to raise the public awareness.
- Purchase of Proxima devices and creation of an umbrella for a school at Sur, Ministry of Education.

Working and consulting with the local community at Sur is important for PPC. The Company, through its Operator, POMCo, is a member of the Social Affairs Committee at Sur and participates in discussions related to social development and infrastructure support. Training is routinely provided to people who are not employees of the Company but who may benefit from exposure to power station operations through internships and bespoke training courses as part of the Company's commitment to supporting development of the wider power sector.

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Building a better working world

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C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

REPORT OF FACTUAL FINDING

TO THE SHAREHOLDERS OF Phoenix Power Company SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' corporate governance report of Phoenix Power Company SAOG (the "Company") as at and for the year ended 31 December 2019 and its application of the corporate governance practices in accordance with amendments to CMA's Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the "Code"). Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the extent of the Company's compliance with the Code as issued by the CMA and are summarised as follows:

1) We obtained the corporate governance report (the "report") issued by the Board of Directors and checked that the report of the Company includes as a minimum, all items suggested by the CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in Annexure 3; and

2) We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2019. The Company's Board of Directors has not identified any areas of non-compliance with the Code.

We have no exceptions to report in respect of the procedures performed.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of Phoenix Power Company SAOG to be included in its annual report for the year ended 31 December 2019 and does not extend to any financial statements of Phoenix Power Company SAOG, taken as a whole.

Ernst & Young LLC

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س.ت: ١٢٢٤٠١٣
ص.ب: ١٧٥٠ روي - ١١٢ ، سلطنة عمان
EY ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112, Sultanate of Oman

Muscat
26 February 2020

Corporate Governance Report

Corporate Governance Report

In accordance with the guidelines issued by the Capital Market Authority ("CMA") vide circular 1/2003 and E/4/2015 ('"Code of Corporate Governance" or the "Code") which was amended vide circular E/4/2015 and became effective on 22 June 2016, the Board of Directors and Management of the Company hereby present their Corporate Governance Report for the year ended 31 December 2019.

Company's Philosophy

The Company's philosophy of corporate governance is based on four main components: to enhance Shareholder value through continuous improvement of the business process; to display the highest ethical standards at all Company levels; to observe compliance with laws, permits and regulations; and to ensure full transparency on all financial and corporate matters towards internal and external stakeholders.

The current Board of Directors was elected on 21 March 2017, and its members' term of office shall remain in force for a period of three years and until the third annual general meeting of the Company. The composition of the Board of Directors is diverse contributing to and ensuring reliable and effective operation of the Company. The executive management of the Company was appointed by the Board of Directors. Simultaneously, an Audit Committee was established in 2014 and is currently composed of three Non-Executive Directors with a high level of experience in financial matters. In addition, a Nomination and Remuneration Committee was established in 2016, comprising three Directors.

The Company is operated in line with a robust business framework comprising detailed policies and procedures that assure full compliance with the requirements of the Code. These are regularly reviewed and kept up to date for optimal control. Material information is transparently disclosed to the Muscat Securities Market in a timely manner which can be accessed by the relevant stakeholders.

In 2015, the Company and its Operator, Phoenix Operation and Maintenance Company LLC ("POMCo"), achieved certification to OHSAS 18001 (2007), ISO 14001 (2015) and ISO 9001 (2015) covering the areas of health, safety, environment and quality. In 2019 the Company and POMCo transitioned from OHSAS 18001 to the most current health and safety standard, ISO 45001 (2018). Following annual surveillance audit both the Company and POMCo were reaccredited to ISO 14001 (2015) and ISO 9001 (2015) and accredited to the new ISO 45001 (2018) standards.

In addition, during the year 2019 the Company and its Operator have been awarded a Gold Award by the Royal Society for the Prevention of Accidents (RoSPA) for the third year in succession.

Board of Directors

The Board of Directors were elected on 21 March 2017 in accordance with Article 18 of the Articles of Association. In 2019 a number of Directors resigned and were replaced. Details of the various Directors and 2019 meetings are as follows.

Name of Director	Capacity	Category#	BM 26 Feb.	AGM 19 Mar.	BM 23 Apr.	BM 30 Jul.	BM 29 Oct.
Mr. Khalid Jolo	Non-Executive	Independent (Representing Nebras Power Q.P.S.C.)	✓	✓	✓	P	✓
Mr. Peter Jones	Non-Executive	Non-Independent (Representing Axia Power Holdings B.V.)	✓	✓	✓	✓	✓
Mr. Carlos Alcazar	Non-Executive	Independent	✓		✓	✓	✓
Mr. Tomoki Nishino	Non-Executive	Independent	✓		✓	P	✓
Mr. Wataru Motomiya (*)	Non-Executive	Non-Independent (Representing JERA)	✓		P	-	-
Mr. Naoki Takahashi(*)	Non-Executive	Independent	✓		P	-	-
Mr. Hiromi Sakakibara (*), (**)	Non-Executive	Non-Independent (Representing JERA)			-	P	✓
Mr. Motoharu Nakada (**)	Non-Executive	Independent	-		-	✓	✓
Mr. Jun Sano (*)	Non-Executive	Non-Independent (Representing JERA)	-		-	-	-

✓ : Attended, P : Proxy, - : not in seat

(*) Resigned during the year (**) Appointed during the year

The above classification as Non-independent/ Independent director is as per the definition that exists in the Code.

Directorship / membership in other public companies (SAOG companies) in Oman as of 31 December 2019;

Name of Directors	Position held	Name of the Company
Mr. Khalid Jolo	None	None
Mr. Peter Jones	None	None
Mr. Carlos Alcazar	None	None
Mr. Tomoki Nishino	None	None
Mr. Jun Sano	None	None
Mr. Motoharu Nakada	None	None

The profile of the Directors and management team is included as an annexure to the Corporate Governance Report.

External assessment of the Internal Audit Unit.

As required by Article 27 of the Decision No. 18/2018 issued by Capital Market Authority (CMA), external Assessment of the Internal Audit Unit of the company was carried out for the year 2019 by MGI Vision Chartered Accountants (the Consultants). The Consultants concluded that the internal audit activities of the Company Generally Conforms to the regulations of CMA's Decision No. 10/2018 relating to internal audit activity and to the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA).

The Consultants also provided recommendations to enhance the effectiveness of the Internal Audit function and enable the company to reach to level of conformity with the requirement of the Decision No. 10/2018 issued by CMA and standards of IPPF issued by IIA. The recommendations of the Consultants will be considered by the Company.

Audit Committee

The Audit Committee meets with the external and internal auditors without the executive management of the business being present.

The primary purpose of the Committee is to ensure that internal and external audit processes are carried out in the best interests of all stakeholders and to assist the Board of Directors and the management of the Company in fulfilling their responsibilities, which include;

- Agreeing the nature and scope of audits and reviewing the audit plan;
- Maintaining the integrity of the Company's financial statements;
- Ensuring the Company's compliance with legal and regulatory requirements;
- Performance of the Company's internal audit, external audit and Government Audit functions.

Consistent with the function above, the Audit Committee encourages management to engage in continuous improvement of the Company's policies and procedures. The Audit Committee has an open channel of communication with the internal auditor, external auditors, financial and senior management and other Board of Directors.

The latest Audit Committee Charter is aligned with the latest Code of Corporate Governance.

The Audit Committee comprises of 3 Directors appointed by the Board of Directors and meets at least four times annually, reporting to the Board of Directors. The current members were appointed by the Board of Directors between the period 24 April 2018 to 30 July 2019 and all members of the Audit Committee are non-executive.

The composition of the Audit Committee members in 2019 is as follows.

Name of Directors	Category	26 Feb.	23 Apr.	30 Jul.	28 Oct.
Mr. Tomoki Nishino	Chairman	✓	✓	P	✓
Mr. Peter Jones	Member	✓	✓	✓	✓
Mr. Naoki Takahashi	Member (*)	✓	P	-	-
Mr. Motoharu Nakada	Member (**)	-	-	✓	✓

✓ : Attended, P : Proxy, - : not in seat

(*) Resigned during the year (**) Appointed during the year

Nomination and Remuneration Committee

A Nomination and Remuneration Committee has been established by the Board of Directors of the Company in accordance with the requirements of the Corporate Code of Governance. The primary purpose of the Nomination and Remuneration Committee is to assist the general meeting of the shareholders in the nomination of proficient directors and election of the most fit for purpose candidates and the Board of Directors in selecting the appropriate and necessary executives for the executive management which the Company requires in order to achieve its strategic and operational objectives.

The Terms of Reference of the Nomination and Remuneration Committee has been issued in July 2016 which is in line with the Code.

The Nomination and Remuneration Committee comprises 3 Directors appointed by the Board of Directors and meets at least two times annually, reporting to the Board of Directors. All members of the Nomination and Remuneration Committee are non-executive.

The composition of the Nomination and Remuneration Committee members in 2019 is as follows.

Name of Directors	Category	26 Feb.	23 Apr.	29 Oct.
Mr. Carlos Alcazar	Chairman	✓	✓	✓
Mr. Khalid Jolo	Member	✓	✓	✓
Mr. Naoki Takahashi	Member(*)	✓	P	-
Mr. Motoharu Nakada	Member(**)	-	-	✓

✓ : Attended, P : Proxy

(*) Resigned during the year (**) Appointed during the year

Process of Nomination of Directors

Directors are nominated and elected as per the Commercial Company Law and the Article of Association. The term of office of the Directors shall be for a maximum period of 3 years, subject to re-election where 3 years for this purpose is the period ending on the date of the third Annual General Meeting. The current term will expire at the Annual General Meeting in 2020. If the office of a Director becomes vacant in the period between two Ordinary General Meetings, the Board of Directors may appoint a temporary Director who satisfies the requirements specified in Company's Articles of Associations to assume his/her office until the next Annual General Meeting.

Remuneration Matters

a) Directors and Audit Committee members

There is no individual sitting fees for the Board of Directors, Audit Committee members and Nomination and Remuneration Committee members.

b) Top 3 key management personnel

The Company paid to its top 3 key management personnel an aggregate amount of RO 267,699 which includes salaries, performance related discretionary bonus and other benefits.

c) Details of performance based bonuses, awards and incentives

Bonus payments for the key management personnel of Phoenix Power Company are based on both personal and business performance and are related to the achievement of business KPIs including health and safety targets, technical performance and financial delivery. The bonuses to be paid are based on recommendations from the Nomination and Remuneration Committee.

d) Employment contracts

The key management personnel have employment contracts with Phoenix Power Company and all have notice periods, under the terms of those contracts, of three months.

Details of non-compliance by the Company

There were no penalties levied on the Company by CMA, MSM or any other statutory authority on any matter related to the capital markets in 2019.

Means of communication with the shareholders and investors

The Company communicates with the shareholders and investors in both English and Arabic mainly through the MSM website and the Company's website. Material information is disclosed immediately, and financial information such as initial quarterly or annual un-audited financial results, un-audited interim financial statements, and audited annual financial statements are disclosed within the regulatory deadlines. The Company's executive management is also available to meet its shareholders and analysts as and when required.

Related Party Transactions

A detail of the related party transactions which the Company have carried out for the financial year ended 31 December 2019 is as follows.

	Name of the Party	Nature of work	Amount (RO)
1	Axia Power Holdings B.V.	Consulting Service Agreement	41,142
2	JERA Co., Inc.	Consulting Service Agreement	24,685
3	Phoenix Operation and Maintenance Company LLC	O&M Fee and expense (as per O&M contract)	8,929,642
4	Others	Consulting Service Agreement	16,457

Market Price Data

d) High/low share price and performance comparison during each month in 2019.

Month	Price (Baiza)			MSM Service Sector Index
	High	Low	Average	
January	95	95	95	2142.44
February	92	92	92	2079.39
March	93	93	93	1979.61
April	87	86	86	2034.26
May	83	81	82	1975.07
June	84	83	83	1915.80
July	78	76	77	1838.60
August	84	77	80	1873.58
September	88	85	86	1950.53
October	75	75	75	1909.84
November	72	70	71	1954.94
December	67	66	66	1896.58

e) Distribution of shareholding as of 31 December 2019:

Category	Number of shareholders	Number of shares held	Share capital %
5% and above	5	1,129,708,437	77.30
Less than 5%	7,357	332,893,023	22.70
Total	7,680	1,462,601,460	100

Professional Profile of the Statutory Auditor

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

The MENA practice of EY has been operating in the region since 1923 and employs over 7,000 professionals. EY has been operating in Oman since 1974 and is a leading professional services firm in the country. EY MENA forms part of EY's EMEIA practice, with over 4,889 partners and approximately 124,318 professionals. Globally, EY operates in more than 150 countries and employs 328,597 professionals in 700 offices. Please visit ey.com for more information about EY.

PHOENIX POWER COMPANY SAOG

Remuneration of the Statutory Auditor

The professional fees paid / due during the year 2019 are as follows:

Particulars	RO
Audit fees	12,500
Total	12,500

Acknowledgement by the Board of Directors

The Board of Directors confirm their responsibility for the preparation of the financial statements in line with International Financial Reporting Standards ("IFRS"), the disclosures requirements of the CMA and the Commercial Companies Law of 2019. The Board of Directors confirms that it has reviewed the efficiency and adequacy of the internal control systems of the Company, and is pleased to inform the shareholders that adequate and appropriate internal controls are in place, which are in compliance with the relevant rules and regulations. The Board of Directors confirms that there are no material matters that would affect the continuity of the Company, and its ability to continue its operations during the next financial year.

Yours sincerely,

Chief Executive Officer

Chief Financial Officer

Brief Profiles of the Directors

Name:	**Mr. Khalid Jolo**
Position:	Chairman
Education:	Mr. Jolo holds a degree in Mechanical Engineering from the Faculty of Engineering, Qatar University.
Experience:	Mr. Khalid Jolo has more than 23 years of experience in various capacities like Senior Project Engineer, Project Director, and Business Development Manager. Immediately after his engineering studies, he joined with Ministry of Electricity, Qatar in the mid-1990s. Later, he joined Qatar Electricity & Water Co, Q.S.C. ("QEWC") as Senior Project Engineer in 1997. QEWC is considered as one of the first private sector companies that operates in the field of power generation and water production in the region, owning and operating power generation and water desalination stations using the most up to-date technologies in the world. He has headed the QEWC Business Development team in the recent past, which was very successful in garnering a few of the recent prestigious projects in Qatar. At present, Mr. Jolo, is the Chief Executive Officer for Nebras Power Co.
List of Other Directorships:	In addition to Phoenix Power Company SAOG, Mr. Jolo is also a director of the following companies: Ras Girtas Power Company, Qatar Ras Laffan Power Co., Qatar Umm Al Houl Power Co., Qatar Nebras Power, Qatar Shams Maan Power Generation, Jordan Nebras Power Netherlands B.V. IPM Indonesia Netherlands, B.V. IPM Asia, Indonesia Paiton Energy, Indonesia Nebras Power Latin America

Name:	**Mr. Peter Jones**
Position:	Deputy Chairman
Education:	Mr. Jones holds a Bachelor's Degree in Instrumentation and Electronics, and a Diploma in Management Studies
Experience:	Mr. Jones has over 35 years' experience within the power industry comprising a career path with a demonstrable track record of success within the UK and International power sectors. Mr. Jones experience includes 12 years spent with PowerGen (both in the UK and internationally) encompassing roles leading to Plant Manager of an oil fired power station in the UK and culminating in Plant Director for a CCGT plant in Budapest, Hungary. This was followed by a period of 10 years with the Swiss Energy Company, Alpiq, where he was Director of Operations and Maintenance for their European power assets, based in Prague, Czech Republic and becoming Managing Director of Alpiq Power Generation, France, with responsibility for a CCGT business in the central region of the country Recently and following a period of 4 years during which Mr. Jones served as Chief Executive Officer for Phoenix Power Company, he joined Marubeni Power Asset Management in April 2018 as Director of Operations and Maintenance for Middle East and Africa.
List of Other Directorships:	In addition to Phoenix Power Company SAOG, Mr. Jones is also a director of the following companies: Non-Executive Director, Asian Gulf Power Services, UAE Non-Executive Director, Fujairah II O&M Company, UAE Non-Executive Director, Chairman, Shuweihat II O&M Company, UAE Non-Executive Director, Chairman, Ash Sharqiyah O&M Company, KSA

Name:	**Mr. Carlos Alcazar**
Position:	Director
Education:	Mr. Alcazar holds a Masters Degree in Electrical Engineering and a Masters Degree in Business and Administration from I.E. Business School.
Experience:	Mr. Alcazar is a professional engineer and has over 25 years' of experience in the power industry. Having initially worked in consultancy for coal fired Stations and in Power project construction, he moved into operational roles working in different countries (Kenya, Spain, Taiwan, Switzerland, UAE) holding several management positions. Mr. Alcazar worked in both merchant as well as in contracted environments and was Plant Manager in Stations in Spain and Taiwan before he moved into General Manager Generation position in Switzerland where he was responsible for a global fleet of CCGT plants for Alstom Power. Mr. Alcazar joined Marubeni Power Asset Management in 2010 and is presently holding the position of Director of Operations and Maintenance for Middle East and Africa working for the fleet in the Region.
List of Other Directorships:	In addition to Phoenix Power Company SAOG, Mr. Alcazar is also a director of the following companies: Non-Executive Director, Amin Renewable Energy Company, Oman Non-Executive Director, Ruwais Power Company, UAE Non-Executive Director, Taweelah Asia Power Company, UAE Non-Executive Director, Mesaieed Power Company, Qatar Non-Executive Director, Chairman Taweelah A2 Operating, UAE Non-Executive Director, Emirates CMS Power Company, UAE Non-Executive Director, Fujairah Asia Power Company, UAE Non-Executive Director, Power Cogeneration Plant Company, KSA Non-Executive Director, Sweihan PV Power Company, UAE

Name:	**Mr. Tomoki Nishino**
Position:	Director
Education:	Mr. Nishino holds a Master of Business Administration (MBA) from Kellogg School of Management, Evanston, Illinois, USA-2006
Experience:	Mr. Nishino started his career in 1996 working for Hokkaido Electric Power Company Co., Inc. In 2006 after finishing his MBA programme, Mr. Nishino was seconded to Japan Bank for International Cooperation until 2009. Mr. Nishino then joined Marubeni in 2009 and has been involved in the development phase of Sur IPP since the summer of 2010, mainly working on negotiating the project documents and finance agreements. From November 2011 to June 2015, Mr. Nishino worked as Chief Financial Officer of Phoenix Power, and after returning from Phoenix Power to Marubeni, Mr. Nishino continues to work for the development of IPP projects in the Middle East, Africa, and Southwest Asia.

List of Other Directorships:	In addition to Phoenix Power Company SAOG, Mr. Nishino is also a director of the following companies: Non-Executive Director, Power Cogeneration Power Company, KSA Non-Executive Director, Ash Sharqiyah O&M Company, KSA Non-Executive Director, A.R.C.H W.L.L., KSA

Name:	**Mr. Jun Sano**
Position:	Director
Education:	Mr. Sano holds a Master of Science from Stanford University, USA.
Experience:	Mr. Sano started his career in TEPCO in 1992 as a mechanical engineer and has been involved in operation, maintenance and performance management of various thermal power plants. He has been engaged in overseas consulting, IPPs development, operation and maintenance including F class GTCC and coal power plant projects for more than 9 years. Mr. Sano is the Senior Manager of the Overseas Project Management Unit, Business Management Group, Business Development Department of JERA. He is responsible for IPPs management in the Middle East.
List of Other Directorships:	In addition to Phoenix Power Company SAOG, Mr. Sano is also a director of the following company: Non-Executive Director, ITM O&M Company, UAE

Name:	**Mr. Motoharu Nakada**
Position:	Director
Education:	Mr. Nakada holds a bachelor's degree in mechanical engineering
Experience:	Mr. Nakada started his career in CEPCO in 1994 as a mechanical engineer and has been involved in operation, construction, maintenance and performance management of various thermal power plants of CEPCO. He has been involved F class GTCC, coal power plant and LNG terminal construction projects. He has been engaged in overseas consulting, IPPs development, Operation and Maintenance for more than 10 years. Mr. Nakada is the Senior Manager of the Overseas Project Management Unit, Business Management Group, Business Development Department of JERA Company. He is responsible for IPPs management in the Middle East and North America area.
List of Other Directorships:	In addition to Phoenix Power Company SAOG, Mr. Nakada is also a director of the following company: Non-Executive Director, NatGas Holdings 2, L.L.C., USA and Paiton Energy, Indonesia

Brief Profiles of the Key Executive Officers

Name:	**Mr. Paul Adam Atkinson**
Position:	Chief Executive Officer
Year of Joining:	2018
Education:	Mr. Atkinson holds a Bachelor's degree in Mechanical Engineering and has been a Chartered Mechanical Engineer for over 25 years.
Experience:	Mr. Atkinson joined Phoenix Power with a background of over 35 years' experience within the power industry including 12 years spent with Rolls-Royce encompassing roles leading to Site Manager at one of the UK's Submarine Nuclear refit facilities and Engineering Manager. This was followed by a period of 17 years with Enron, GDFSuez (ENGIE) and International Power, where he held various Operational, Engineering and Project roles including group Engineering Manager, and Plant General Manager at the 2,000 MW Teesside Power Station. Immediately prior to joining Phoenix Power, Mr. Atkinson held the position of Executive Managing Director at Emirates CMS Power Company, UAE, with responsibility for a Power and Water generation business in the Emirate of Abu Dhabi.

Name:	**Mr. Koichi Matsumoto**
Position:	Chief Financial Officer
Year of Joining:	2018
Education:	Mr. Matsumoto holds a Bachelor's degree in economics from Kyoto University and MBA from Waseda Graduate School of Finance, Accounting and Law.
Experience:	Mr. Matsumoto joined Phoenix Power Company in 2018 with over 10 years' experience within the utility sector. He has been in charge of management accounting and commodity risk management as an assistant manager in Tokyo Gas Company Ltd. until 2015. He joined Marubeni in 2016 and managed consolidating financial figures of all Marubeni's power assets in Middle east regions for closing, annual budget, quarterly forecast, and mid-to-long term projection. He was also responsible for a strategic cross border tax planning and led a direct communication with statutory auditor.

Name:	Mr. Khalid Al Maawali [1]
Position:	Commercial Manager
Year of Joining:	2014
Education:	Mr. Al Maawali holds a Bachelor's Degree in Process Operation and Maintenance Engineering from Caledonian College of Engineering and MBA from Franklin University
Experience:	Mr. Khalid has over 18 years' experience in the power sector, and he has in depth experience in combined cycle power plant. He worked for 14 years as a shift charge engineer in the operations department in BARKA II power plant. He joined Phoenix Power Company in 2014 as the Commercial Manager. His main responsibilities include contract management, ensuring compliance with statutory and regulatory obligations, asset management, plant performance and interface with local stakeholders in the project.

1 Mr. Khalid Al Maawali remains the PPC Commercial Manager registered under the PPC Commercial License until such time that Mr. Yaarub Al Naabi assumes full responsibility for the role.

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C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PHOENIX POWER COMPANY SAOG

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Phoenix Power Company SAOG (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

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

Other matter

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 26 February 2019.

Key audit matters

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
PHOENIX POWER COMPANY SAOG

Report on the audit of the financial statements (continued)
Key audit matters (continued)

Key audit matters	*How our audit addressed the key audit matters*
Hedge accounting The Company uses derivative financial instruments to hedge interest rate and foreign currency exposure on term loans and future cash flows in accordance with parameters approved by the Board. Rules on accounting for derivative instruments are complex and hedge accounting requirements, including documentation, can be complicated. Lack of compliance with documentation rules, hedge effectiveness rules, and probability criteria could lead to income statement volatility. Refer to note 3.13 and 19 of the financial statements.	Our audit procedures in this area included the following: - We examined the nature of the hedge relationships that were entered into and whether these were in line with the Company's strategy. For the derivatives outstanding at the year-end, we assessed their completeness and existence through obtaining external confirmations and their fair value through performing our own independent re-calculations; - We involved our specialists for assessing the Company's hedge accounting and for testing hedge effectiveness; - We assessed adequacy of disclosure relating to hedge accounting.

Other information included in the Company's 2019 Annual Report
Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Company's 2019 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2019 Annual Report after the date of our auditor's report:

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
PHOENIX POWER COMPANY SAOG

Report on the audit of the financial statements (continued)

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

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

In preparing the financial statements, those charged with governance are responsible for assessing the 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 those charged with governance either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

In preparing the financial statements, those charged with governance are responsible for assessing the 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 those charged with governance either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
PHOENIX POWER COMPANY SAOG

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the 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 those charged with governance'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.

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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PHOENIX POWER COMPANY SAOG

Report on the audit of the financial statements (continued)

Report on other legal and regulatory requirements

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

Ernst & Young LLC

B. Hindy

Bassam Moustafa Hindy
Muscat
26 February 2020

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س.ت: ١٢٢٤٠١٣
ص.ب: ١٧٥٠ روي – ١١٢ ، سلطنة عمان
ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112, Sultanate of Oman

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	**2019 RO'000**	**2019 US$'000**	2018 RO'000	2018 US$'000
Operating revenue	4	**132,958**	**345,795**	134,593	350,047
Operating costs	5	**(96,715)**	**(251,534)**	(98,700)	(256,695)
Operating profit		**36,243**	**94,261**	35,893	93,352
General and administrative expenses	6	**(1,134)**	**(2,949)**	(1,173)	(3,049)
Finance costs (net)	7	**(18,039)**	**(46,911)**	(18,970)	(49,340)
Profit before tax		**17,070**	**44,401**	15,750	40,963
Income tax	8	**(2,561)**	**(6,661)**	(2,830)	(7,360)
PROFIT FOR THE YEAR		**14,509**	**37,740**	12,920	33,603
OTHER COMPREHENSIVE (EXPENSE)/ INCOME, NET OF TAX					
Items that may be reclassified to profit and loss in subsequent periods:					
Net movement in fair value of cash flow hedges	19	**(12,638)**	**(32,871)**	7,522	19,563
Income tax effect	8	**1,896**	**4,930**	(1,128)	(2,934)
OTHER COMPREHENSIVE INCOME		**(10,742)**	**(27,941)**	6,394	16,629
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,767**	**9,800**	19,314	50,232
BASIC EARNINGS PER SHARE RO/ US$)	9	**0.010**	**0.03**	0.009	0.02

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

		2019	**2019**	2018	2018
ASSETS	Notes	**RO'000**	**US$'000**	RO'000	US$'000
Non-current asset					
Property, plant and equipment	10	**535,765**	**1,393,410**	552,810	1,437,740
Right-of-use assets	11	**8,557**	**22,255**	-	-
Capital Spares		**2,320**	**6,033**	2,320	6,033
		546,642	**1,421,698**	555,130	1,443,773
Current assets					
Trade and other receivables	12	**53,919**	**140,232**	7,411	19,277
Inventories	13	**9,040**	**23,513**	8,761	22,786
Bank balances	14	**7,530**	**19,585**	13,769	35,810
		70,489	**183,330**	29,941	77,873
TOTAL ASSETS		**617,131**	**1,605,028**	585,071	1,521,646
EQUITY AND LIABILITIES					
Equity					
Share capital	15	**146,260**	**380,390**	146,260	380,390
Legal reserve	16	**9,672**	**25,155**	8,221	21,381
Hedging reserve	19	**(27,360)**	**(71,160)**	(16,618)	(43,219)
Retained earnings		**48,510**	**126,167**	41,521	107,987
Total equity		**177,082**	**460,552**	179,384	466,539
LIABILITIES					
Non-current liabilities					
Interest bearing loans and borrowings	18	**276,632**	**719,461**	305,031	793,317
Derivative instruments	19	**27,001**	**70,224**	15,838	41,191
Provision for asset retirement obligation	20	**4,423**	**11,504**	5,364	13,951
Deferred tax liability	8	**30,235**	**78,634**	29,569	76,903
Lease liabilities	22	**8,210**	**21,353**	-	-
Employees' end of service benefits	21	**55**	**142**	68	177
		346,556	**901,318**	355,870	925,539
Current liabilities					
Interest bearing loans and borrowings	18	**29,367**	**76,376**	27,888	72,530
Dividend payable	17	**2,925**	**7,608**	2,340	6,086
Accounts payable and accruals	21	**55,506**	**144,361**	15,876	41,296
Derivative instruments	19	**5,188**	**13,494**	3,713	9,656
Lease liabilities	22	**507**	**1,319**	-	-
		93,493	**243,158**	49,817	129,568
TOTAL LIABILITIES		**440,049**	**1,144,476**	405,687	1,055,107
TOTAL EQUITY AND LIABILITIES		**617,131**	**1,605,028**	585,071	1,521,646
Net assets per share (RO/US$)	23	**0.121**	**0.315**	0.123	0.319

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 25 February 2020.

Director　　　　　　　　Director

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital	Legal reserve	Cumulative changes in fair values	Retained earnings	Total
		RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Balance at 1 January 2018		146,260	6,929	(23,012)	35,158	165,335
Profit for the year		-	-	-	12,920	12,920
Other comprehensive income		-	-	6,394	-	6,394
Total comprehensive income for the year		-	-	6,394	12,920	19,314
Dividend paid – 2017	17	-	-	-	(2,925)	(2,925)
Dividend payable – 2017	17	-	-	-	(2,340)	(2,340)
Transfer to legal reserve	16	-	1,292	-	(1,292)	-
Balance at 31 December 2018		146,260	8,221	(16,618)	41,521	179,384
Profit for the year		**-**	**-**	**-**	**14,509**	**14,509**
Other comprehensive income		**-**	**-**	**(10,742)**	**-**	**(10,742)**
Total comprehensive income for the year		**-**	**-**	**(10,742)**	**14,509**	**3,767**
Dividend paid – 2018	**17**	**-**	**-**	**-**	**(3,144)**	**(3,144)**
Dividend payable – 2018	**17**	**-**	**-**	**-**	**(2,925)**	**(2,925)**
Transfer to legal reserve	**16**	**-**	**1,451**	**-**	**(1,451)**	**-**
Balance at 31 December 2019		**146,260**	**9,672**	**(27,360)**	**48,510**	**177,082**

The attached notes 1 to 29 form part of these financial statements.

PHOENIX POWER COMPANY SAOG

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital	Legal reserve	Cumulative changes in fair values	Retained earnings	Total
		US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2018		380,390	18,021	(59,848)	91,438	430,001
Profit for the year		-	-	-	33,603	33,603
Other comprehensive income		-	-	16,629	-	16,629
Total comprehensive income for the year		-	-	16,629	33,603	50,232
Dividend paid – 2017	17	-	-	-	(7,608)	(7,608)
Dividend payable – 2017	17	-	-	-	(6,086)	(6,086)
Transfer to legal reserve	16	-	3,360	-	(3,360)	-
Balance at 31 December 2018		380,390	21,381	(43,219)	107,987	466,539
Profit for the year		**-**	**-**	**-**	**37,740**	**37,740**
Other comprehensive income		**-**	**-**	**(27,941)**	**-**	**(27,941)**
Total comprehensive income for the year		**-**	**-**	**(27,941)**	**37,740**	**9,799**
Dividend paid – 2018	17	**-**	**-**	**-**	**(8,178)**	**(8,178)**
Dividend payable – 2018	17	**-**	**-**	**-**	**(7,608)**	**(7,608)**
Transfer to legal reserve	16	**-**	**3,774**	**-**	**(3,774)**	**-**
Balance at 31 December 2019		**380,390**	**25,155**	**(71,160)**	**126,167**	**460,552**

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019 RO'000**	**2019 US$'000**	2018 RO'000	2018 US$'000
OPERATING ACTIVITIES					
Profit before tax		**17,070**	**44,401**	15,750	40,963
Adjustments for :					
Depreciation	10,11	**16,142**	**41,981**	15,927	41,421
Interest – term loans and swap settlements	7	**16,422**	**42,709**	17,772	46,222
Amortisation of deferred finance costs	7	**969**	**2,519**	1,047	2,724
Interest expense for lease liability	7	**415**	**1,080**	-	-
Asset retirement obligation - unwinding of discount	7	**211**	**548**	256	665
Accruals for employees' end of service benefits	21(b)	**13**	**33**	21	55
		51,242	**133,271**	50,773	132,050
Working capital changes:					
Trade and other receivables		**(46,508)**	**(120,955)**	(2,675)	(6,956)
Accounts payable and accruals		**39,922**	**103,823**	3,070	7,985
Inventories		**(279)**	**(727)**	(295)	(768)
Cash generated from operations		**44,377**	**115,412**	50,873	132,311
Interest – term loans and swap settlements		**(16,713)**	**(43,467)**	(17,800)	(46,294)
Employees' end of service benefits paid	21	**(26)**	**(68)**	(27)	(70)
Cash generated from operating activities		**27,638**	**71,877**	33,046	85,947
INVESTING ACTIVITIES					
Additions/(disposals) to property, plant and equipment	10	**3**	**10**	(25)	(65)
Investment in short term deposits	14	**-**	**-**	1923	5000
Net cash flows used in investing activities		**3**	**10**	1,898	4,935
FINANCING ACTIVITIES					
Dividend paid	17	**(5,484)**	**(14,264)**	(7,313)	(19,020)
Repayment of interest bearing loans and borrowings	18	**(27,889)**	**(72,529)**	(26,069)	(67,800)
Lease payments		**(507)**	**(1,319)**	-	-
Net cash flows used in financing activities		**(33,880)**	**(88,112)**	(33,382)	(86,820)
Decrease in cash and cash equivalent		**(6,239)**	**(16,225)**	1,562	4,062
Cash and cash equivalents at 1 January		**13,769**	**35,810**	12,207	31,748
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	**7,530**	**19,585**	13,769	35,810

The attached notes 1 to 29 form part of these financial statements.

1 ACTIVITIES

Phoenix Power Company SAOG ("the Company") is registered under the Commercial laws of the Sultanate of Oman as a Public Joint Stock Company and principal activities of the Company are to develop, finance, design, construct, operate, maintain, insure and own a power generating station and associated gas interconnection facilities and other relevant infrastructure.

The Company's registered address is P O Box 96, Postal Code 102, Muscat, Sultanate of Oman. The Company's principal place of business is located at Sur, Sultanate of Oman.

During the year 2015, Company proceeded with initial public offering (IPO). The promoting shareholders at the Company's Extraordinary General Meeting held on 9 March 2015 approved the conversion of the Company from a Closed Joint Stock Company (SAOC) to a Public Joint Stock Company (SAOG) by offering their 511,910,511 shares for the public subscription. The Company closed its IPO on 8 June 2015 and its shares were listed on the Muscat Securities Market on 22 June 2015. The IPO proceeds and the related share issue expenses pertains to the promoting shareholders.

The Company has entered into following significant agreements:

i. Power Purchase Agreement (PPA) with Oman Power and Water Procurement Company SAOC (OPWP) granting the Company the right to generate electricity in Sur for a period of fifteen years commencing from the scheduled commercial operations date based on a tariff structure.

ii. Natural Gas Sales Agreement (NGSA) with the Ministry of Oil and Gas of the Government of the Sultanate of Oman (MOG) for the purchase of natural gas for fifteen years at a pre-determined price.

iii. Usufruct Agreement with the Government of the Sultanate of Oman for grant of Usufruct rights over the plant site for twenty five years.

iv. Agreement with local and international banks for long-term loan facilities and interest rate hedge arrangements.

v. Agreement with Siemens LLC Oman for long term service contract for maintenance service of the gas turbines.

vi. Agreement with Siemens Aktiengesellschaft for long term supply contract for supplying the spare parts of gas turbines.

vii. Agreement with Phoenix Operation and Maintenance Company LLC for the operation and maintenance of the Sur IPP Project.

viii. Agreement with Daewoo Engineering and Construction Co. Ltd for engineering, procurement and construction of the Sur IPP Project.

ix. Project Founders' Agreement dated 13 July 2011 made between Electricity Holding Company SAOG, Marubeni Corporation; Chubu Electric Power Co; Qatar Electricity and Water Company (Q.S.C.); and Multitech LLC.

x. Shareholders' Agreement dated 13 July 2011, amended and restated dated 28 November 2011 made between Electricity Holding Company SAOG, Axia Power Holdings B.V; Chubu Electric Power Sur B.V; Qatar Electricity and Water Company (Q.S.C.); and Multitech LLC.

2 Changes in significant accounting policies

For the year ended 31 December 2019 the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reposting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for years beginning on or after 1 January 2019.

- IFRS 16 Leases
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Annual IFRS Improvement Process
    - IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity
    - IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

The above standards, other than IFRS 16, do not have any significant impact on the financial statements of the Company.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly, the comparatives are not restated.

Nature of effect of adoption of IFRS 16:

Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. For the leases previously classified as operating leases, the lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

2 Changes in significant accounting policies (continued)

IFRS 16 Leases (continued)

Practical expedients:

The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Impact on transition

As at 1 January 2019, the Company recorded right-of-use assets of US $ 4.718 million (RO 1.814 million) and lease liabilities of US $ 4.718 million (RO 1.814 million). When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate of 5% at 1 January 2019.

Reconciliation with operating lease commitments

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	2019	2019
	RO'000	US$'000
Assets		
Operating lease commitments as at 31 December 2018 (note 26 (b))	1,737	4,518
Weighted average incremental borrowing rate as at 1 January 2019	5%	5%
Discounted operating lease commitments as at 1 January 2019	1,219	3,170
Add:		
Lease payments relating to land lease renewal periods	595	1,547
Lease payments relating to connection fee	6,995	18,192
Lease liabilities as at 1 January 2019 (note 22)	8,809	22,909

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

The new Commercial Companies Law promulgated by the Royal Decree No. 18/2019 (the Commercial Companies Law of the Sultanate of Oman) was issued on 13 February 2019 which has replaced the Commercial Companies Law of 1974. As per the articles of the Royal Decree No. 18/2019, the new Commercial Companies Law became effective on 17 April 2019 and the companies should comply with the new law within 1 year from 17 April 2019.

Items included in the financial statements of the Company are measured and presented in US Dollars (US $) being the currency of the primary economic environment in which the Company operates.

These financial statements are presented in US Dollars and Rial Omani (RO), rounded to the nearest thousand. The RO amounts shown in the financial statement have been translated using exchange rate of US $ 1 = RO 0.3845 and are shown for the convenience of the reader.

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments.

A number of new relevant standards, amendments to standards and interpretations are not yet effective for the year 2019 and have not been applied in preparing the financial statements. Those which may be relevant to the Company are set out below.

3.2 Standards issued but not yet effective

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

IFRS 17 Insurance Contracts (not applicable to the Company)

Amendments to IFRS 3: Definition of a Business (not applicable to the Company)

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to IFRS 9

Phase 1 Interest Rate Benchmark Reform (IBOR) Amendments to IFRS 9, IAS 39 and IFRS 7 were published by the IASB in September 2019, which includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. The Company is assessing the impact of Phase 1 IBOR amendments which are effective for annual periods beginning on or after 1 January 2020.

The significant accounting policies adopted by the Company are as follows:

3.3 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments introduces principle-based requirements for the classification of financial assets. The Standard contains two primary measurement categories for financial assets: amortized cost and fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables.

The classification of financial assets under IFRS 9 is generally based on the business model in which the financial

asset is managed and contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The principal financial instruments of the Company include trade and other receivables, cash and cash equivalents, related party balances and trade and other payables

Initial recognition

Financial assets

Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 IFRS 9 Financial Instruments (continued)

Recognition and initial measurement (continued)

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

Financial assets at amortised cost

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

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

Financial assets at fair value through other comprehensive income

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

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

Financial assets at fair value through profit or loss

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

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

Financial liabilities

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 IFRS 9 Financial Instruments (continued)

Recognition and initial measurement (continued)

Financial liabilities (continued)

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

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

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

Subsequent measurement and gain or losses

Financial assets

Financial assets at amortized cost

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

Financial assets at fair value through other comprehensive income

a) Debt instruments

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

b) Equity instruments

These assets are subsequently measured at fair value. Dividends are recognized as income in the profit or loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in the statement of other comprehensive income and are never reclassified to the profit or loss account.

Financial assets at fair value through profit or loss

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 IFRS 9 Financial Instruments (continued)

Subsequent measurement and gain or losses (continued)

Financial liabilities

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

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

Reclassification

Financial assets

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

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

Financial liabilities

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

Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the profit or loss account.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 IFRS 9 Financial Instruments (continued)

Modifications of financial assets and financial liabilities (continued)

Financial liabilities

If the terms of a financial liability are modified and the cash flows of the modified liability are substantially different then, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the profit or loss account.

Derecognition

Financial assets

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

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in the statement of other comprehensive income is recognised in the profit or loss account.

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 recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 IFRS 9 Financial Instruments (continued)

Derecognition *(continued)*

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss account.

Offsetting

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

Impairment of financial asset

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ('ECL') model. This requires considerable judgement about how changes in economic factors affect expected credit losses, which will be determined on a probability-weighted basis.

The Company recognizes loss allowances for ECLs on financial assets measured at amortized cost.

Measurement of loss allowances

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

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

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances for trade receivables at an amount equal to lifetime ECLs.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 IFRS 9 Financial Instruments (continued)

Measurement of loss allowances *(continued)*

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

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

- Significant financial difficulty of the borrower or issuer;
- Delinquency by borrower;
- Restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a borrower or issuer will enter bankruptcy;
- The disappearance of an active market for a security (if any); or
- If it past due for more than 25 days.

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 IFRS 9 Financial Instruments (continued)

Measurement of loss allowances *(continued)*.

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

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

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

Financial assets that are credit-impaired at the reporting date

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

Presentation of expected credit losses

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

Write - off

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

Derivative financial instruments and hedging

The Company uses derivative financial instruments as trading investments to hedge its risks associated with interest rate, foreign currency, commodity price fluctuations and also to satisfy the requirements of its customers. 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 assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to the profit or loss account.

The Company applies hedge accounting only if all of the following conditions are met:

- There is formal designation and written documentation at the inception of the hedge;
- 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; and

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 IFRS 9 Financial Instruments (continued)

Derivative financial instruments and hedging *(continued)*.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

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

- Hedges of the exposure to changes in fair value of recognised assets or liabilities or firm commitments (fair value hedge); or
- Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

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

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss account over the period to maturity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss account.

Amounts recognised as OCI are transferred to the profit or loss account when the hedged transaction affects the profit or loss account, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 IFRS 9 Financial Instruments (continued)

Derivative financial instruments and hedging *(continued).*

Cash flow hedge (continued)

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss account.

The Company entered a derivative financial instrument to manage its exposure to interest rate risk, which include interest rate swaps. Further details of derivative financial instruments are disclosed in note 19.

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by companying together all assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

3.4 Revenue

Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard establishes a five step model to account for revenue arising from contracts with customers. The Company's contract with its sole customer contains a lease, which is scoped out of IFRS 15.

The Company recognises revenue from the following major sources

- Capacity charge
- Energy charge/variable charge

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Revenue (continued)

Capacity charge

Capacity charge include investment charge and fixed O&M charge. Investment charge is treated as revenue under operating lease and recognized on straight line basis over the lease term. Fixed O&M charge is recognized based on the capacity made available in accordance with contractual terms stipulated in PPA.

Variable charge

Energy charge and fuel charge are recognised when electricity are delivered; which is taken to be over time when the customer has accepted the deliveries, the control of utilities have been transferred to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the utilities.

The Company has a long-term agreement with OPWP which determines performance obligation, transaction price and allocates the transaction price to each of the separate performance obligations. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

The Company does not adjust any of the transaction prices for time value of money as the period between the transfer of the promised goods or services to the customer and payment by the customer does not exceed one year and the sales are made with agreed credit terms which is in line with the industry practice.

3.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

3.6 Income tax

Taxation is provided for in accordance with Omani fiscal regulations.

Deferred income tax is provided, using the liability method, 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 to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets 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 assets and unused tax losses can be utilized.

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 utilized. Income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Capital work in progress is recorded at cost less impairment, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs for long-term construction projects if the recognition criteria are met.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss, when the asset is derecognised.

Depreciation is calculated using the straight-line method to allocate the cost less its residual value so as to write off items of property, plant and equipment over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of an item is depreciated separately.

The estimated useful lives are as follows:

	Years
Plant and machinery	40
Plant building	40
Strategic spares	15
Other assets	5

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

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

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase cost, and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

3.10 Dividend

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

3.11 Asset retirement obligation

The provision for asset retirement obligation arose on assets constructed on land under usufruct contracts with Public Establishment for Industrial Estate. A corresponding asset is recognised in property, plant and equipment. The asset retirement obligation is provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the asset retirement obligation. The unwinding of the discount is expensed as incurred and recognised in the statement of income as a finance cost. The estimated future costs of decommissioning 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.

3.12 Account payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not

3.13 Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

3.14 Employees' end of service benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period and is payable under the Omani labor law issued under Royal Decree.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Leases

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

Company as a lessee

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

a. Right of use assets

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

Lease costs for the year ended 31 December 2019 relating to the right-of-use assets amounting to US $ 0.656 million (RO 0.252 million) are included under depreciation expenses.

b. Lease liabilities

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g, a changes in future payments resulting from a change in index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Leases (continued)

c. Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an

asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.16 Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Company.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Fair values (continued)

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

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

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

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

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

3.17 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic decisions maker.

The Company's operating activities are disclosed in note 1 to the financial statements. The strategic business unit offers similar products and services and is managed as one segment. For the strategic business unit, the Chief Executive Officer reviews internal management reports on a monthly basis.

Performance is measured based on the profit before income tax, as included in the internal management reports. The Chief Executive Officer considers the business of the Company as one operating segment and monitors accordingly.

3.18 Capital spares

Cost of capital spares includes all expenditure directly attributable to the acquisition of capital spares. Capital spares are tested for impairment annually.

Spare parts are recorded as capital spares upon purchase and depreciated over the useful life of related plant and equipment when it is put in use.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Critical accounting judgments and key sources of estimation uncertainty

The presentation of financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenditures. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

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

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

The following are the significant estimates used in the preparation of the financial statements:

a) **Useful lives of property, plant and equipment**

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

b) **Asset retirement obligation**

Asset retirement obligation costs are based on management's technical assessment of the probable future costs to be incurred in respect of the decommissioning of the plant facilities.

c) **Impairment of plant spares**

The carrying amounts of the Company's plant and spares are reviewed at each reporting date to determine whether there is any indication of impairment. Based on management assessment, there is no indicator of impairment of plant spares as at the reporting date.

d) **Deferred taxation**

Deferred tax asset amounting to US$ 39.05 million (2018: US$ 39.37 million) has not been recognised in profit or loss relating to the carried forward losses amounting to US$ 260.32 million (2018: US$ 262.47 million), which are expected to expire within a period of five years from the year of origination of taxable loss. The Company has accounted for a deferred tax asset only for the carried forward losses which are expected to be utilized against the taxable profits to be generated in future. The related details are set out in note 9.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Critical accounting judgments and key sources of estimation uncertainty (continued)

e) **Significant judgement in determining the lease term of contracts with renewal and termination options – Company as lessee**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

f) **Leases – Estimating the incremental borrowing rate**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 OPERATING REVENUE

	2019	**2019**	2018	2018
	RO'000	**US$'000**	RO'000	US$'000
Capacity charges	**65,620**	**170,663**	65,723	170,931
Energy charges	**67,338**	**175,132**	68,870	179,116
	132,958	**345,795**	134,593	350,047

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 chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Company operates in one business segment that of generation of power. No geographical analysis has been disclosed as 100% of the Company's revenue is from its only customer Oman Power and Water Procurement Company SAOC (OPWP) based in the Sultanate of Oman.

5 OPERATING COSTS

	2019	**2019**	2018	2018
	RO'000	**US$'000**	RO'000	US$'000
Gas consumption	**64,468**	**167,668**	66,231	172,253
Depreciation (note 10 and 11)	**16,129**	**41,947**	15,908	41,372
Operation and maintenance cost (note 25)	**8,930**	**23,224**	7,843	20,398
Contractual services maintenance cost	**6,136**	**15,958**	7,096	18,454
Insurance	**576**	**1,498**	557	1,449
Connection and license fee	**98**	**256**	518	1,347
Other direct costs	**378**	**983**	547	1,422
	96,715	**251,534**	98,700	256,695

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2019	**2019**	2018	2018
	RO'000	**US$'000**	RO'000	US$'000
Staff costs and other benefits	**585**	**1,522**	609	1,583
Legal and professional charges	**115**	**298**	67	175
Office rent	**38**	**98**	38	98
Depreciation (note 10)	**13**	**34**	19	49
Other expenses	**383**	**997**	440	1,144
	1,134	**2,949**	1,173	3,049

7 FINANCE COSTS (NET)

	2019 RO'000	**2019 US$'000**	2018 RO'000	2018 US$'000
Interest – term loans and swap settlements	**16,422**	**42,709**	17,772	46,222
Amortisation of deferred finance cost	**969**	**2,519**	1,047	2,724
Asset retirement obligation - unwinding of discount (note 20)	**211**	**548**	256	665
Interest expense for lease liabilities	**415**	**1,080**	-	-
Debt service commission	**67**	**174**	162	422
Exchange loss	**110**	**285**	(109)	(283)
Interest Income	**(155)**	**(404)**	(158)	(410)
	18,039	**46,911**	18,970	49,340

8 INCOME TAX

	2019 RO'000	**2019 US$'000**	2018 RO'000	2018 US$'000
Recognised in the statement of comprehensive income in the current year				
Deferred tax expense:				
Current year	**(2,561)**	**(6,661)**	(2,830)	(7,360)
	(2,561)	**(6,661)**	(2,830)	(7,360)

a) Reconciliation of income tax expense

The following is the tax reconciliation of income taxes calculated at the applicable tax rate with the income tax expenses.

	2019 RO'000	**2019 US$'000**	2018 RO'000	2018 US$'000
Profit before tax	**17,070**	**44,401**	15,750	40,963
Income tax at the rate mentioned above	**2,561**	**6,661**	(2,362)	(6,143)
Deferred tax not recognised during the year	**-**	**-**	(468)	(1,217)
	2,561	**6,661**	(2,830)	(7,360)

As of 31 December 2019, the Company's tax assessments for the year 2011 to 2013 have been completed by the Omani taxation authorities. The Company's assessment for the tax years 2014 to 2018 have not yet been finalised with the Secretariat General for Taxation at the Ministry of Finance. Management of the Company believes that additional taxes, if any, in respect of open tax years, would not be significant to the Company's financial position as at 31 December 2019.

8 INCOME TAX (continued)

b) Deferred tax liability

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

31 December 2019	**As at 1 January RO'000**	**Recognised In profit or loss RO'000**	**Recognised in other comprehensive income/ (expense) RO'000**	**As at 31 December RO'000**
Property, plant and equipment	**(37,166)**	**(4,515)**	**-**	**(41,681)**
Provision for asset retirement obligation (note 20)	**805**	**(141)**	**-**	**664**
Liabilities for Finance Lease	**-**	**1,308**	**-**	**1,308**
Losses carried forward	**3,859**	**787**	**-**	**4,646**
Fair value adjustment of derivatives through equity	**2,933**	**-**	**1,896**	**4,829**
Net deferred tax liability	**(29,569)**	**(2,561)**	**1,896**	**(30,234)**
//	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Property, plant and equipment	**(96,660)**	**(11,743)**	**-**	**(108,403)**
Provision for asset retirement obligation (note 20)	**2,093**	**(367)**	**-**	**1,726**
Liabilities for Finance Lease	**-**	**3,401**	**-**	**3,401**
Losses carried forward	**10,037**	**2,048**	**-**	**12,085**
Fair value adjustment of derivatives through equity	**7,627**	**-**	**4,930**	**12,557**
Net deferred tax liability	**(76,903)**	**(6,661)**	**4,930**	**(78,634)**
31 December 2018	RO'000	RO'000	RO'000	RO'000
Property, plant and equipment	(32,835)	(4,332)	-	(37,167)
Provision for asset retirement obligation (note 20)	767	38	-	805
Losses carried forward	2,396	1,464	-	3,860
Fair value adjustment of derivatives through equity	4,061	-	(1,128)	2,933
Net deferred tax liability	(25,611)	(2,830)	(1,128)	(29,569)
	US$'000	US$'000	US$'000	US$'000
Property, plant and equipment	(85,395)	(11,265)	-	(96,660)
Provision for asset retirement obligation (note 20)	1,993	100	-	2,093
Losses carried forward	6,232	3,805	-	10,037
Fair value adjustment of derivatives through equity	10,561	-	(2,934)	7,627
Net deferred tax liability	(66,609)	(7,360)	(2,934)	(76,903)

9 EARNINGS PER SHARE

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

	2019 RO'000	**2019 US$'000**	2018 RO'000	2018 US$'000
Profit attributable to ordinary shareholders of the Company for basic earnings per share	**14,509**	**37,740**	12,920	33,603
Weighted average number of shares (in 000's)	**1,462,601**	**1,462,601**	1,462,601	1,462,601
Basic earnings per share	**0.010**	**0.03**	0.009	0.02

10 PROPERTY, PLANT AND EQUIPMENT

Cost	**Plant building RO'000**	**Plant and equipment RO'000**	**Strategic spares RO'000**	**Asset retirement RO'000**	**Other assets RO'000**	**Total RO'000**
At 1 January 2019	**83,876**	**518,087**	**10,809**	**4,401**	**251**	**617,424**
Disposal	**-**	**-**	**-**	**-**	**(5)**	**(5)**
Change in estimate	**-**	**-**	**-**	**(1,152)**	**-**	**(1,152)**
At 31 December 2019	**83,876**	**518,087**	**10,809**	**3,249**	**246**	**616,267**
Accumulated depreciation						
At 1 January 2019	**8,509**	**52,550**	**2,926**	**446**	**183**	**64,614**
Charge for the year	**2,097**	**12,952**	**721**	**90**	**30**	**15,890**
Related to disposal	**-**	**-**	**-**	**-**	**(2)**	**(2)**
At 31 December 2019	**10,606**	**65,502**	**3,647**	**536**	**211**	**80,502**
Net book value						
At 31 December 2019	**73,270**	**452,585**	**7,162**	**2,713**	**35**	**535,765**

Cost	Plant building RO'000	Plant and equipment RO'000	Strategic spares RO'000	Asset retirement RO'000	Other assets RO'000	Total RO'000
At 1 January 2018	83,876	518,087	10,809	4,401	226	617,399
Additions	-	-	-	-	25	25
At 31 December 2018	83,876	518,087	10,809	4,401	251	617,424
Accumulated depreciation						
At 1 January 2018	6,412	39,598	2,205	336	136	48,687
Charge for the year	2,097	12,952	721	110	47	15,927
At 31 December 2018	8,509	52,550	2,926	446	183	64,614
Net book value						
At 31 December 2018	75,367	465,537	7,883	3,955	68	552,810

10 PROPERTY, PLANT AND EQUIPMENT (continued)

Cost	Plant building US$'000	Plant and equipment US$'000	Strategic spares US$'000	Asset retirement US$'000	Other assets US$'000	Total US$'000
At 1 January 2019	**218,142**	**1,347,432**	**28,113**	**11,445**	**651**	**1,605,783**
Disposal	**-**	**-**	**-**	**-**	**(14)**	**(14)**
Change in estimate	**-**	**-**	**-**	**(2,995)**	**-**	**(2,995)**
At 31 December 2019	**218,142**	**1,347,432**	**28,113**	**8,450**	**637**	**1,602,774**
Accumulated depreciation						
At 1 January 2019	**22,128**	**136,675**	**7,605**	**1,161**	**474**	**168,043**
Charge for the year	**5,453**	**33,686**	**1,874**	**235**	**77**	**41,325**
Related to disposal	**-**	**-**	**-**	**-**	**(4)**	**(4)**
At 31 December 2019	**27,581**	**170,361**	**9,479**	**1,396**	**547**	**209,364**
Net book value						
At 31 December 2019	**190,561**	**1,177,071**	**18,634**	**7,054**	**90**	**1,393,410**

Cost	Plant building US$'000	Plant and equipment US$'000	Strategic spares US$'000	Asset retirement US$'000	Other assets US$'000	Total US$'000
At 1 January 2018	218,142	1,347,432	28,113	11,445	586	1,605,718
Additional	-	-	-	-	65	65
At 31 December 2018	218,142	1,347,432	28,113	11,445	651	1,605,783
Accumulated depreciation						
At 1 January 2018	16,674	102,989	5,731	875	353	126,622
Charge for the year	5,454	33,686	1,874	286	121	41,421
At 31 December 2018	22,128	136,675	7,605	1,161	474	168,043
Net book value						
At 31 December 2018	196,014	1,210,757	20,508	10,284	177	1,437,740

During the year the company has reassessed the estimate of asset retirement and the provision has decreased by US $ 2.995 million (RO 1.152 million) and the asset retirement asset has decrease correspondingly.

The term loan facilities are secured by a comprehensive legal and commercial mortgage on all assets of the Company (note 18)

11 RIGHT-OF-USE ASSETS

The Company has adopted IFRS 16 'Leases' from 1 January 2019. In line with IFRS 16 requirement, the Company recognized right of use assets. The Company has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard and therefore comparative information has not been presented.

The Company has lease contracts for land lease under the Sub-Usufruct Agreement and Connection fee for the transmission through the system to the connection point under the Electrical Connection Agreement.

	Land lease	Connection Fee	Total
Cost	RO'000	RO'000	RO'000
At 1 January 2019	1,814	6,995	8,809
At 31 December 2019	1,814	6,995	8,809
Accumulated depreciation			
At 1 January 2019	-	-	-
Charge for the year	52	200	252
At 31 December 2019	52	200	252
Net book value			
At 31 December 2019	1,762	6,795	8,557
At 31 December 2018	-	-	-

	Land lease	Connection Fee	Total
Cost	US$'000	US$'000	US$'000
At 1 January 2019	4,718	18,193	22,911
At 31 December 2019	4,718	18,193	22,911
Accumulated depreciation			
At 1 January 2019	-	-	-
Charge for the year	135	521	656
At 31 December 2019	135	521	656
Net book value			
At 31 December 2019	4,583	17,672	22,255
At 31 December 2018	-	-	-

12 TRADE AND OTHER RECEIVABLES

	2019	**2019**	2018	2018
	RO'000	**US$'000**	RO'000	US$'000
Trade receivables	**53,632**	**139,485**	6,919	17,995
Prepayments	**266**	**692**	68	178
Other receivables	**21**	**55**	424	1,104
	53,919	**140,232**	7,411	19,277

Trade receivables includes an amount of USD 132.45 million (RO 50.92 million) relating to Fuel component, from May 2019 to December 2019, not received from OPWP. Pursuant to the Natural Gas Sales Agreement signed with Ministry of Oil and Gas (MOG), the Company has accordingly not settled the corresponding Fuel payments to MOG as the Company is liable to pay to MOG only on receipt of the corresponding PPA payment relating to gas portion from OPWP (note 21 a). The impairment provision is assessed based on the "Expected Credit Loss" model under IFRS 9, which is considered to be immaterial.

13 INVENTORIES

	2019	**2019**	2018	2018
	RO'000	**US$'000**	RO'000	US$'000
Fuel oil inventory	**5,381**	**13,995**	5,555	14,447
Maintenance spares	**3,659**	**9,518**	3,206	8,339
	9,040	**23,513**	8,761	22,786

14 BANK BALANCES

	2019	**2019**	2018	2018
	RO'000	**US$'000**	RO'000	US$'000
Bank balances	**7,530**	**19,585**	13,769	35,810
	7,530	**19,585**	13,769	35,810

Bank balances and deposit accounts are placed with reputed financial institutions. Hence, management believes that the credit risk with respect to these balances is immaterial.

15 SHARE CAPITAL

	2019	**2019**	2018	2018
	RO'000	**US$'000**	RO'000	US$'000
Authorised, issued and fully paid up share capital of 1,462,601,460 shares (2018 – 1,462,601,460 shares)	**146,260**	**380,390**	146,260	380,390

16 LEGAL RESERVE

As required by the Commercial Companies Law of the Sultanate of Oman, 10% of annual profit of the Company is required to be transferred to legal reserve until the reserve is equal to one third of the issued share capital of the Company. The reserve is not available for distribution.

17 DIVIDEND PAID, PAYABLE AND PROPOSED

Pursuant to shareholders' resolution dated 19 March 2019, the Board of Directors in their meetings held on 24 April 2019 and 30 October 2019 announced cash dividend of 2.15 baizas per share and 2.0 baizas per share, respectively for the year ended 31 December 2018. Accordingly dividend amounting to US$ 8.178 million (RO 3.144 million) was paid in July 2019 and US$ 7.608 million (RO 2.925 million) is payable as of 31 December 2019 which was paid subsequently in January 2020.

Subject to approval of the shareholders at the Annual General Meeting ("AGM"), the Board of Directors in their meeting held on 25 February 2020 proposed a cash dividend to the shareholders of the Company which will be paid in July 2020 and January 2021 for the year ended 31 December 2019, provided that the aggregate amount of such dividend shall not exceed 4.15 baizas per share of the paid up share capital of the Company as of 31 December 2019.

18 INTEREST BEARING LOANS AND BORROWINGS

	2019	**2019**	2018	2018
	RO'000	**US$'000**	RO'000	US$'000
Secured term loan from commercial banks	**91,075**	**236,867**	99,256	258,142
Secured term loan from Japan Bank for International Cooperation	**173,871**	**452,200**	189,488	492,816
Secured term loan under NEXI facilities	**45,537**	**118,433**	49,628	129,071
	310,483	**807,500**	338,372	880,029
Less : Deferred finance costs	**(4,484)**	**(11,663)**	(5,453)	(14,182)
	305,999	**795,837**	332,919	865,847
Less : Current portion of loans	**(29,367)**	**(76,376)**	(27,888)	(72,530)
Non-current portion of loans	**276,632**	**719,461**	305,031	793,317

Reconciliation of movement of liabilities to cash flows arising from financing activities

	2019	**2019**	2018	2018
	RO'000	**US$'000**	RO'000	US$'000
Gross loan as at 1 January	**338,372**	**880,029**	364,441	947,829
Paid during the year	**(27,889)**	**(72,529)**	(26,069)	(67,800)
Gross loan as at 31 December	**310,483**	**807,500**	338,372	880,029

The Company had entered into secured term loan agreements in relation to the Sur IPP Project. The total amount of the term loan is US$ 1,194 million at LIBOR + applicable margin.

The Company started drawdowns in 2012. The Company has fully drawn down the facility in 2014. The loans will be repayable in instalments of several denominations, every sixth month from 28 December 2014, the final instalment will be due on 28 December 2028. The Company in order to manage its interest rate risk has entered into certain interest rate swap arrangements, the details of which are set out in note 19.

The above facilities are secured by comprehensive legal and commercial mortgages on all the assets, etc. of the Company. The loan agreements contain certain restrictive covenants, which include, amongst other restrictions over debt service, pattern of shareholding, payment of dividends, asset sales/transfers, and amendment to significant agreements entered by the Company and creation of additional security under charge. The Company is in compliance with the covenants (note 10).

19 DERIVATIVE FINANCIAL INSTRUMENTS

	2019	**2019**	2018	2018
	RO'000	**US$'000**	RO'000	US$'000
Cumulative changes in fair value:				
Interest rate swap agreements	**23,683**	**61,595**	12,632	32,852
Forward foreign exchange contracts	**8,506**	**22,123**	6,919	17,995
Fair value of derivatives	**32,189**	**83,718**	19,551	50,847
Less : Income tax effect (note 8)	**(4,829)**	**(12,558)**	(2,933)	(7,627)
	27,360	**71,160**	16,618	43,219

The current and non-current portion of fair value of derivatives is as follows:

	2019	**2019**	2018	2018
	RO'000	**US$'000**	RO'000	US$'000
Non-current portion	**27,001**	**70,224**	15,838	41,191
Current portion	**5,188**	**13,494**	3,713	9,656
	32,189	**83,718**	19,551	50,847

Interest rate swap agreements

In accordance with the requirements of its Commercial facilities, NEXI facilities and Term Loan facilities agreement with Japan Bank for International Corporation ("Secured Term Loan agreements"), the Company has entered into seven interest rate hedging agreements with a view to cap the Company's exposure to fluctuating interest rates. The maximum loan amount covered during the tenure is US $ 1,152 million. Under the hedging agreements, the Company pays a fixed interest rate between 3.102 % to 3.75 % per annum as per the respective swap agreement and receives a floating interest rate based on US $ LIBOR with effective dates starting from 28 February 2013/28 March 2013 till 28 December 2028. As at 31 December 2019, an unrealised loss of US $ 61.595 million (RO 23.683 million) (2018: US $ 32.852 million) (RO 12.632 million) relating to measuring the financial instrument at fair value is included in equity in respect of these contracts.

The following table shows the negative fair value of the derivative financial instrument relating to secured term loan agreements, which is equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

19 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

31 December 2019	**Notional amounts by term to maturity**				
	Fair value of derivatives	**Notional amount**	**1 - 12 Months**	**More than 1 up to 5 years**	**Over 5 years**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Interest rate swaps	**23,683**	**294,918**	**27,895**	**124,846**	**142,177**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Interest rate swaps	**61,595**	**767,018**	**72,549**	**324,697**	**369,772**

31 December 2018	Notional amounts by term to maturity				
	Fair value of derivatives	Notional amount	1 - 12 Months	More than 1 up to 5 years	Over 5 years
	RO'000	RO'000	RO'000	RO'000	RO'000
Interest rate swaps	12,632	321,407	26,489	118,450	176,468
	US$'000	US$'000	US$'000	US$'000	US$'000
Interest rate swaps	32,852	835,910	68,892	308,063	458,955

All of these interest rate swaps are designated as effective cash flow hedges and the fair value thereof has been dealt with in equity.

Forward foreign exchange contracts

In order to reduce its exposure to foreign exchange rates fluctuations relating to payments to be made to contractor for services rendered under long term supply and services contract for gas turbines, the Company has entered into a foreign exchange swap agreement with a bank for the foreign exchange amounts which are required to be paid in future. As at 31 December 2019, an unrealised loss of US $ 22.123 million (RO 8.506 million) ((2018: US $ 17.995 million (RO 6.919 million)) relating to measuring the financial instrument at fair value is included in equity in respect of these contracts.

19 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Forward foreign exchange contracts (continued)

The related details are set out below:

31 December 2019		**Notional amounts by term to maturity**			
	Fair value of derivatives	**Notional amount**	**1 - 12 months**	**More than 1 up to 5 years**	**Over 5 years**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Forward foreign exchange contracts	**8,506**	**52,716**	**5,870**	**23,441**	**23,406**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Forward foreign exchange contracts	**22,123**	**137,104**	**15,267**	**60,964**	**60,873**

31 December 2018		Notional amounts by term to maturity			
	Fair value of derivatives	Notional amount	1 - 12 months	More than 1 up to 5 years	Over 5 years
	RO'000	RO'000	RO'000	RO'000	RO'000
Forward foreign exchange contracts	6,919	58,567	5,851	23,441	29,276
	US$'000	US$'000	US$'000	US$'000	US$'000
Forward foreign exchange contracts	17,995	152,321	15,216	60,964	76,141

20 PROVISION FOR ASSET RETIREMENT OBLIGATION

Under the Usufruct Agreement, the Company has a legal obligation to remove the plant at the end of its useful life and restore the land. The Company shall at its sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavation and return the surface to grade of the designated areas. The fair value of asset retirement obligation (ARO) provision has been calculated using an expected present value technique. This technique reflects assumptions such as costs, plant useful life, inflation and profit margin that third parties would consider to assume the settlement of the obligation. During the year the Company has reassessed the estimate of ARO and the provision has decreased by US $2.995 million (RO 1.152 million) and the Asset retirement asset has decrease correspondingly Note (11).

The movement in ARO provision is as follows:

	2019	**2019**	2018	2018
	RO'000	**US$'000**	RO'000	US$'000
As at 1 January	**5,364**	**13,951**	5,108	13,286
Change in estimate	**(1,152)**	**(2,995)**	-	-
Unwinding of discount (note 7)	**211**	**548**	256	665
As at 31 December	**4,423**	**11,504**	5,364	13,951

21 ACCOUNTS PAYABLE AND ACCRUALS

(a) Accounts payable and accruals

	2019	**2019**	2018	2018
	RO'000	**US$'000**	RO'000	US$'000
Trade accounts payable	**46,664**	**121,362**	5,666	14,737
Amounts due to related parties (note 25)	**2,700**	**7,023**	2,530	6,581
Accrued expenses	**6,142**	**15,976**	7,680	19,978
	55,506	**144,361**	15,876	41,296

(b) Employees' end of service benefits

	2019	**2019**	2018	2018
	RO'000	**US$'000**	RO'000	US$'000
As at 1 January	**68**	**177**	74	192
Charge for the year	**13**	**33**	21	55
Paid during the year	**(26)**	**(68)**	(27)	(70)
As at 31 December	**55**	**142**	68	177

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

22 LEASE LIABILITIES

On adoption of IFRS 16, the Company recognised lease liabilities in relation to lease of land which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

	2019	**2019**	2018	2018
	RO’000	**US$’000**	RO’000	US$’000
Land	**1,795**	**4,669**	-	-
Connection fee	**6,922**	**18,003**	-	-
As at 31 December	**8,717**	**22,672**	-	-

The movement of Right-of-use assets during the year is as follows;

	2019	**2019**
	RO’000	**US$’000**
At 1 January	**8,809**	**22,911**
Depreciation during the year (note 11)	**(252)**	**(656)**
At 31 December	**8,557**	**22,255**

Movement of lease liability recognised in the current year is as follows;

	2019	**2019**
	RO’000	**US$’000**
At 1 January (note 2)	**8,809**	**22,911**
Interest on finance lease (note 7)	**415**	**1,080**
Payments during the year	**(507)**	**(1,319)**
At 31 December	**8,717**	**22,672**

	2019	**2019**
	RO’000	**US$’000**
Non-current lease liabilities	**8,210**	**21,353**
Current lease liabilities	**507**	**1,319**
	8,717	**22,672**

The following are the amounts recognised in the statement of comprehensive income;

	2019	**2019**
	RO’000	**US$’000**
Depreciation of right-of-use assets (note 11)	**252**	**656**
Interest on finance lease (note 7)	**415**	**1,080**
	667	**1,736**

For leases where the Company is lessor, please refer note 26.

23 NET ASSETS PER SHARE

Net assets per share is calculated by dividing the equity attributable to the shareholders of the Company at the reporting date by the number of shares outstanding as follows:

	2019	**2019**	2018	2018
Net assets (RO '000s/US$'000s)	**177,081**	**460,553**	179,384	466,539
Number of shares outstanding at 31 December (in 000's)	**1,462,601**	**1,462,601**	1,462,601	1,462,601
Net assets per share (RO '000s/US$'000s)	**0.121**	**0.315**	0.123	0.319

24 CONTINGENCIES

At 31 December 2019, the Company had no contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise [2018 : US$ nil (RO nil)].

25 RELATED PARTY TRANSACTIONS

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

The Company maintains balances with these related parties which arise in the normal course of business from the commercial transactions, and are entered into at terms and conditions which the management consider to be comparable with those adopted for arm's length transactions with third parties. Transactions with related parties are as follows:

Due to related parties	**2019**	**2019**	2018	2018
	RO'000	**US$'000**	RO'000	US$'000
Other related party - Phoenix Operation and Maintenance Company LLC	**2,700**	**7,023**	2,530	6,581
Statement of comprehensive income transactions				
Consulting Service fee charged:				
Axia Power Holdings	**41**	**107**	41	107
JERA Co. Inc.	**25**	**64**	25	64
Others	**16**	**43**	16	43
	82	**214**	82	214
Operation and maintenance costs:				
Phoenix Operation and Maintenance Company LLC ("POMCO") (note 5)	**8,930**	**23,224**	7,843	20,398
	8,930	**23,224**	7,843	20,398

25 RELATED PARTY TRANSACTIONS (continued)

Statement of comprehensive income transactions (continued)

	2019 RO'000	2019 US$'000	2018 RO'000	2018 US$'000
Key management compensation:				
Short term benefits	**256**	**667**	252	656
End of service benefits	**11**	**29**	14	37
	267	**696**	266	693

26 COMMITMENTS

(a) Operation and maintenance (O&M) commitments

As per the O&M Agreement, POMCO is scheduled to operate and maintain the Plant until 31 March 2029. Under the O&M Agreement the Company has to pay the fixed fee which is subject to indexation based on Omani Price indices.

At 31 December the expected future payments under the O&M Agreement (excluding indexation) are as follows:

	2019 RO'000	2019 US$'000	2018 RO'000	2018 US$'000
Within one year	**1,730**	**4,500**	1,730	4,500
Between two and five years	**6,921**	**18,000**	6,921	18,000
After five years	**7,348**	**19,110**	9,078	23,610
	15,999	**41,610**	17,729	46,110

(b) Land lease commitments

At 31 December, the future lease payments under the Sub-Usufruct Agreement are as follows:

	2019 RO'000	2019 US$'000	2018 RO'000	2018 US$'000
Within one year	**-**	**-**	105	272
Between two and five years	**-**	**-**	418	1,087
After five years	**-**	**-**	1,214	3,159
	-	**-**	1,737	4,518

Refer to note 2 IFRS 16 Leases for the impact on transition.

Other commitments

The Company has entered into agreements for purchase of natural gas with the Ministry of Oil and Gas, long term supply of spare parts of gas turbines with Siemens Aktiengesellschaft, maintenance service of gas turbines with Siemens LLC Oman, operation and maintenance of the Sur IPP Project with Phoenix Operation and Maintenance Company LLC.

26 COMMITMENTS (continued)

Operating lease agreement for which the Company acts as a lessor

The Company has entered into a PPA with OPWP for a substantial element of the production of power with 100% "take-or-pay" clauses in favour of the Company.

The Management has determined that the take-or-pay arrangement with OPWP under the PPA is subject to IFRIC 4 – Determining whether an arrangement conveys the right to use the asset. The Management further determined that such an arrangement in substance represents an operating lease. The lease commenced on 11 December 2014. The following is the total of minimum lease receipts expected to be received under the PPA, excluding indexation:

	2019	**2019**	2018	2018
	RO'000	**US$'000**	RO'000	US$'000
Within one year	**65,511**	**170,380**	65,438	170,331
Between two and five years	**261,797**	**680,876**	261,797	680,876
After five years	**269,221**	**700,185**	334,732	870,565
	596,529	**1,551,441**	661,967	1,721,772

27 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks including interest rate risk, liquidity risk and credit risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the Board of Directors.

Financial risk factors

(a) Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. To manage this, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. The details of Company's interest rate swap agreements are set out in note 19.

27 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk

The Company maintains sufficient and approved bank credit limits to meet its obligations as they fall due for payment and is therefore not subjected to significant liquidity risk.

The table below summarises the maturities of the Company's financial liabilities at 31 December 2019.

2019	**Less than 3 months RO'000**	**3 to 12 months RO'000**	**1 to 5 years RO'000**	**More than 5 years RO'000**	**Total RO'000**
Trade and other accounts payable	**52,861**	**-**	**-**	**-**	**52,861**
Amounts due to related parties	**2,700**	**-**	**-**	**-**	**2,700**
Interest bearing loans and borrowings	**-**	**44,377**	**176,299**	**166,605**	**387,281**
Lease Liabilities	**507**	**-**	**2,029**	**15,192**	**17,728**
	56,068	**44,377**	**178,328**	**181,797**	**460,570**

	Less than 3months RO'000	3 to 12 months RO'000	1 to 5 years RO'000	More than 5 years RO'000	Total RO'000
2018					
Trade and other accounts payable	13,415	-	-	-	13,415
Amounts due to related parties	2,530	-	-	-	2,530
Interest bearing loans and borrowings	-	44,250	175,798	211,483	431,531
	15,945	44,250	175,798	211,483	447,476

	Less than 3 months US$'000	**3 to 12 months US$'000**	**1 to 5 years US$'000**	**More than 5 years US$'000**	**Total US$'000**
2019					
Trade and other accounts payable	**137,480**	**-**	**-**	**-**	**137,480**
Amounts due to related parties	**7,023**	**-**	**-**	**-**	**7,023**
Interest bearing loans and borrowings	**-**	**115,415**	**458,516**	**433,302**	**1,007,233**
Lease Liabilities	**1,319**	**-**	**5,278**	**39,510**	**46,107**
	145,822	**115,415**	**463,794**	**472,812**	**1,197,843**

	Less than 3 months US$'000	3 to 12 months US$'000	1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
2018					
Trade and other accounts payable	34,890	-	-	-	34,890
Amounts due to related parties	6,581	-	-	-	6,581
Interest bearing loans and borrowings	-	115,084	457,212	550,021	1,122,317
	41,471	115,084	457,212	550,021	1,163,788

27 FINANCIAL RISK MANAGEMENT (continued)

(c) Currency risk

The Company's majority of foreign currency transactions are denominated in Rial Omani and Euro. As the Rial Omani is pegged to the US Dollar the transactions are not expected to have any significant currency risk. The Company has entered into forward foreign exchange contracts to hedge its Euro exchange risk arising on certain payments to be made in Euro as per its agreement with Siemens. The details of which are set out in note 19. The Company's certain bank balances are denominated in Euro. The Company's bank balance denominated in Euro as of 31 December 2019 amounted to US$ 26.5 thousands (RO 10.19 thousands) [(2018: US$ 22.4 thousands (RO 8.6 thousands)]. Should the exchange rate between Euro and RO fluctuate by ± 5%, the impact on the Company's results will be US$ 1.3 thousands (RO 0.5 thousands) [2018: US$ 1 thousands (RO 0.4 thousands)].

(d) Capital risk management

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2019.

28 FAIR VALUE FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and derivatives.

Financial assets consist of cash and bank balances and other receivables. Financial liabilities consist of interest bearing loans and borrowings and payables. Derivatives consist of interest rate swap arrangements and forward foreign exchange currency contracts.

The fair values of financial instruments are not materially different from their carrying values. The derivatives are fair valued using level 2 technique with reference to broker/dealer price quotation.

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

Measurement of fair values

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

28 FAIR VALUE FINANCIAL INSTRUMENTS (continued)

Embedded derivatives

The following agreements contain embedded derivatives:

(i) The PPA between the Company and OPWP contains embedded derivatives in the pricing formulae that adjusts the charge rates to reflect changes in USD / RO currency exchange rates and changes in US price index and the Oman price index.

(ii) The O&M Agreement contains embedded derivatives in the pricing formulae that adjust the payments to reflect changes in relevant inflation indices.

(iii) The LTSA between the Company and Siemens Aktiengesellschaft contains embedded derivatives in pricing the fixed monthly fee and variable monthly fee for provision of long term maintenance services. Percentages of the fixed monthly fee and variable monthly fee will be adjusted to reflect changes in Euro Material and Labour and Oman price indices.

These embedded derivatives are not separated from the host contract, the PPA, the O&M agreement, and LTSA and is not accounted for as a standalone derivative under IFRS 9, as the Management believes that the economic characteristics and risks associated with the embedded derivatives are closely related to those of the host contracts.

Capital management

The Company aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders.

29 COMPARATIVE FIGURES

The corresponding figures for the previous year have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported profit or shareholders’ equity.