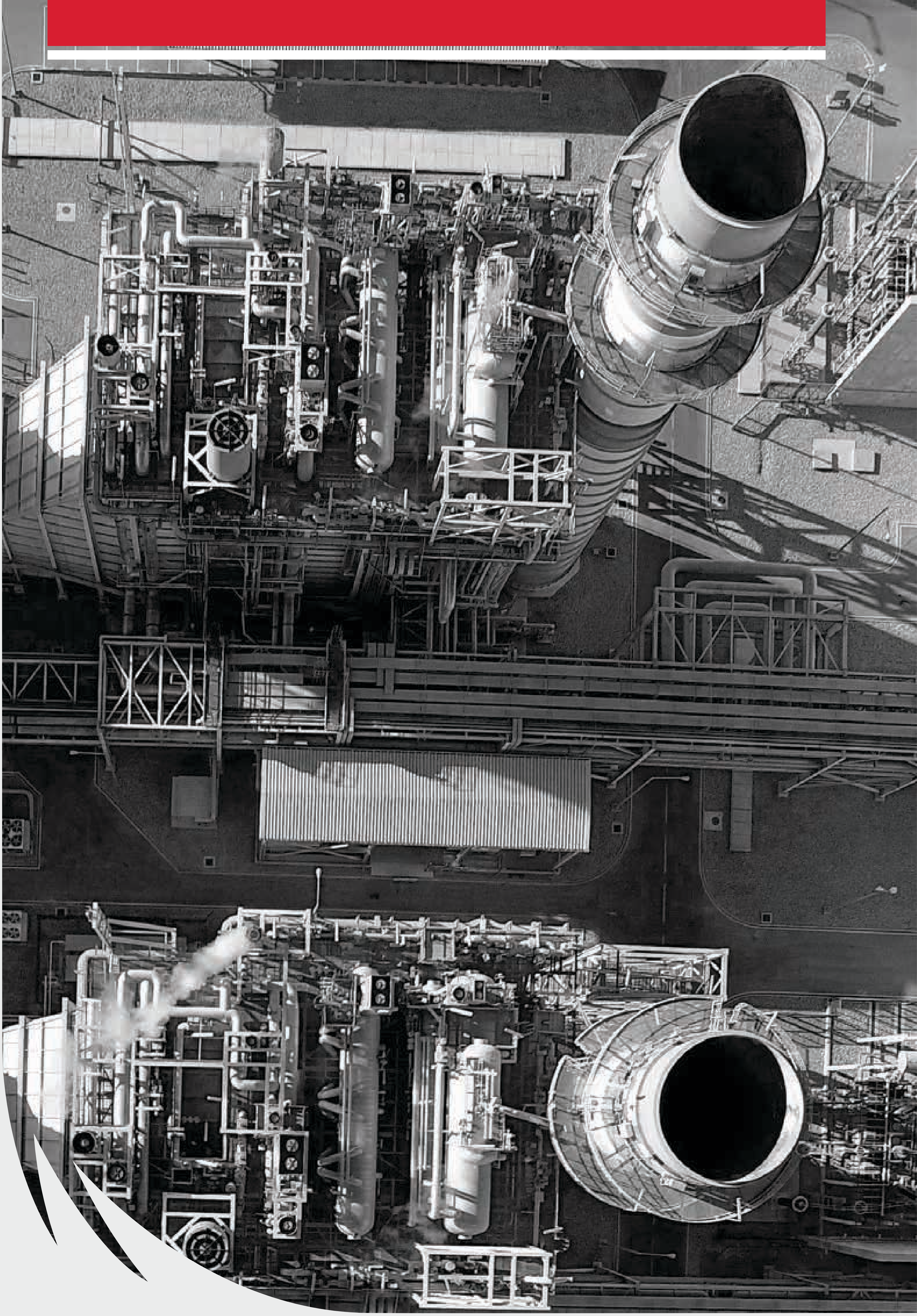
Phoenix

PHOENIX POWER COMPANY SAOG

ANNUAL REPORT 2018

Generating for Generations

His Majesty Sultan Qaboos Bin Said



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Board of Directors and Key Executive Officers

Board of Directors		Representing
Mr. Khalid Jolo	Chairman	Nebras Power Q.S.C
Mr. Peter Jones	Deputy Chairman	Axia Power Holdings B.V.
Mr. Carlos Alcazar	Director	
Mr. Tomoki Nishino	Director	
Mr. Wataru Motomiya	Director	Chubu Electric Power Sur B.V.
Mr. Naoki Takahashi	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 2018.

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 31st December 2018, the Company has achieved 1482 days without an 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 OHSAS 18001, ISO 14001 and ISO 9001 standards. In addition, during 2018 both PPC and POMCo were recognised for the second year in succession by the UK`s Royal Society for the Prevention of Accidents (RoSPA) with a gold award.

Corporate Governance

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

During 2018, 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 that the shareholders appoint an independent third party to carry out an evaluation of the Board. The AGM of March 2018 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 2018, I am pleased to report that the Company has achieved an excellent operational performance with the Sur Power Plant demonstrating a commercial availability of 99.70%, the key parameter to be considered when assessing the revenues generated during the period. This figure compares to 99.39% in 2017.

The Plant dispatched an aggregated net power volume of 8453.80 GWhrs (an increase of 8.2% on the 7809.78 GWhrs dispatched in 2017) which represents a load factor of 48.56% when averaged over the year (compared to a load factor of 44.81% in 2017).

Financial Results

The company generated revenues of RO 134.59 million in 2018 which were higher than the RO 128.40 million generated in 2017 mainly due to improved availability and increased dispatch. Costs in 2018 were RO 98.70 million which were higher than the RO 92.89 million spent in 2017 mainly due to higher dispatch resulting in higher fuel costs.

The Net Profit of the Company was RO 12.92 million in 2018 which was higher than RO 9.98 million earned in 2017 mainly due to lower tax expense. Tax expense was RO 2.83 million in 2018 which is lower than RO 8.92 million in 2017 (noting a one-off impact in the change of tax law (deferred tax liability for prior year's) amounting to RO 5.19 million was recognized in 2017).

The Company paid a dividend of Bzs 5.0 per share in 2018 compared to Bzs 7.9 per share in 2017.

The share price ended the year at Bzs 103.

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 2018, the Company provided RO 30,000 of funding, support and sponsorship to various community causes. These included provision of support to local schools in Sur, contributions to the local Royal Oman Police ("ROP") traffic safety campaign, providing child car seats to promote safety, provision of medical equipment for the Sur Ministry of Health as well as supporting environmental improvement initiatives, such as beach cleaning.

People and Employment

There have been a number of changes to the key personnel of the Company during the year. The CEO Mr. Peter Jones left the Company and was replaced by Mr. Paul Atkinson in March. The CFO Mr. Kenji Yugeta left the Company and was replaced by Mr. Koichi Matsumoto in December. The Company is committed to the ongoing development of Omani personnel and the Omanisation level at the end of 2018 is 67%.

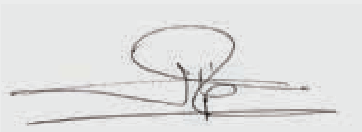
Future Outlook

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 2018 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 2018. 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 appreciation and gratitude to His Majesty Sultan Qaboos Bin Said and His Government for their continued support and encouragement to the private sector by creating an environment that allows us to participate effectively in the growth of the Sultanate`s economy and to dedicate our achievements to the building of a strong nation.



Khalid Jolo
Chairman of the Board

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 2018 remained excellent, building on the foundations established during the first four 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 2018, and since commercial operation, both health and safety and environmental goals have been achieved with the Sur plant now having completed 1482 days without a Lost Time Accident or an environmental incident as at 31 December 2018.

Both the Company and the Operator have retained accreditation to OHSAS 18001 (2007), ISO 14001 (2015) and ISO 9001 (2015) with an annual surveillance audit having been completed with no major observations. 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 2018, adding to the silver award achieved in 2016 and gold award achieved in 2017.

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:

- 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.
- Continued improvement to equipment and plant access and egress where deemed beneficial as well as continuing to enhance safety signage and notices.
- High quality education and training provision for both employees and contractors including a "managing safely" programme through the Institute of Occupational Health and Safety organization.
- Focus on employee health and welfare with all employees undergoing a detailed periodic medical

checks. In addition, the award winning medical center at Sur site continues to be used to support health & safety issues for all employees.

- Use of leading HSE key performance indicators utilizing the Intelex software systems for action tracking and reporting continues.

Safety performance is reported and reviewed regularly by the management team and the Board of Directors. Any incident is comprehensively analysed and reviewed. Lessons learnt are shared with employees and actions taken to mitigate against recurrence.

Capacity

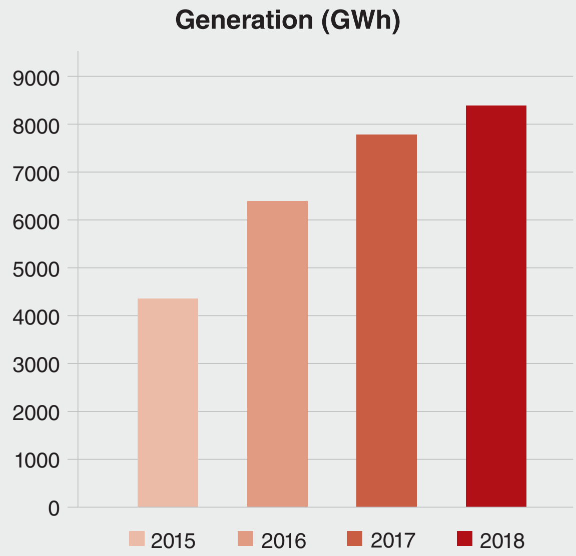
The capacity of a plant is defined as the total electrical power (MW) which can be delivered by the plant at reference conditions.

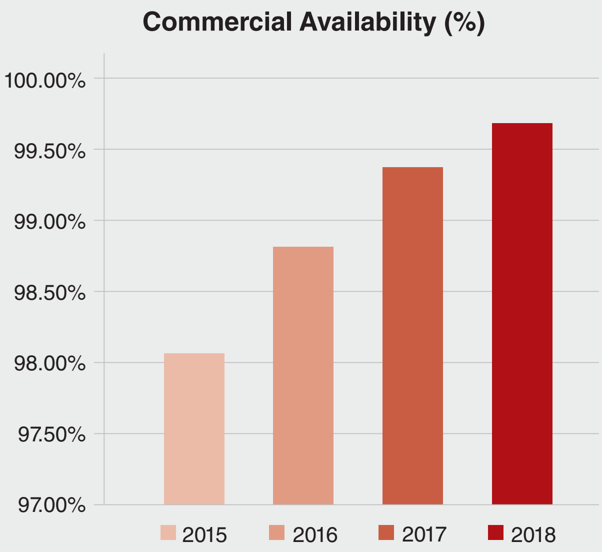
The contractual capacity of the Sur Power Plant under the PPA applicable from May 2018 to April 2019 is 1983.4 MW. The Annual Performance Tests conducted in April 2018 demonstrated that the plant met these contractual requirements.

Reliability

The reliability of the Plant is a measure of its availability to deliver the declared capacity as per the PPA. During 2018, the Sur Plant achieved a reliability of 99.70% experiencing a forced outage rate of just 0.30%.

During the year, the Plant exported a total of 8453 GWhrs of electrical energy with a load factor averaging 48.56%.





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 2018 met the contractual requirements under the PPA.

Maintenance

Maintenance of the Plant was undertaken in accordance with Original Equipment Manufacturers (OEM) recommendations, as per the operations and maintenance manuals. The Gas Turbines are serviced under the terms of a Long Term Service Agreement with the supplier, Siemens, and scheduled minor inspections were progressed in line with the terms of that Agreement.

Human Resources and Training

Development, motivation and retention of people remains a key focus. 2018 saw the continuing use of the comprehensive on-site training centre, aimed at developing technical staff in operations and maintenance activities. 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.

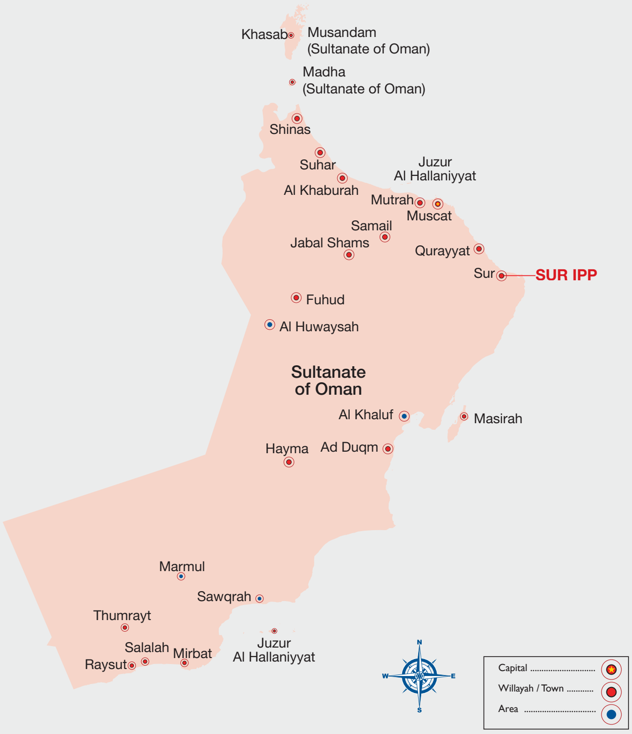
Omanisation plans are in place with a view to continuing to develop local staff in a manner which grows their skills and competency appropriately as well as ensuring safe and secure supply of power to the people of the Sultanate.

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:



This map is not an authority on Administrative Boundaries.

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 c.2000 MW represents c.25% of the MIS total currently contracted capacity of approximately 8187MW as per OPWP's 7 year statement (2018-2024).

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 an electricity pool (or "spot market") which is planned for the future or directly selling 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 operation in open

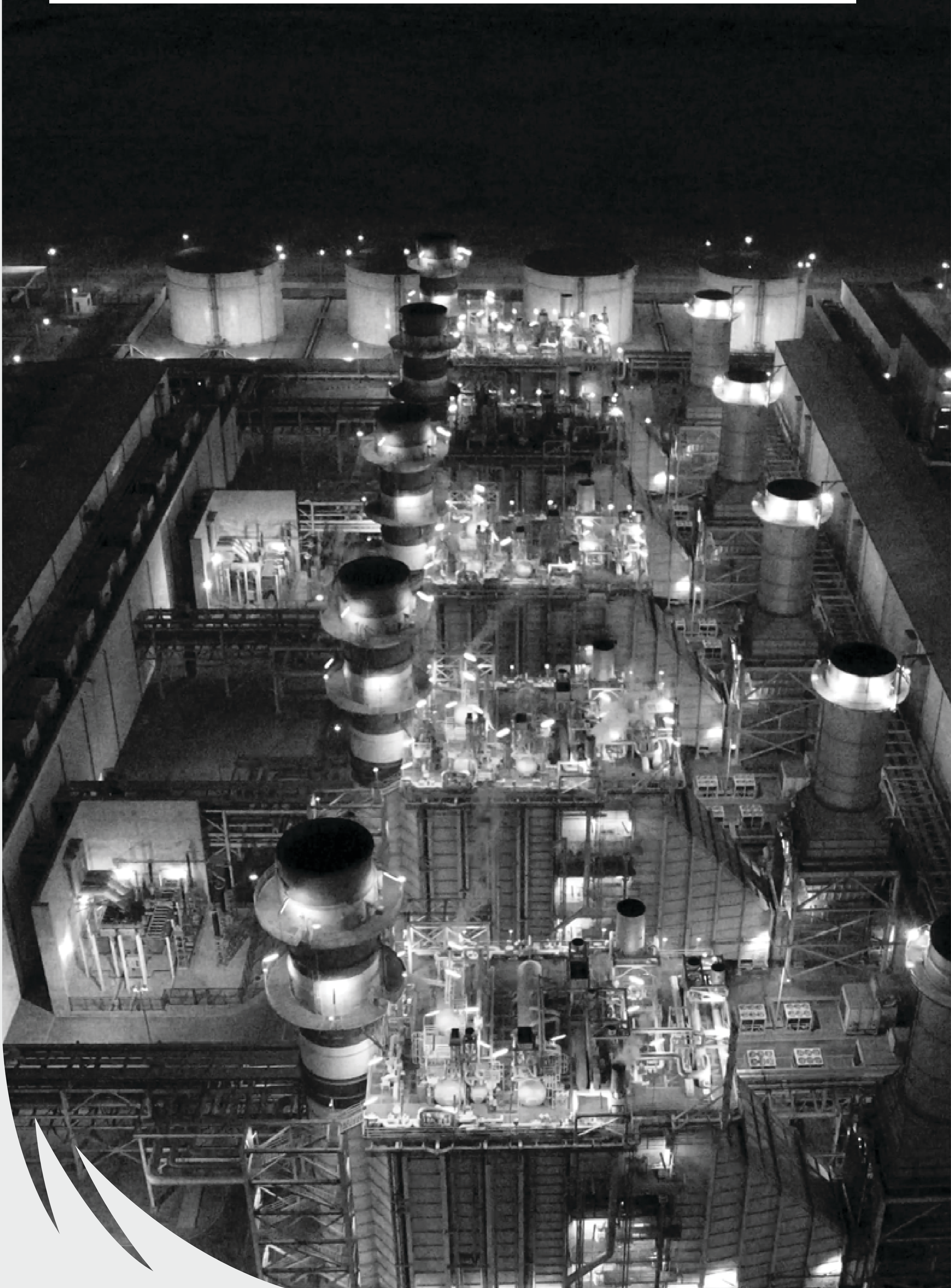
cycle. Although capable of open cycle operation, the normal operating mode of the Plant is in combined cycle ("CCGT") for higher thermal efficiency. At site reference conditions of 50°C ambient temperature and 30% relative humidity, the Plant has a net power capacity of approximately 2000 MW.

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 are still hot enough 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 during 2018 the plant has been supplied with gas from BPs Khazzan fields. Gas is carried through the 48 inch Oman LNG gas line. 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

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 65 billion (as of March 2018). As of 1st April 2018, Marubeni has six business groups directly under the president and several committees, covering Food Group, Consumer Products Group, Chemical & Forest Products Group, Energy & Metals Group, Transportation & Industrial Machinery Group, and Power Business & Plant Group. Power Business & Plant Group consists of Power Business Division and Plant Division, and is one of the core groups within Marubeni.

Marubeni is very active in the industry, having participated in 52 I(W)PP projects with the total gross capacity of 40,657MW and the total net capacity of 11,765 MW (as of December 2018) in overseas. 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, Turkey, Portugal, United Kingdom, Jamaica, Trinidad and Tobago, Chile, Australia, U.S.A, Canada, the Philippines, Taiwan, Pakistan, India, Indonesia, Cambodia, Singapore, Viet Nam and Korea. In addition, Marubeni is an active player in the EPC business and has built over 110, 244MW 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.

Chubu Electric Power Sur B.V.

Chubu Electric Power Sur B.V. ("CEP Sur") is a wholly owned subsidiary of JERA, established to hold shares in and manage Phoenix Power and the operation and maintenance company for the Project.

CEP Sur's wholly owned parent company, JERA was established on April 30, 2015 based on the comprehensive alliance entered into between Chubu Electric Power Company and Tokyo Electric Power Company encompassing the entire energy supply chain from upstream fuel investment and fuel procurement through power generation. In July 2016, JERA succeeded its parent companies' fuel business and the overseas power generation business, and aims to become one of the world's leading energy firms.

JERA has an established international business primarily focused on power generation and related businesses in Middle East, Asia and North America, and is involved in a number of independent power projects as shareholder, developer and operator comprising net capacity of over 8,000 MW (as of December 2018). In terms of having business experience in the Middle East area, JERA is participating in four IPP/IWPP projects in Qatar and one IWPP project in UAE as a shareholder.

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

Nebras Power

Nebras Power is a global investment Group established in 2014 and headquartered in Doha, State of Qatar.

Nebras was set up to take advantage of the investment opportunities created by continuously growing demand for electricity and water throughout the world, especially in the rapidly developing markets in 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 generation 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 our major shareholder, Qatar Electricity & Water Company ("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.

Over the last four years it has already developed a portfolio of six assets totaling 4.8 GW of gross generating capacity around four geographies in Europe, Middle East and South-East Asia, delivering on our strategy and business plan. We are just at the beginning of our journey.

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 10 GW net by 2026 well balanced in terms of technology mix, market geographies and off-taking arrangements.

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

Multitech

Multitech LLC belongs to Bahwan Holding (BH), which is one of the foremost business houses in the Sultanate of Oman, and is under the management and control of Bahwan Engineering Company LLC (BEC).

Multitech's activities include trading in electrical products, welding products, water treatment, oilfield chemicals and cranes.

In addition, Multitech acts as the investment arm for BH's participation in the power and water privatisation projects in Oman and is the founding shareholder in the following companies:

1. Al Suwadi Power Company SAOG (Barka 3 IPP - 745 MW Power Project)
2. Al Batinah Power Company SAOG (Sohar 2 IPP - 745 MW Power Project)
3. Phoenix Power Company SAOG (Sur IPP - 2000 MW Power Project)

Management Discussion and Analysis Report

Industry Overview

On 1 August 2004, Sector Law was issued with the objective of regulating the management and privatisation of the electricity and water sector. The Sector Law is applicable to all companies and establishments operating in the sector of electricity and water, including PPC.

Following the implementation of the Sector Law, each of the functions of electricity generation, transmission, distribution and supply is subject to regulation. A "single buyer" market structure has been adopted (with OPWP as the central buyer) and a system of non-discriminatory access to license transmission and distribution systems established. To follow their objectives, a single procurement company, OPWP has been established as well as a holding company. AER is established pursuant to the Sector Law, and is competent to regulate the electricity and related water sector. AER is an administratively and financially independent entity.

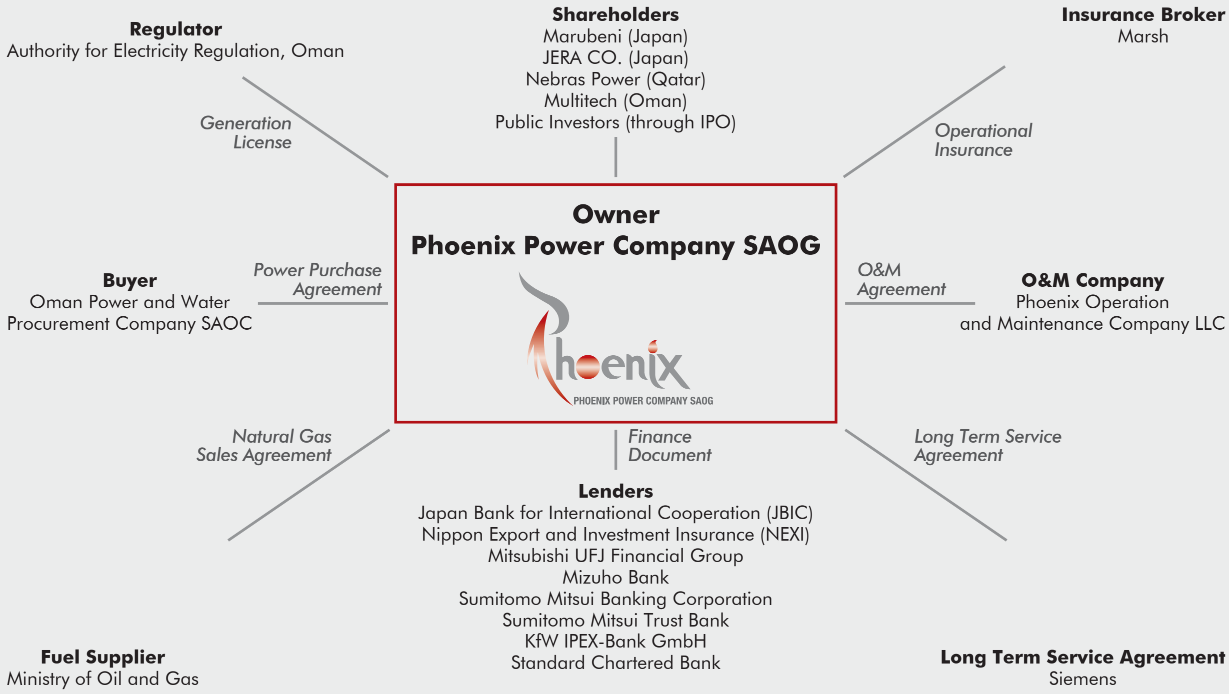
OPWP is the single buyer of power and water for all IPP / IWPP / IWP projects within Oman. OPWP is responsible for ensuring that there is sufficient electricity and water production capacity available at the lowest cost to meet growing demands in Oman. OPWP undertakes long-term generation planning and publishes an annual seven-year statement, which identifies new IPP/IWPP projects to be competitively tendered and developed by private sector entities, in order to meet the future power generation and water desalination requirements of Oman. 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 below:



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 has entered into financing agreements with a consortium of international banks and export credit agencies, for an aggregate 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

The technical risk 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, which is 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

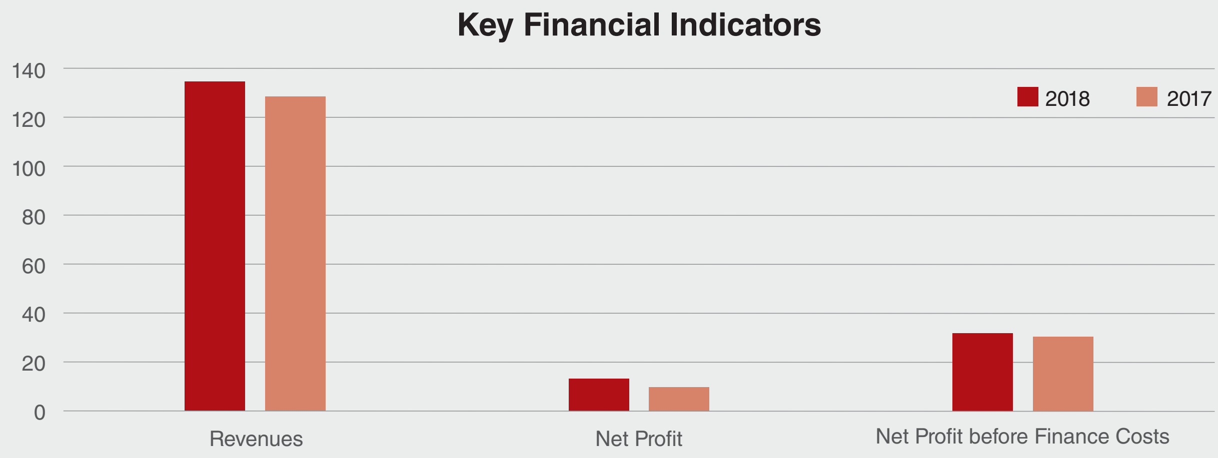
Operating Highlights

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

Financial Highlights

All figures in RO Millions		2018	2017
Revenues	1	134.59	128.40
Net Profit	2	12.92	9.98
Net Profit before Finance Costs	3	31.89	30.61
Total Assets	4	585.07	598.36
Capital (Paid-up)	5	146.26	146.26
Shareholders’ Fund (Net Assets)	6	179.38	165.34
Term Loans (1)	7	338.37	364.44
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	7.31	11.55

(1) Excluding unamortised transaction cost



Key Financial Indicators		2018	2017
Net Profit margin	2/1	9.60%	7.77%
Return on Capital (Paid-up)	2/5	8.83%	6.82%
Return on Capital Employed	3/(6+7)	6.16%	5.78%
Debt Equity ratio	7 : 6	65.4 : 34.6	68.8 : 31.2
Net assets per share (Baizas)	6/8	122.64	113.05
Basic earnings per share (Baizas)	2/8	8.83	6.82
Dividends per share (Baizas)	10/9	5.00	7.90

Analysis of Profit and Loss

Revenues of RO 134.59 million in 2018 were higher than the RO 128.40 million generated in 2017 mainly due to improved availability and increased dispatch. Costs in 2018 were RO 98.70 million which were higher than the RO 92.89 million spent in 2017 mainly due to higher dispatch resulting in higher fuel costs.

The Net Profit of the Company was RO 12.92 million in 2018 which was higher than RO 9.98 million earned in 2017 mainly due to lower tax expense. Tax expense was RO 2.83 million in 2018 which is lower than RO 8.92 million in 2017 (noting a one-off impact in the change of tax law (deferred tax liability for prior year's) amounting to RO 5.19 million was recognized in 2017).

Analysis of Balance Sheet

Total Assets of the Company stood at RO 585.07 million as at 31 December 2018 as compared to RO 598.36 million in 2017. This was mainly due to a full year's depreciation being charged for the year.

The cash and cash equivalents stand at RO 13.77 million as at 31 December 2018 as compared to RO 14.13 million at the same date in 2017.

The Shareholders' Funds (Net Assets) at RO 179.38 million as at 31 December 2018 were higher when compared to RO 165.34 million at the same date in 2017 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 16.62 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 338.37 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.

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 2017 was RO 5.27 million (translating to 3.6 Baizas per share paid in July 2018 and January 2019) and paid out of the audited retained earnings for the year ended 31 December 2017.

Omanisation

Omanisation levels across PPC approximate to 67% in 2018 and to 69% for PPC and POMCo combined. Endeavours to achieve the Omanisation requirements are ongoing and based on an 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 2019.

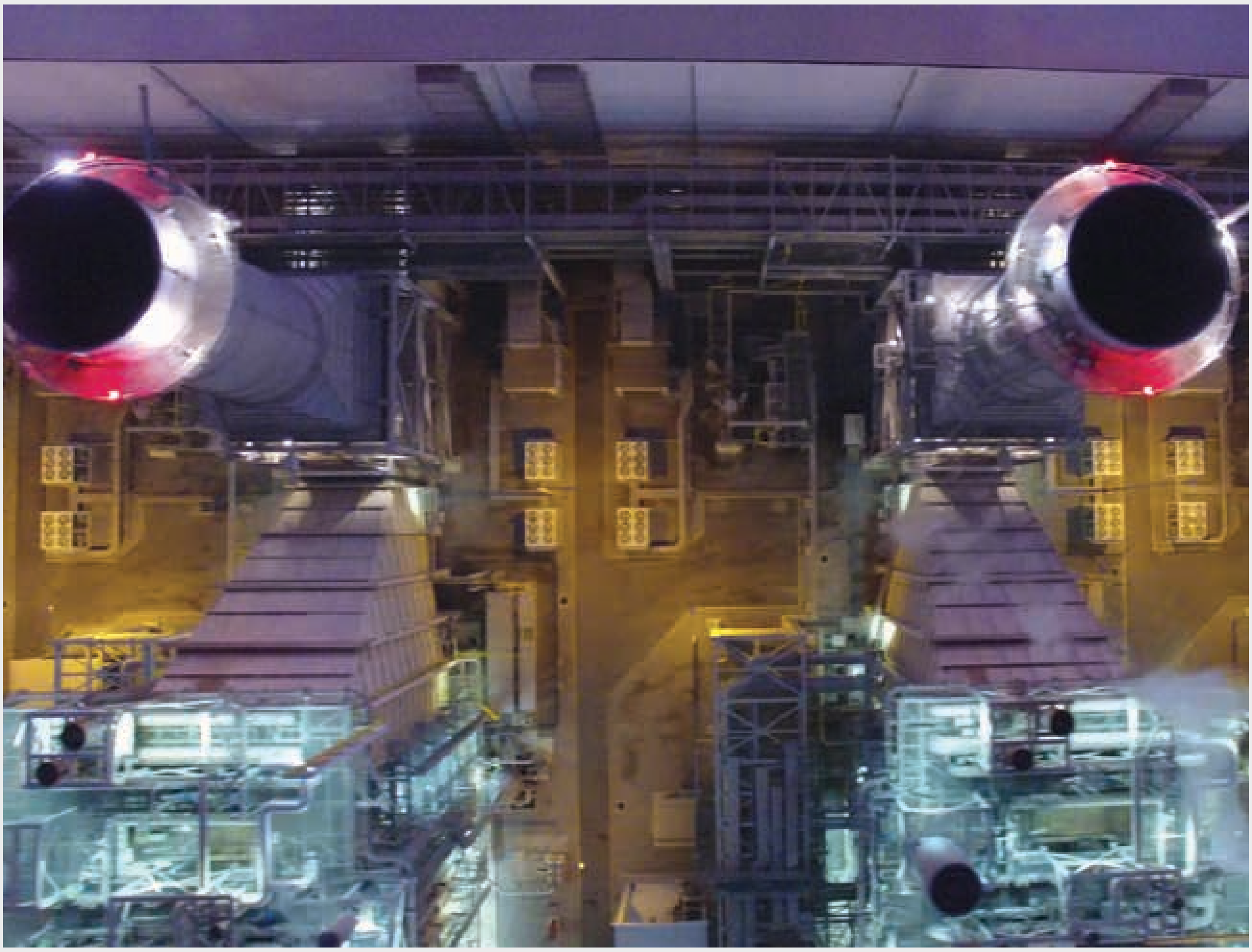
Internal Control System

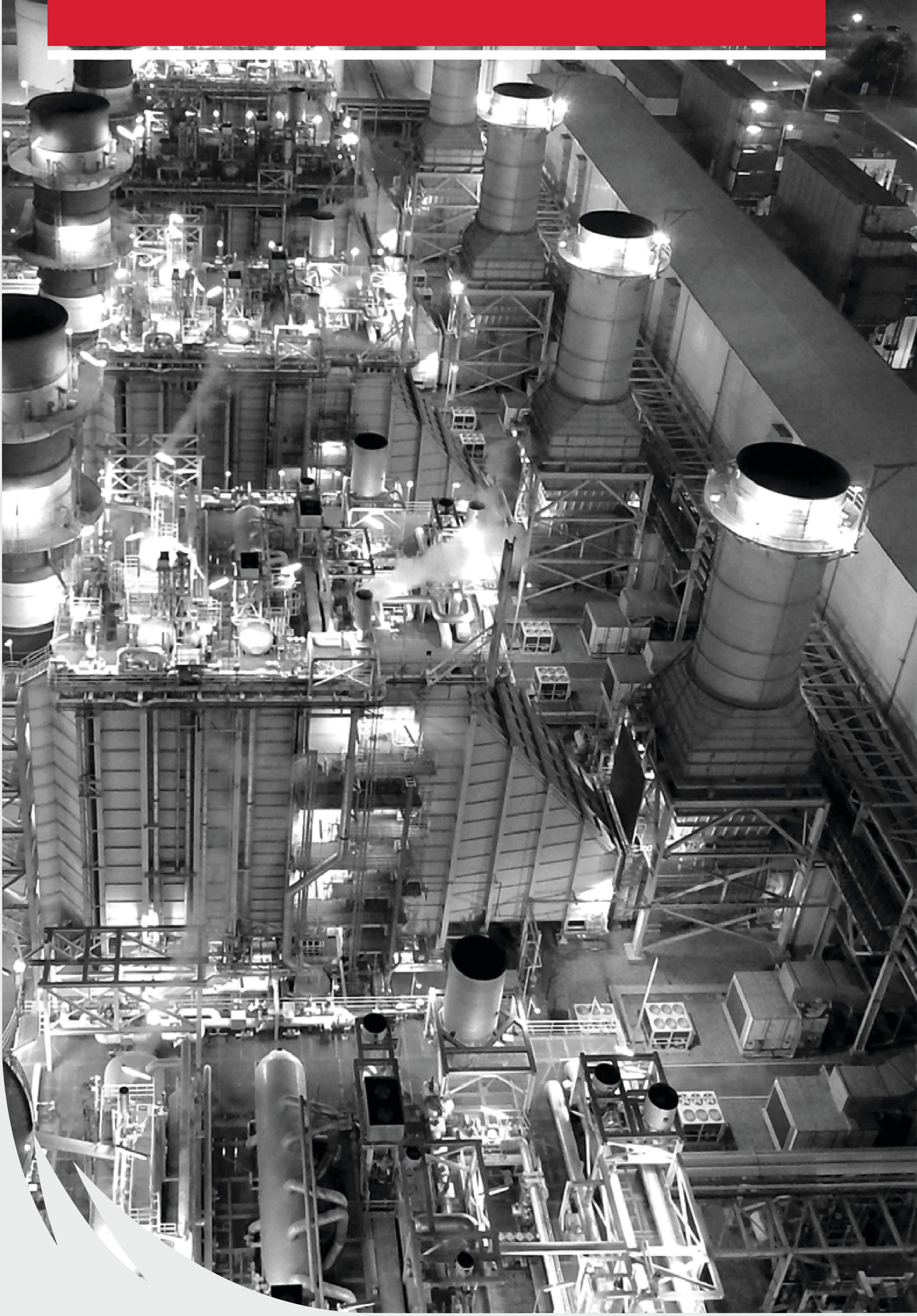
The Board of Directors and management of the Company believes in the importance of the internal control system and PPC has a comprehensive system of internal controls in place, comprising:

- 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.

Since before conversion to an SAOG, and in recognition of the need to continually focus on controls, the company has appointed a full-time internal auditor. An internal audit plan was developed for 2018 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 2018.

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





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 2018:

- Support to ROP "Traffic Safety Campaign" in Sur City, and provision of child vehicle safety seats & car fire extinguishers to indorse safe driving;
- Sponsorship of the World Civil Defense Day event, at Sur City exhibition center;
- Through the Ministry of Education, South Sharaqiya, sponsorship of students in a Quran reading competition;
- Participation in a traditional Omani heritage celebration managed by the Sur Ministry of Tourism.
- The installation of security cameras in local schools in Sur City;
- Funding the "sea cost protection" at Sur City to help prevent coastal erosion (two phases completed in 2017 and 2018);
- Contributing to the Sur Wali Office by providing social welfare support at Iftar;
- Participation in a Cancer Association campaign in Sur to raise awareness;
- Sponsoring 48th National day events through the "Portrait By A Nation of His Majesty";
- Funding Sur Ministry of health with the provision of medical equipment;
- Taking part in beach clean-up activities with school students to help keep the oceans healthy for generations to come, and;
- Supporting local school orphans in Sur City by providing school bags and stationery.

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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Report to the Shareholders of Phoenix Power Company SAOG ("the Company") of Factual Findings in connection with the Corporate Governance Report of the Company and application of the Corporate Governance practices in accordance with Capital Market Authority Code of Corporate Governance

We have performed the procedures prescribed in the Capital Market Authority ("CMA") Circular No. 16/2003 dated 29 December 2003 ("the Procedures") with respect to the Corporate Governance Report of the Company ("the Report") and its application of the Corporate Governance practices in accordance with the CMA Code of Corporate Governance issued under Circular No. 11/2002 dated 3 June 2002 and the revised CMA Code of Corporate Governance issued under CMA Circular 4/2015 dated 22 July 2015 (together the "Governance Code"). The Report is set out on pages 1 to16.

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 the Shareholders in evaluating the Company's compliance with the Governance Code. The Procedures we performed were as follows:

1. Corroborated, as required, the matters disclosed in the Report by reference to: internal audit reports issued during the year ended 31 December 2018; Audit Committee and Board minutes of meetings held during the year ended 31 December 2018; and relevant supporting Company records.

2. Confirmed that the Report discloses matters discussed in the Board of Directors' report on review of the effectiveness of the Company's system of internal controls and that these matters were reported by Company's internal auditor to the Audit Committee during the year ended 31 December 2018.

3. Checked that the Report includes disclosures set out in Annexure 3 of the Governance Code.

4. Checked whether matters, if any, reported in the Auditors' report on the financial statements for the year ended 31 December 2018 relating to: Adequacy and efficacy of the internal control systems in place; going concern considerations; and the adequacy of policies and procedures set up by the Company were also included in the Auditors' presentation to the Audit Committee.

5. Read the Minutes of Board and Audit Committee meetings during the year ended 31 December 2018 to confirm that any matters of non-compliance with the Governance Code mentioned therein are also included in the Report.

As a result of performing the Procedures, we have no exceptions to report.

Because the 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 Company's Corporate Governance Report. Had we performed additional procedures or had we performed an audit or review of the Report in accordance with International Standards on Auditing or International Standards on Review Engagement, other matters might have come to our attention that would have been reported to you. This report is solely for the purpose set forth in the second paragraph of this report, and for inclusion, with the Report, in the Company's annual report, and is not to be used for any other purpose. This report relates only to the Company's Corporate Governance Report included in the Company's annual report for the year ended 31 December 2018 and does not extend to any financial statements or any other reports of the Company, taken as a whole.

KPMG

26 February 2019

Michael Collinson

KPMG AUDIT · TAX · ADVISORY
P.O. Box 641 Ruwi · Postal Code 112
Sultanate of Oman

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 2018.

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.

At the end of 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) following an independent third party audit process demonstrating commitment to high-standards and continuing improvement in the areas of health, safety, environment and quality. An annual surveillance audit, carried out in 2018, confirmed that the Company remains compliant with those standards.

In addition, during the year 2018 the Company and its Operator have been awarded a Gold Award by the Royal Society for the Prevention of Accidents (RoSPA) for the second 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 2018 a number of Directors resigned and were replaced. Details of the various Directors and 2018 meetings are as follows.

Name of Director	Capacity	Category#	BM 27 Feb.	AGM 19 Mar.	BM 24 Apr.	BM 30 Jul.	BM 30 Oct.
Mr. Khalid Jolo	Non-Executive	Independent (Representing Nebras Power QSC)	✓	✓	✓	✓	✓
Mr. Neil Cave (*)	Non-Executive	Independent	✓	✓	✓	-	-
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 Chubu Electric Power Sur B.V.)	✓	-	✓	✓	✓
Mr. Masamitsu Suda (*)	Non-Executive	Independent	✓	-	P	-	-
Mr. Naoki Takahashi (**)	Non-Executive	Independent	-	-	-	✓	✓

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

(*) Resigned during the year (**) Appointed during the year (***) Changed Category 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 2018;

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. Wataru Motomiya	None	None
Mr. Naoki Takahashi	None	None

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

Performance Appraisal for the Board of Directors

The performance appraisal of the Board and each of its members was conducted for the year 2018 based on the criteria approved by the shareholders at the Company's Annual General Meeting held on 21 March 2017. The performance appraisal was conducted by MGI Vision Chartered Accountants, independent consultants, appointed at the Company's Annual General Meeting held on 19 March 2018. The Board's performance was satisfactory during the year 2018 and it is effective in meeting its objectives. Certain recommendations were made by the consultant and action on these will be considered by the Board.

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 on 24 April 2018 and all members of the Audit Committee are non- executive.

The composition of the Audit Committee members in 2018 is as follows.

Name of Directors	Category	27 Feb.	24 Apr.	30 Jul.	30 Oct.
Mr. Neil Cave	Chairman (*) (**)	✓	✓	-	-
Mr. Tomoki Nishino	Chairman (*)	✓	✓	P	✓
Mr. Peter Jones	Member (***)	-	-	✓	✓
Mr. Masamitsu Suda	Member (**)	✓	P	-	-
Mr. Naoki Takahashi	Member (***)	-	-	✓	✓

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

(*): Mr. Cave was Chairman of the Audit Committee up until the Audit Committee held on 24 April and Mr. Nishino was appointed as new Chairman in the meeting held on 24 April.

(**) 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 new 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 2018 is as follows.

Name of Directors	Category	27 Feb.	24 Apr.	30 Oct
Mr. Carlos Alcazar	Chairman	✓	✓	✓
Mr. Khalid Jolo	Member	✓	✓	✓
Mr. Masamitsu Suda	Member(*)	✓	P	-
Mr. Naoki Takahashi	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 and Audit Committee members.

b) Top 3 key management personnel

The Company paid to its top 3 key management personnel an aggregate amount of RO 266,807 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

A penalty was levied by the CMA on 3rd April for failure of the Company to post the AGM minutes in accordance with prescribed timelines (1 day delay). No other penalties were levied on the Company by the CMA, MSM or any other statutory authority on any matter related to capital markets in 2018.

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 2018 is as follows.

1	Axia Power Holdings B.V.	Consulting Service Agreement	RO 41,142
2	JERA Co., Inc.	Consulting Service Agreement	RO 24,685
3	Nebras Power (Q.S.C.)	Consulting Service Agreement	RO 12,342
4	Multitech LLC.	Consulting Service Agreement	RO 4,114
5	Phoenix Operation and Maintenance Company LLC	O&M Fee and expense (as per O&M contract)	7,842,847

Market Price Data

a) High/low share price and performance comparison during each month in 2018.

Month	Price (Baiza)			MSM Service Sector Index
	High	Low	Average	
January	136	124	130.5	2619.63
February	142	128	135	2631.57
March	139	135	137	2605.70
April	145	133	139	2525.35
May	139	120	129.5	2475.72
June	123	115	119	2474.99
July	118	112	115	2377.80
August	118	113	115.5	2375.71
September	121	113	117	2465.71
October	116	108	112	2390.21
November	112	100	106	2353.80
December	107	99	103	2290.34

b) Distribution of shareholding as of 31 December 2017:

Category	Number of shareholders	Number of shares held	Share capital %
5% and above	4	1,050,708,499	71.84
Less than 5%	7,676	411,892,961	28.16
Total	7,680	1,462,601,460	100

Professional Profile of the Statutory Auditor

The shareholders of the company appointed KPMG as its auditors for 2018. KPMG in Oman was established in 1973 and is part of KPMG Lower Gulf Limited. KPMG in Oman employs more than 180 people, amongst whom are five partners, six directors and 30 managers, including Omani nationals. KPMG is a global network of professional services firms providing Audit, Tax & Advisory services, operates in 153 countries and territories and has 207,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

Remuneration of the Statutory Auditor

The professional fees paid / due during the year 2018 are as follows:

Particulars	RO
Audit fees	10,400
Total	10,400

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 1974, as amended. 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 22 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

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, 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

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. Wataru Motomiya**
Position:	Director
Education:	Mr. Motomiya holds a master degree in mechanical engineering.
Experience:	Mr. Motomiya started his career in TEPCO in 1990 as a mechanical engineer and has been involved in operation, construction, maintenance and performance management of various thermal power plants and nuclear power plant of TEPCO. He has been involved F class, H class, J class GTCC construction projects. He has been engaged in overseas consulting, IPP/IWPPs development and operations for more than 8 years. Mr. Motomiya is the General Manager of the Overseas Power Business Unit 2, Energy Infrastructure Group of JERA Company. He is responsible for IPP/IWPPs development in the Middle East and South Asia area.
List of Other Directorships:	In addition to Phoenix Power Company SAOG, Mr. Motomiya is also a director of the following company: Non-Executive Director, Arabian Power Company, UAE

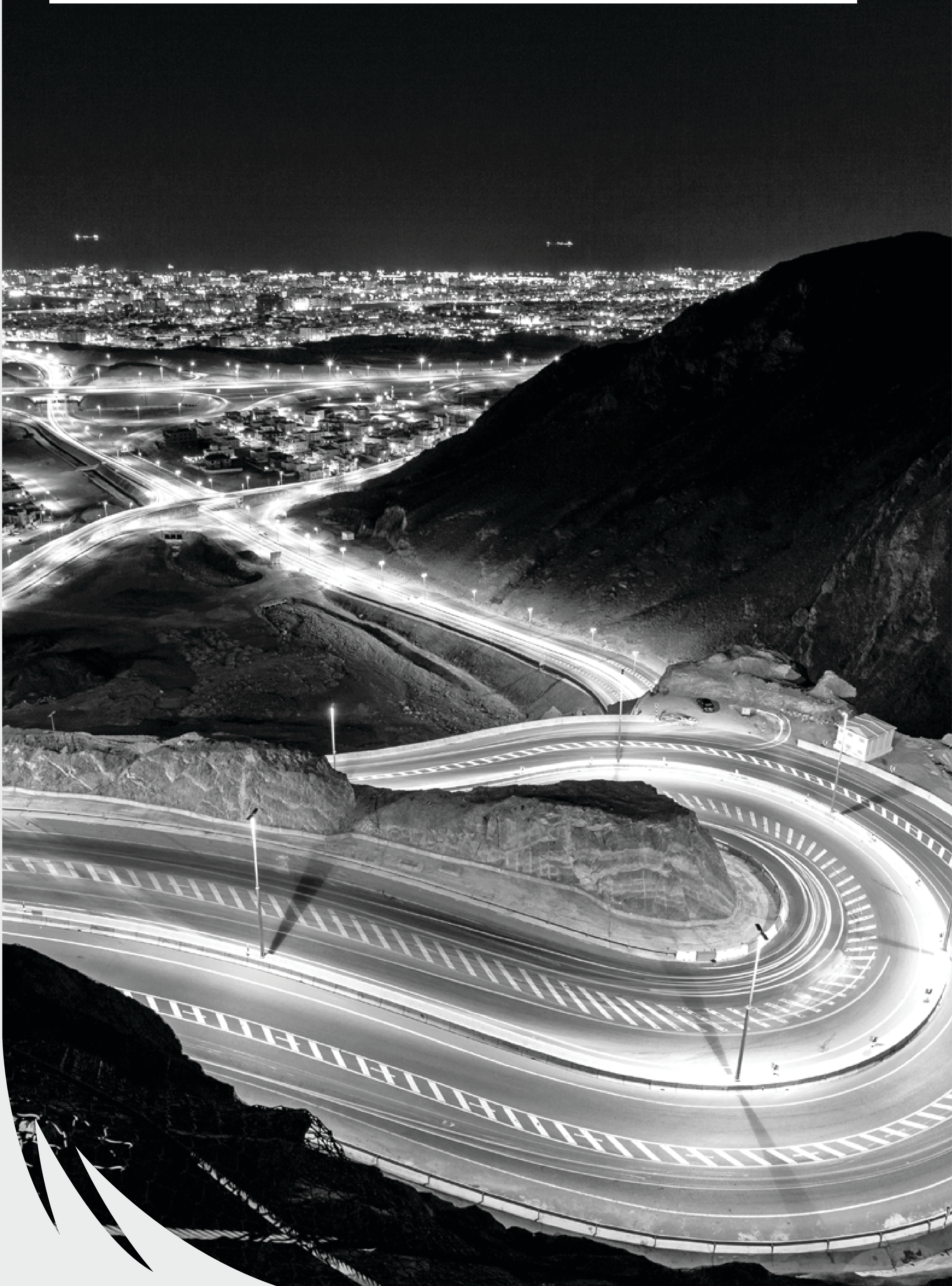
Name:	**Mr. Naoki Takahashi**
Position:	Director
Education:	Mr. Takahashi holds a master degree in mechanical engineering
Experience:	Mr. Takahashi started his career in TEPCO in 1996 as a mechanical engineer and has been involved in operation, maintenance and performance management of various thermal power plants. Mr. Takahashi has worked for JERA Company since 2016. He has been engaged in overseas consulting, IPP/IWPPs development and operations for more than 7 years. Mr. Takahashi is the Senior Manager of Engineering and Technology Management Unit, Energy Infrastructure Group of JERA Company, he is responsible for IPP/IWPPs operation and management.
List of Other Directorships:	In addition to Phoenix Power Company SAOG, Mr. Takahashi is also a director of the following companies: Non-Executive Director, ITM O&M Company, UAE Non-Executive Director, Umm Al Houl Power Company, Qatar

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**
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.
Experience:	Mr. Khalid has over 16 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.



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INDEPENDENT AUDITORS' 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) set out on pages 2 to 49, which comprise the statement of financial position as at 31 December 2018, the statements profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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

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 year. 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.

Continued on page 2b

Continued from page 2a

Key audit matter - Valuation of derivatives

Refer to note 3.13 and 19 of the financial statements

The Company uses derivative financial instruments to hedge interest rate exposure on term loans and future cash flows in accordance with parameters approved by the Board.

Our response

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.

- We examined the nature of the hedge relationships that were entered into and whether these were in line with the Company's treasury 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 reviewed whether the hedge accounting documentation and effectiveness rules were met and whether hedge accounting could be achieved. Our work examined the accounting treatment applied for derivatives, in particular when reclassifying gains and losses from reserves to the income statement and adjustments to the carrying value of the hedged item;

- We also reviewed the appropriateness of the disclosure of financial instruments and the related hedge accounting by agreeing the financial statements to the underlying workings prepared by management and ensuring classification is consistent with the accounting principles.

Other Information

Management is responsible for the other information. The other information comprises the director's report, corporate governance report and the management discussion and analysis report.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and their preparation in compliance with the relevant disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of 1974, as amended, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Continued on page 2c

Continued from page 2b

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

Continued on page 2d

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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 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory requirements

We report that the financial statements of the Company as at and for the year ended 31 December 2018, in all material respects, comply with the:

- relevant disclosure requirements of the Capital Market Authority; and
- applicable provisions of the Commercial Companies Law of 1974, as amended.

KPMG

26 February 2019 *Michael Collinson*

KPMG AUDIT TAX ADVISORY
P.O. Box 641 Ruwi Postal Code 112
Sultanate of Oman

PHOENIX POWER COMPANY SAOG

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RO'000	2018 US$'000	2017 RO'000	2017 US$'000
Operating revenue	4	**134,593**	**350,047**	128,401	333,945
Operating costs	5	**(98,700)**	**(256,695)**	(92,886)	(241,576)
Operating profit		**35,893**	**93,352**	35,515	92,369
Other income	6	**-**	**-**	5,348	13,908
General and administrative expenses	7	**(1,173)**	**(3,049)**	(1,329)	(3,458)
Finance costs (net)	8	**(18,970)**	**(49,340)**	(20,628)	(53,655)
Profit before tax		**15,750**	**40,963**	18,906	49,164
Income tax	9	**(2,830)**	**(7,360)**	(8,922)	(23,205)
PROFIT FOR THE YEAR		**12,920**	**33,603**	9,984	25,959
OTHER COMPREHENSIVE INCOME (EXPENSE), 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	**7,522**	**19,563**	11,740	30,534
Income tax effect	9	**(1,128)**	**(2,934)**	**(597)**	**(1,552)**
OTHER COMPREHENSIVE INCOME		**6,394**	**16,629**	**11,143**	**28,982**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**19,314**	**50,232**	**21,127**	**54,941**
BASIC EARNINGS PER SHARE RO/US$)	10	**0.009**	**0.02**	**0.007**	**0.02**

The report of the Independent Auditors' is set forth on pages 39 - 42.

The attached notes 1 to 27 form part of these financial statements.

PHOENIX POWER COMPANY SAOG
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	2018 RO'000	2018 US$'000	2017 RO'000	2017 US$'000
ASSETS					
Non-current asset					
Property, plant and equipment	11	**552,810**	**1,437,740**	568,712	1,479,096
Current assets					
Trade and other receivables	12	**7,411**	**19,277**	4,737	12,321
Inventories	13	**11,081**	**28,819**	10,785	28,051
Bank balances	14	**13,769**	**35,810**	14,130	36,748
		32,261	**83,906**	29,652	77,120
TOTAL ASSETS		**585,071**	**1,521,646**	598,364	1,556,216
EQUITY AND LIABILITIES					
Equity					
Share capital	15	**146,260**	**380,390**	146,260	380,390
Legal reserve	16	**8,221**	**21,381**	6,929	18,021
Cumulative changes in fair values	19	**(16,618)**	**(43,219)**	(23,012)	(59,848)
Retained earnings		**41,521**	**107,987**	35,158	91,438
Total equity		**179,384**	**466,539**	165,335	430,001
LIABILITIES					
Non-current liabilities					
Interest bearing loans and borrowings	18	**305,031**	**793,317**	331,871	863,124
Fair value of derivative financial instruments	19	**15,838**	**41,191**	20,929	54,433
Provision for asset retirement obligation	20	**5,364**	**13,951**	5,108	13,286
Deferred tax liability	9	**29,569**	**76,903**	25,611	66,609
Employees' end of service benefits	21	**68**	**177**	74	192
		355,870	**925,539**	383,593	997,644
Current liabilities					
Interest bearing loans and borrowings	18	**27,888**	**72,530**	26,069	67,799
Dividend payable	17	**2,340**	**6,086**	4,388	11,412
Accounts payable and accruals	21	**15,876**	**41,296**	12,835	33,383
Fair value of derivative financial instruments	19	**3,713**	**9,656**	6,144	15,977
		49,817	**129,568**	49,436	128,571
Total liabilities		**405,687**	**1,055,107**	433,029	1,126,215
TOTAL EQUITY AND LIABILITIES		**585,071**	**1,521,646**	598,364	1,556,216
Net assets per share (RO/US$)	22	**0.123**	**0.319**	0.113	0.294

The report of the Independent Auditors' is set forth on pages 39 - 42.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 26 February 2019.

Director **Director**

The attached notes 1 to 27 form part of these financial statements.

PHOENIX POWER COMPANY SAOG
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	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 2017		146,260	5,931	(34,155)	35,240	153,276
Profit for the year		-	-	-	9,984	9,984
Other comprehensive income for the year		-	-	11,143	-	11,143
Total comprehensive income for the year		-	-	11,143	9,984	21,127
Dividend paid – 2016	17	-	-	-	(4,680)	(4,680)
Dividend payable – 2016	17	-	-	-	(4,388)	(4,388)
Transfer to legal reserve	16	-	998	-	(998)	-
Balance at 31 December 2017		**146,260**	**6,929**	**(23,012)**	**35,158**	**165,335**
Profit for the year		**-**	**-**	**-**	**12,920**	**12,920**
Adjustments for adoption of IFRS 15 and 9		**-**	**-**	**-**	**-**	**-**
Other comprehensive income for the year		**-**	**-**	**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**

The report of the Independent Auditors' is set forth on pages 39 - 42.
The attached notes 1 to 27 form part of these financial statements.

PHOENIX POWER COMPANY SAOG
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	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 2017		380,390	15,425	(88,830)	91,659	398,644
Profit for the year		-	-	-	25,959	25,959
Other comprehensive income for the year		-	-	28,982	-	28,982
Total comprehensive income for the year		-	-	28,982	25,959	54,941
Dividend paid – 2016	17	-	-	-	(12,172)	(12,172)
Dividend payable – 2016	17	-	-	-	(11,412)	(11,412)
Transfer to legal reserve	16	-	2,596	-	(2,596)	-
Balance at 31 December 2017		**380,390**	**18,021**	**(59,848)**	**91,438**	**430,001**
Profit for the year		**-**	**-**	**-**	**33,603**	**33,603**
Adjustments for adoption of IFRS 15 and 9		**-**	**-**	**-**	**-**	**-**
Other comprehensive income for the year		**-**	**-**	**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**

The report of the Independent Auditors' is set forth on pages 39 - 42.

The attached notes 1 to 27 form part of these financial statements.

PHOENIX POWER COMPANY SAOG
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 RO'000	2018 US$'000	2017 RO'000	2017 US$'000
OPERATING ACTIVITIES					
Profit before tax		**15,750**	**40,963**	18,906	49,164
Adjustments for :					
Depreciation	11	**15,927**	**41,421**	15,925	41,417
Interest – term loans and swap settlements	8	**17,773**	**46,223**	19,233	50,021
Amortisation of deferred finance costs	8	**1,047**	**2,724**	1,120	2,913
Asset retirement obligation - unwinding of discount	8	**255**	**664**	242	632
Accruals for employees' end of service benefits	21	**21**	**55**	26	66
		50,773	**132,050**	55,452	144,213
Working capital changes:					
Trade and other receivables		**(2,675)**	**(6,956)**	1,574	4,091
Accounts payable and accruals		**3,070**	**7,985**	(9,868)	(25,658)
Inventories		**(295)**	**(768)**	(301)	(783)
Cash generated from operations		**50,873**	**132,311**	46,857	121,863
Interest – term loans and swap settlements		**(17,800)**	**(46,294)**	(19,178)	(49,877)
Employees' end of service benefits paid	21	**(27)**	**(70)**	-	-
Cash generated from operating activities		**33,046**	**85,947**	27,679	71,986
INVESTING ACTIVITY					
Additions to property, plant and equipment	7	**(25)**	**(65)**	-	-
Investment in short term deposits	14	**1,923**	**5,000**	(1,923)	(5,000)
Net cash used in investing activities		**1,898**	**4,935**	(1,923)	(5,000)
FINANCING ACTIVITIES					
Dividend paid	17	**(7,313)**	**(19,020)**	(11,554)	(30,050)
Repayment of interest bearing loans and borrowings	18	**(26,069)**	**(67,800)**	(24,484)	(63,678)
Net cash used in financing activities		**(33,382)**	**(86,820)**	(36,038)	(93,728)
Decrease in cash and cash equivalent		**1,562**	**4,062**	(10,282)	(26,742)
Cash and cash equivalents at 1 January		**12,207**	**31,748**	22,489	58,490
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	**13,769**	**35,810**	12,207	31,748

The report of the Independent Auditors' is set forth on pages 39 - 42.
The attached notes 1 to 27 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2018

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.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

2. Changes in significant accounting policies

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the financial statements as at and for the year ended 31 December 2017.

The Company has initially applied IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material impact on the Company's financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards as it does not have material impact on the financial statements.

2.1 IFRS 9 Financial Instruments

The Company has adopted IFRS 9 'Financial Instruments' as issued by the IASB. The Company applied IFRS 9 with date of initial application as 1 January 2018.

This has resulted in a change in accounting policies of the Company. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement.

The Company adopted IFRS 9 without restating the comparative financial statements. As the adoption of IFRS 9 is not material to the financial statements, the Company has not made any adjustments to the statement of financial position as at 1 January 2018. The impact on the financial statements on the date of adoption of IFRS 9 application (1 January 2018) is not material to these financial statements.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Company has adopted IFRS 9 retrospectively, with the practical expedients permitted under the standards.

The adoption of IFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies but no adjustments to the amounts recognised in the financial statements as no major difference arised due to change in accounting policies.

Management has assessed which business models apply to the financial assets held by the Company into the appropriate IFRS 9 categories. The main effects resulting from this reclassification is the classification of 'trade receivables', 'related party balance' and 'cash at bank' as financial assets measured at amortised cost. The Company's financial assets that are subject to IFRS 9's new expected credit loss model include trade receivables, related party balances and cash at bank.

The Company has determined the impact of application of IFRS 9's impairment requirements on remaining financial assets, which has resulted in no material impact on the opening balances as of 1 January 2018. Accordingly, related impact of impairment based on the expected credit loss model has not been considered in these financial statements.

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

2. Changes in significant accounting policies (continued)

2.1 IFRS 9 Financial Instruments

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 recognised 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.

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.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

2. Changes in significant accounting policies (continued)

IFRS 9 Financial Instruments (continued)

Initial recognition (continued)

Financial assets (continued)

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;

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.

Financial assets

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised

cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss account. Any gain or loss on derecognition is recognised in the profit or loss account.

Subsequent measurement and gain or losses

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 recognised 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 recognised 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.

Financial liabilities

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

Interest expense and foreign exchange gains and losses are recognised in the profit or loss 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 derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised 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 recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the profit or loss account.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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 derecognised when:

a) The rights to receive cash flows from the asset have expired; or

b) The Company retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

c) The Company has transferred its rights to receive cash flows from the asset and either (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.

From 1 January 2018, any cumulative gain/loss recognised in the statement of other comprehensive income in respect of equity instrument designated as fair value through other comprehensive is not recognised in the profit or loss account on derecognition of such instrument. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

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

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

Financial liabilities

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss 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 realise 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 recognises loss allowances for ECLs on financial assets measured at amortised cost.

Measurement of loss allowances

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

The financial assets at amortized cost consist of trade receivables 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.

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 realising security (if any is held); or the financial asset is more than 90 days past due.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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.

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
- 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.

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 into 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.

Accounting policies applied until 31 December 2017

Impairment

The carrying amount of the Company's assets other than inventories and deferred tax asset are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate.

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 grouping together assets with similar risk characteristics.

All impairment losses are recognized in the profit or loss and reflected in allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets excluding inventory and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or cash generating unit is higher than its recoverable amount. Recoverable amount is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

An assessment is made at each reporting date to determine whether there is an objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of profit or loss. Impairment is determined as follows:

For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of profit or loss;

For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Financial assets:

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

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

Financial liabilities:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2018

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, amounts due from related parties, cash and cash equivalents, loans and borrowings, and trade and other payables. Cash and cash equivalents comprise cash balances and deposits with original maturity not greater than three months. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

2.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

Revenue

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

In accordance with the transition provisions in IFRS 15, the Company has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

As the application of IFRS 15 has no material impact on the financial statements, the Company has not made any adjustments to the statement of financial position as at 1 January 2018.

The Company applies IFRS 15 with effect from 1 January 2018. As a result, the Company has applied the following accounting policy in the preparation of its financial statements.

For contracts determined to be within the scope of revenue recognition, the Company is required to apply a five-step model to determine when to recognise revenue, and at what amount.

The Company recognises revenue from contracts with customers based on the five step model set out in IFRS 15:

Step 1 Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 Identify the performance obligations in the contract: A performance obligation is a unit of account and a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Company's performance as and when the Company performs; or
2. The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Variable consideration

Variable consideration amount are estimated at either their expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not reverse

Significant financing component

Company evaluates significant financing component, if the period between customer payment and the transfer of goods/services (both for advance payments or payments in arrears) is more than one year. Company adjusts the promised amount of consideration for the time value of money using an appropriate interest rate reflecting the credit risk.

Contract modification

A contract modification occurs when the Company and the customer approve a change in the contract that either creates new enforceable rights and obligations or changes the existing enforceable rights and obligations. Revenue related to a modification is not recognised until it is approved. Approval can be in writing, oral, or implied by customary business practices.

Company treats the contract modification as a separate contract if it results in the addition of a separate performance obligation and the price reflects the standalone selling price of that performance obligation. Otherwise, a modification (including those that only affect the transaction price) is accounted for as an adjustment to the original contract, either prospectively or through a cumulative catch-up adjustment.

Company accounts for a modification prospectively if the goods or services in the modification are distinct from those transferred before the modification. Conversely, the Company accounts for a modification through a cumulative catch-up adjustment if the goods or services in the modification are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified.

Cost of obtainment and fulfilment

Company capitalises incremental costs to obtain a contract with a customer except if the amortisation period for such costs is less than one year.

If the costs incurred in fulfilling a contract with a customer are not in the scope of other guidance - e.g. inventory, intangibles, or property, plant and equipment - then the Company recognises an asset only if the fulfilment costs meet the following criteria:

- Relate directly to an existing contract or specific anticipated contract;
- Generate or enhance resources that will be used to satisfy performance obligations in the future; and
- Are expected to be recovered.

If the costs incurred to fulfil a contract are in the scope of other guidance, then Company accounts for such costs using the other guidance.

Company amortises the asset recognised for the costs to obtain and/or fulfil a contract on a systematic basis, consistent with the pattern of transfer of the good or service to which the asset relates. In the case of an impairment, Company recognises these losses to the extent that the carrying amount of the asset exceeds the recoverable amount.

Revenue recognition

The Company recognises revenue from the following major sources

- Capacity charge
- Energy charge/variable charge

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.

Accounting policies applied until 31 December 2017

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Revenue comprises tariffs for power capacity, electrical energy and fuel charges. Tariffs are calculated in accordance with the PPA. Capacity charge is payable to the Company for each hour during which the plant is available for power generation. Capacity charges income is recognised on a straight line basis over the lease term. Energy charge revenue which compensates the Company for the fuel and variable cost of power is recognised based on the supply of generated power. The operating revenue is recognised by the Company on an accrual basis of accounting. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and associated costs.

These policies are considered to be appropriate after adoption of IFRS 15

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards and relevant requirements of the Commercial Companies Law of 1974, as amended, and the Capital Market Authority of the Sultanate of Oman.

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 2018, 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

A number of new standards are effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

IFRS 16 Leases (Effective from 1 January 2019)

Management is in the process of assessing the impact of these standards, amendments and interpretations on the financial statements of the Company and does not expect a significant impact on the financial statements of the Company except for the current usufruct agreement in place.

Based on the information currently available the Company estimates that the impact would be material to the financial statements of usufruct agreement, at transition date 1 January 2019, the Company expects to recognize Right of use of asset and lease liability of approximately RO1.178 million. There may be additional impact of unwinding of discount.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including 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.

There are no other IFRSs that are not yet effective that would be expected to have a material impact to the Company.

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

3.3 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the profit or loss on a straight line basis over the lease term.

3.4 Interest income

Interest income is recognised in the profit or loss as it accrues, taking into account the effective yield on the asset.

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 Deferred financing costs

The cost of obtaining long-term financing is deferred and amortised over the period of the long term loan using the effective interest rate method. Deferred financing costs less accumulated amortisation are offset against the amount of the term loans. The amortisation of the deferred financing costs is charged to the statement of comprehensive income.

3.7 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 utilised.

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

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

3.8 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.

Spare parts that are major components of plant and machinery are recorded as capital spares upon purchase and depreciated over the useful life of related plant and equipment.

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

3.9 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.

3.10 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.

3.11 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.

3.12 Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method (EIR).

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

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

3.13 Derivative financial instruments

The Company enters into derivative instruments mainly interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

The Company also uses forward exchange contracts to hedge its risk associated primarily with foreign currency fluctuations relating to services to be received from contractor under long term supply and services contract for gas turbines. These are included in the statement of financial position at fair value and any resultant gain or loss is recognised in the statement of changes in equity and subsequently adjusted against the cost of services received.

The fair values of derivative instruments are included in other receivables in case of favourable contracts and other payables in case of unfavourable contracts.

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. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting years for which they were designated.

Cash flow hedges are those which hedge exposure to variability in cash flows of a recognised asset or liability or a forecast transaction.

The fair value of interest rate swap contracts is calculated based on discounted cash flows using current forward interest rate for items with the same maturity. The fair value of forward contracts is estimated based on observable market inputs for such contracts as on the reporting date.

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the profit or loss.

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

For hedges which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the profit or loss for the year.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

3.14 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.

3.15 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.

3.16 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.

3.17 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.

3.18 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.

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.

3.19 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.

3.20 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$ 39.37 million (2017: US$ 38.86 million) has not been recognised in profit or loss relating to the carried forward losses amounting to US$ 262.47 million (2017: US$ 259.08 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 utilised against the taxable profits to be generated in future. The related details are set out in note 9.

4 OPERATING REVENUE

	2018	**2018**	2017	2017
	RO'000	**US$'000**	RO'000	US$'000
Capacity charges	**65,723**	**170,931**	65,723	170,932
Energy charges	**68,870**	**179,116**	62,678	163,013
	134,593	**350,047**	128,401	333,945

In line with IFRS 15, all revenue is recognised over time and not at a point in time, since the following conditions to recognise the revenue over time are met:

The customer simultaneously receives and consumes the benefits provided by the Company's performance as and when the Company performs; or

The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

Revenue is generated only in the Sultanate of Oman and the Company has only one Customer, Oman Power and Water Procurement Company SAOC (OPWP).

5 OPERATING COSTS

	2018	2018	2017	2017
	RO'000	**US$'000**	RO'000	US$'000
Gas consumption	**66,231**	**172,253**	59,857	155,676
Depreciation (note 11)	**15,908**	**41,372**	15,908	41,372
Operation and maintenance cost	**7,843**	**20,398**	8,012	20,837
Contractual services maintenance cost	**7,096**	**18,454**	6,999	18,202
Insurance	**557**	**1,449**	733	1,907
Other direct costs	**547**	**1,422**	843	2,193
Connection and license fee	**518**	**1,347**	534	1,389
	98,700	**256,695**	92,886	241,576

6 OTHER INCOME

For the year ended 31 December 2017, other income included: US$ 13.9 million (RO 5.4 million) towards Liquidated Damages (LD) for delay to the PCOD which Company recognized after final settlement with EPC contractor.

7 GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2018	2017	2017
	RO'000	**US$'000**	RO'000	US$'000
Staff costs and other benefits	**609**	**1,583**	566	1,473
Legal and professional charges	**67**	**175**	241	627
Other expenses	**440**	**1,144**	465	1,210
Office rent	**38**	**98**	40	103
Depreciation (note 11)	**19**	**49**	17	45
	1,173	**3,049**	1,329	3,458

8 FINANCE COSTS (NET)

	2018	2018	2017	2017
	RO'000	**US$'000**	RO'000	US$'000
Interest – term loans and swap settlements	**17,773**	**46,223**	19,233	50,021
Amortisation of deferred finance cost	**1,047**	**2,724**	1,120	2,913
Asset retirement obligation - unwinding of discount (note 20)	**255**	**664**	242	632
Debt service commission Exchange loss	**162**	**422**	184	479
	(109)	**(283)**	(76)	(198)
Interest Income	**(158)**	**(410)**	(75)	(192)
	18,970	**49,340**	20,628	53,655

9 INCOME TAX

	2018 RO'000	**2018 US$'000**	2017 RO'000	2017 US$'000
Recognised in the income statement in the current year				
Deferred tax expense				
Current year	**(2,830)**	**(7,360)**	(3,735)	(9,715)
Prior year	**-**	**-**	(5,187)	(13,490)
	(2,830)	**(7,360)**	(8,922)	(23,205)

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.

	2018 RO'000	**2018 US$'000**	2017 RO'000	2017 US$'000
Profit before tax	**15,750**	**40,963**	18,906	49,164
Income tax at the rate mentioned above	**(2,362)**	**(6,143)**	(2,836)	(7,375)
Deferred tax not recognized during the year	**(468)**	**(1,217)**	(899)	(2,339)
Deferred tax due to change in the rate from prior year	**-**	**-**	(5,187)	(13,491)
	(2,830)	**(7,360)**	(8,922)	(23,205)

As of 31 December 2018, 2011 and 2012 of the Company's tax assessments have been completed by the Omani taxation authorities. The Company's assessment for the tax years 2013 to 2017 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 2018.

b. Deferred tax (liability) / asset

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

31 December 2018	**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	**(32,835)**	**(4,332)**	**-**	**(37,167)**
Provision for asset retirement obligation	**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 asset (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	**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 asset (liability)	**(66,609)**	**(7,360)**	**(2,934)**	**(76,903)**

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2018

9 INCOME TAX (continued)

Deferred tax (liability) / asset (continued)

31 December 2017	RO'000	RO'000	RO'000	RO'000
Property, plant and equipment	(21,925)	(10,910)	-	(32,835)
Provision for asset retirement obligation	584	183	-	767
Losses carried forward	591	1,805	-	2,396
Fair value adjustment of derivatives through equity	4,658	-	(597)	4,061
Net deferred tax (liability)	(16,092)	(8,922)	(597)	(25,611)

	US$'000	US$'000	US$'000	US$'000
Property, plant and equipment	(57,021)	(28,374)	-	(85,395)
Provision for asset retirement obligation	1,518	475	-	1,993
Losses carried forward	1,537	4,694	-	6,231
Fair value adjustment of derivatives through equity	12,113	-	(1,552)	10,561
Net deferred tax asset (liability)	(41,853)	(23,205)	(1,552)	(66,609)

10 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.

	2018	**2018**	2017	2017
	RO'000	**US$'000**	RO'000	US$'000
Profit attributable to ordinary shareholders of the Company for basic earnings per share	**12,920**	**33,603**	9,984	25,959
Weighted average number of shares (in 000's)	**1,462,601,460**	**1,462,601,460**	1,462,601	1,462,601
Basic earnings per share (RO)	**0.009**	**-**	0.007	-
Basic earnings per share (US$)	**-**	**0.02**	-	0.02

11 PROPERTY, PLANT AND EQUIPMENT

Cost	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**
At 1 January 2018	**83,876**	**518,087**	**10,809**	**4,401**	**226**	**617,399**
Additions during the year	**-**	**-**	**-**	**-**	**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 during 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**
At 31 December 2017	**77,464**	**478,489**	**8,604**	**4,065**	**90**	**568,712**

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 2017	83,876	518,087	10,809	4,401	226	617,399
At 31 December 2017	83,876	518,087	10,809	4,401	226	617,399
Accumulated depreciation						
At 1 January 2017	4,315	26,646	1,484	226	91	32,762
Charge during the year	2,097	12,952	721	110	45	15,925
At 31 December 2017	6,412	39,598	2,205	336	136	48,687
Net book value						
At 31 December 2017	77,464	478,489	8,604	4,065	90	568,712

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 during the year	**-**	**-**	**-**	**-**	**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 during 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**
At 31 December 2017	201,468	1,244,443	22,382	10,570	233	1,479,096

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 2017	218,142	1,347,432	28,113	11,445	586	1,605,718
At 31 December 2017	218,142	1,347,432	28,113	11,445	586	1,605,718
Accumulated depreciation						
At 1 January 2017	11,221	69,303	3,856	588	237	85,205
Charge during the year	5,453	33,686	1,875	287	116	41,417
At 31 December 2017	16,674	102,989	5,731	875	353	126,622
Net book value						
At 31 December 2017	201,468	1,244,443	22,382	10,570	233	1,479,096

Land, on which the power station's buildings and auxiliaries are constructed, has been leased from the Government of the Sultanate of Oman for a period of 25 years, extendable for another 25 years. Lease rent is paid at the rate of RO 105,000 per annum.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2018

12 TRADE AND OTHER RECEIVABLES

	2018	**2018**	2017	2017
	RO'000	**US$'000**	RO'000	US$'000
Trade receivables	**6,919**	**17,995**	4,651	12,097
Other receivables	**424**	**1,104**	13	34
Prepayments	**68**	**178**	73	190
	7,411	**19,277**	4,737	12,321

None of the Company's trade receivable balances were past due or impaired. Accordingly, the expected credit loss was considered to be immaterial to the financial statements.

13 INVENTORIES

	2018	**2018**	2017	2017
	RO'000	**US$'000**	RO'000	US$'000
Fuel oil inventory	**5,555**	**14,447**	5,454	14,185
Maintenance spares	**5,526**	**14,372**	5,331	13,866
	11,081	**28,819**	10,785	28,051

14 BANK BALANCES

	2018	**2018**	2017	2017
	RO'000	**US$'000**	RO'000	US$'000
Bank balances	**13,769**	**35,810**	12,207	31,748
Short Term Deposits	**-**	**-**	1,923	5,000
	13,769	**35,810**	14,130	36,748

The company has made a placement in the amount of USD 5 million (RO 1.92 million) in 2017.

None of the Company's bank balances were impaired. Accordingly, the expected credit loss was considered to be immaterial to the financial statements.

15 SHARE CAPITAL

	2018	**2018**	2017	2017
	RO'000	**US$'000**	RO'000	US$'000
Authorised, issued and fully paid up share capital of 1,462,601,460 shares of 100 Baiza (US $ 0.26) each (2017 – 1,462,601,460 shares of 100 Baiza (US $ 0.26) each)	**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 2018, the Board of Directors in their meetings held on 24 April 2018 and 30 October 2018 announced cash dividend of 2.0 baizas per share and 1.6 baizas per share, respectively for the year ended 31 December 2017. Accordingly dividend amounting to US$ 7.608 million (RO 2.925. million) was paid in July 2018 and US$ 6.086 million (RO 2.340 million) is payable as of 31 December 2018 which was paid subsequently in January 2019.

Subject to approval of the shareholders at the Annual General Meeting ("AGM"), the Board of Directors in their meeting held on 26 February 2019 proposed a cash dividend to the shareholders of the Company which will be paid in July 2019 and January 2020 for the year ended 31 December 2018, provided that the aggregate amount of such dividend shall not exceed 5.4% of the paid up share capital of the Company as of 31 December 2018.

18 INTEREST BEARING LOANS AND BORROWINGS

	2018	**2018**	2017	2017
	RO'000	**US$'000**	RO'000	US$'000
Secured term loan from commercial banks	**99,256**	**258,142**	106,903	278,030
Secured term loan from Japan Bank for International Cooperation	**189,488**	**492,816**	204,086	530,784
Secured term loan under NEXI facilities	**49,628**	**129,071**	53,452	139,015
	338,372	**880,029**	364,441	947,829
Less : Deferred finance costs	**(5,453)**	**(14,182)**	(6,501)	(16,906)
	332,919	**865,847**	357,940	930,923
Less : Current portion of loans	**(27,888)**	**(72,530)**	(26,069)	(67,799)
Non-current portion of loans	**305,031**	**793,317**	331,871	863,124

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

	2018	**2018**	2017	2017
	RO'000	**US$'000**	RO'000	US$'000
Gross loan as at 1 January	**364,441**	**947,829**	388,925	1,011,507
Paid during the year	**(26,069)**	**(67,800)**	(24,484)	(63,678)
Gross loan as at 31 December	**338,372**	**880,029**	364,441	947,829

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 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.

19 DERIVATIVE FINANCIAL INSTRUMENTS

	2018	2018	2017	2017
	RO'000	US$'000	RO'000	US$'000
Cumulative changes in fair value:				
Interest rate swap agreements	12,632	32,852	21,640	56,281
Forward foreign exchange contracts	6,919	17,995	5,433	14,129
Fair value of derivatives	19,551	50,847	27,073	70,410
Less : Income tax effect (note 9)	(2,933)	(7,628)	(4,061)	(10,562)
	16,618	43,219	23,012	59,848

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

	2018	2018	2017	2017
	RO'000	US$'000	RO'000	US$'000
Non-current portion	15,838	41,191	20,929	54,433
Current portion	3,713	9,656	6,144	15,977
	19,551	50,847	27,073	70,410

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 2018, an unrealised loss of US $ 32.852 million (2017: US $ 56.281 million) relating to measuring the financial instrument at fair value is included in equity in respect of these contracts.

The table below 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.

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**

31 December 2017		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	21,640	346,171	24,763	112,403	209,005
	US$'000	US$'000	US$'000	US$'000	US$'000
Interest rate swaps	56,281	900,314	64,404	292,336	543,574

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 2018, an unrealised loss of US $ 17.995 million (2017: US $ 14.129 million) relating to measuring the financial instrument at fair value is included in equity in respect of these contracts.

The related details are set out below:

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**

31 December 2017		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	5,433	64,429	5,861	23,441	35,127
	US$'000	US$'000	US$'000	US$'000	US$'000
Forward foreign exchange contracts	14,129	167,565	15,244	60,966	91,355

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AT 31 DECEMBER 2018

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.

The movement in ARO provision is as follows:

	2018	**2018**	2017	2017
	RO'000	**US$'000**	RO'000	US$'000
As at 1 January	**5,108**	**13,286**	4,866	12,654
Unwinding of discount (note 8)	**256**	**665**	242	632
As at 31 December	**5,364**	**13,951**	5,108	13,286

21 ACCOUNTS PAYABLE AND ACCRUALS

	2018	**2018**	2017	2017
	RO'000	**US$'000**	RO'000	US$'000
Trade accounts payable	**5,666**	**14,737**	4,986	12,967
Amounts due to related parties (note 24)	**2,530**	**6,581**	2,362	6,142
Accrued expenses	**7,748**	**20,155**	5,561	14,466
	15,944	**41,473**	12,909	33,575
Less: employees' end of service benefits included in accruals	**(68)**	**(177)**	(74)	(192)
	15,876	**41,296**	12,835	33,383

Employees' end of service benefits

	2018	**2018**	2017	2017
	RO'000	**US$'000**	RO'000	US$'000
As at 1 January	**74**	**192**	48	126
Charge for the year	**21**	**55**	26	66
Paid during the year	**(27)**	**(70)**	-	-
As at 31 December	**68**	**177**	74	192

22 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:

	2018	**2018**	2017	2017
	RO	**US$**	RO	US$
Net assets (RO '000s/US$'000s)	**179,384**	**466,539**	165,335	430,001
Number of shares outstanding at 31 December (in 000's)	**1,462,601**	**1,462,601**	1,462,601	1,462,601
Net assets per share (RO)	**0.123**	**-**	0.113	-
Net assets per share (US$)	**-**	**0.319**	-	0.294

Since the shares were split during 2015 without consideration, for the purpose of calculating net assets per share, the split is treated as if it had occurred at the beginning of 2015.

23 CONTINGENCIES

(a) Guarantees

At 31 December 2018, 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 [2017 : US$ nil (RO nil)].

(b) Claims

A Claim for delays to Final Power (PCOD) was submitted by the EPC Contractor in September 2014, with the EPC Contractor requesting for a time extension. During the year 2017, an agreement to settle the Claim has been reached between the two parties and the settlement agreement obliges the Company to pay a settlement sum of $11.8M to the EPC Contractor.

24 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	**2018 RO'000**	**2018 US$'000**	2017 RO'000	2017 US$'000
Other related party - Phoenix Operation and Maintenance Company LLC	**2,530**	**6,581**	2,362	6,142

Income statement transactions	**2018 RO'000**	**2018 US$'000**	2017 RO'000	2017 US$'000
Consulting Service fee charged:				
Axia Power Holdings	**41**	**107**	41	107
JERA Co. Inc.	**25**	**64**	25	64
Nebras Power	**12**	**32**	12	32
Bahwan Multitec LLC	**4**	**11**	4	11
	82	**214**	82	214
Operation and maintenance costs				
Phoenix Operation and Maintenance Company LLC ("POMCO")	**7,843**	**20,398**	8,012	20,837
	7,843	**20,398**	8,012	20,837
Key management compensation:				
Short term benefits	**252**	**656**	245	638
Employee's end of service benefits	**14**	**37**	18	48
	266	**693**	263	686

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25 COMMITMENTS

(a) Operation and maintenance 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:

	2018	**2018**	2017	2017
	RO'000	**US$'000**	RO'000	US$'000
Within one year	**1,730**	**4,500**	1,730	4,500
Between two and five years	**6,921**	**18,000**	6,921	1,800
After five years	**9,078**	**23,610**	10,809	28,110
	17,729	**46,110**	19,460	50,610

(b) Land lease commitments

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

	2018	**2018**	2017	2017
	RO'000	**US$'000**	RO'000	US$'000
Within one year	**105**	**272**	105	272
Between two and five years	**418**	**1,087**	418	1,087
After five years	**1,214**	**3,159**	1,319	3,431
	1,737	**4,518**	1,842	4,790

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.

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:

	2018	**2018**	2017	2017
	RO'000	**US$'000**	RO'000	US$'000
Within one year	**65,438**	**170,331**	65,492	170,331
Between two and five years	**261,797**	**680,876**	261,806	680,901
After five years	**334,732**	**870,565**	400,161	1,040,730
	661,967	**1,721,772**	727,459	1,891,962

26 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.

(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 2018.

2018	**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**
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**

2017	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
Trade and other accounts payable	10,547	-	-	-	10,547
Amounts due to related parties	2,362	-	-	-	2,362
Interest bearing loans and borrowings	-	43,805	175,329	256,203	475,337
	12,909	43,805	175,329	256,203	488,246

2018	**Less than 3months US$'000**	**3 to 12 months US$'000**	**1 to 5 years US$'000**	**More than 5 years US$'000**	**Total US$'000**
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**

26 FINANCIAL RISK MANAGEMENT (continued)

	Less than 3months	3 to 12 months	1 to 5 years	More than 5 years	Total
2017	US$'000	US$'000	US$'000	US$'000	US$'000
Trade and other accounts payable	27,433	-	-	-	27,433
Amounts due to related parties	6,142	-	-	-	6,142
Interest bearing loans and borrowings	-	113,928	455,991	666,327	1,236,246
	33,575	113,928	455,991	666,327	1,269,821

(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 2018 amounted to US$ 22.4 thousands (RO 8.6 thousands) [(2017: US$ 1,981 thousands (RO 762 thousands)]. Should the exchange rate between Euro and RO fluctuate by ± 5%, the impact on the Company's results will be US$ 1 thousands (RO 0.4 thousands) [2017: US$ 99 thousands (RO 38 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 2018.

27 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.

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.

27 FAIR VALUE FINANCIAL INSTRUMENTS (continued)

(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.