

PHOENIX POWER COMPANY SAOG

UNAUDITED FINANCIAL STATEMENTS

30 JUNE 2020

PHOENIX POWER COMPANY SAOG

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020

| | Notes | 2020 RO'000 | 2020 US\$'000 | 2019 RO'000 | 2019 US\$'000 |
|--|-------|------------------------|------------------------|------------------------|------------------------|
| Operating revenue | 3 | 65,941 | 171,499 | 62,196 | 161,759 |
| Operating costs | 4 | <u>(48,022)</u> | <u>(124,897)</u> | <u>(44,470)</u> | <u>(115,653)</u> |
| Operating profit | | 17,919 | 46,602 | 17,726 | 46,106 |
| General and administrative expenses | 5 | (562) | (1,462) | (612) | (1,593) |
| Finance costs (net) | 6 | <u>(8,789)</u> | <u>(22,859)</u> | <u>(9,128)</u> | <u>(23,745)</u> |
| Profit before tax | | 8,568 | 22,281 | 7,986 | 20,768 |
| Income tax | 7 | (1,319) | (3,431) | (1,042) | (2,710) |
| PROFIT FOR THE PERIOD | | <u>7,249</u> | <u>18,850</u> | <u>6,944</u> | <u>18,058</u> |
| OTHER COMPREHENSIVE INCOME - /(EXPENSE) , NET OF TAX | | | | | |
| <i>Item that may be reclassified to profit and loss in subsequent periods:</i> | | | | | |
| Net movement in fair value of cash flow hedges | | (18,069) | (46,993) | (13,012) | (33,841) |
| Income tax effect | | 2,710 | 7,049 | 1,952 | 5,075 |
| OTHER COMPREHENSIVE INCOME /(EXPENSE) FOR THE PERIOD | | <u>(15,359)</u> | <u>(39,944)</u> | <u>(11,060)</u> | <u>(28,766)</u> |
| TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD | | <u>(8,110)</u> | <u>(21,094)</u> | <u>(4,116)</u> | <u>(10,708)</u> |

The attached notes 1 to 20 form part of these financial statements

PHOENIX POWER COMPANY SAOG

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

| | Notes | 2020 RO'000 | 2020 US\$'000 | 2019 RO'000 | 2019 US\$'000 |
|--|-------|-----------------------|-------------------------|-----------------------|-------------------------|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 8 | 527,822 | 1,372,751 | 535,765 | 1,393,410 |
| Right to use assets | 9 | 8,431 | 21,927 | 8,557 | 22,255 |
| Capital Spares | | 2,320 | 6,033 | 2,320 | 6,033 |
| | | <u>538,573</u> | <u>1,400,711</u> | <u>546,642</u> | <u>1,421,698</u> |
| Current assets | | | | | |
| Trade and other receivables | 10 | 93,892 | 244,193 | 53,919 | 140,232 |
| Inventories | | 9,009 | 23,434 | 9,040 | 23,513 |
| Bank balances | 11 | 11,242 | 29,239 | 7,530 | 19,585 |
| | | <u>114,143</u> | <u>296,866</u> | <u>70,489</u> | <u>183,330</u> |
| TOTAL ASSETS | | <u>652,716</u> | <u>1,697,577</u> | <u>617,131</u> | <u>1,605,028</u> |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Share capital | 12 | 146,260 | 380,390 | 146,260 | 380,390 |
| Legal reserve | 13 | 9,672 | 25,155 | 9,672 | 25,155 |
| Cumulative changes in fair values | 15 | (42,719) | (111,104) | (27,360) | (71,160) |
| Retained earnings | | 51,737 | 134,556 | 48,510 | 126,167 |
| Total equity | | <u>164,950</u> | <u>428,997</u> | <u>177,082</u> | <u>460,552</u> |
| Non-current liabilities | | | | | |
| Interest bearing loans and borrowings | 14 | 262,284 | 682,141 | 276,632 | 719,461 |
| Fair value of derivative financial instruments | 15 | 40,614 | 105,629 | 27,001 | 70,224 |
| Provision for asset retirement obligation | | 4,533 | 11,791 | 4,423 | 11,504 |
| Deferred tax liability | | 28,844 | 75,017 | 30,235 | 78,634 |
| Lease liability | | 7,908 | 20,567 | 8,210 | 21,353 |
| Employees' end of service benefits | | 36 | 94 | 55 | 142 |
| | | <u>344,219</u> | <u>895,239</u> | <u>346,556</u> | <u>901,318</u> |
| Current liabilities | | | | | |
| Interest bearing loans and borrowings | 14 | 29,757 | 77,391 | 29,367 | 76,376 |
| Dividend payable | 12 | 4,022 | 10,461 | 2,925 | 7,608 |
| Accounts payable and accruals | 16 | 86,142 | 224,042 | 55,506 | 144,361 |
| Fair value of derivative financial instruments | 15 | 9,644 | 25,082 | 5,188 | 13,494 |
| Finance lease liabilities | | 507 | 1,319 | 507 | 1,319 |
| Short term borrowing | | 13,475 | 35,046 | - | - |
| | | <u>143,547</u> | <u>373,341</u> | <u>93,493</u> | <u>243,158</u> |
| Total liabilities | | <u>487,766</u> | <u>1,268,580</u> | <u>440,049</u> | <u>1,144,476</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>652,716</u> | <u>1,697,577</u> | <u>617,131</u> | <u>1,605,028</u> |

佐野 淳

Director

中田 元晴

Director

The attached notes 1 to 20 form part of these financial statements

PHOENIX POWER COMPANY SAOG

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2020**

| | Note | Share capital RO'000 | Legal reserve RO'000 | Cumulative changes in fair values RO'000 | Retained earnings RO'000 | Total RO'000 |
|---|------|----------------------------|----------------------------|---|--------------------------------|-----------------|
| Balance at 1 January 2019 | | 146,260 | 8,221 | (16,618) | 41,521 | 179,384 |
| Profit for the period | | - | - | (11,060) | 6,944 | 6,944 |
| Other comprehensive income | | - | - | (11,060) | - | (11,060) |
| Total comprehensive income | | - | - | (11,060) | 6,944 | (4,116) |
| Dividend Payable | | - | - | - | (3,144) | (3,144) |
| Balance at 30 June 2019 | | 146,260 | 8,221 | (27,678) | 45,321 | 172,124 |
| Balance at 1 January 2020 | 12 | 146,260 | 9,672 | (27,360) | 48,510 | 177,082 |
| Profit for the period | | - | - | - | 7,249 | 7,249 |
| Other comprehensive income / (expense) | | - | - | (15,359) | - | (15,359) |
| Total comprehensive income / (expense) | | - | - | (15,359) | 7,249 | (8,110) |
| Dividend Payable | | - | - | - | (4,022) | (4,022) |
| Balance at 30 June 2020 | | 146,260 | 9,672 | (42,719) | 51,737 | 164,950 |

The attached notes 1 to 20 form part of these financial statements

PHOENIX POWER COMPANY SAOG

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2020

| | Note | Share capital US\$'000 | Legal reserve US\$'000 | Cumulative changes in fair values US\$'000 | Retained earnings US\$'000 | Total US\$'000 |
|--|------|------------------------------|------------------------------|---|----------------------------------|-------------------|
| Balance at 1 January 2019 | | 380,390 | 21,381 | (43,219) | 107,987 | 466,539 |
| Profit for the period | | - | - | - | 18,058 | 18,058 |
| Other comprehensive income | | - | - | (28,766) | - | (28,766) |
| Total comprehensive income | | - | - | (28,766) | 18,058 | (10,708) |
| Dividend Payable | | | | | (8,178) | (8,178) |
| Balance at 30 June 2019 | | 380,390 | 21,381 | (71,985) | 117,867 | 447,653 |
| Balance at 1 January 2020 | 12 | 380,390 | 25,155 | (71,160) | 126,167 | 460,552 |
| Profit for the period | | - | - | - | 18,850 | 18,850 |
| Other comprehensive income / (expense) | | - | - | (39,944) | - | (39,944) |
| Total comprehensive income/ (expense) | | - | - | (39,944) | 18,850 | (21,094) |
| Dividend Payable | | | | | (10,461) | (10,461) |
| Balance at 30 June 2020 | | 380,390 | 25,155 | (111,104) | 134,556 | 428,997 |

The attached notes 1 to 20 form part of these financial statements

PHOENIX POWER COMPANY SAOG

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2020

| | Notes | 2020 RO'000 | 2020 US\$'000 | 2019 RO'000 | 2019 US\$'000 |
|--|-------|----------------|------------------|----------------|------------------|
| OPERATING ACTIVITIES | | | | | |
| Profit before tax | | 8,568 | 22,281 | 7,986 | 20,768 |
| Depreciation | 8,9 | 8,069 | 20,987 | 7,981 | 20,758 |
| Interest – term loans and swap settlements | | 7,705 | 20,039 | 8,249 | 21,454 |
| Amortisation of deferred finance cost | | 453 | 1,179 | 494 | 1,286 |
| Interest expense for lease liability | | 205 | 534 | 22 | 56 |
| Asset retirement obligation - unwinding of discount | | 111 | 288 | 133 | 349 |
| Accruals for employee's end of service benefits | | (18) | (48) | 8 | 21 |
| | | <u>25,093</u> | <u>65,260</u> | <u>24,873</u> | <u>64,692</u> |
| Working capital changes: | | | | | |
| Trade and other receivables | | (39,973) | (103,961) | (18,069) | (46,994) |
| Accounts payable and accruals | | 30,644 | 79,703 | 3,623 | 9,423 |
| Inventories | | 30 | 79 | 84 | 217 |
| | | <u>15,794</u> | <u>41,081</u> | <u>10,511</u> | <u>27,338</u> |
| Interest – term loans and swap settlements | | (7,714) | (20,063) | (8,490) | (22,081) |
| | | <u>8,080</u> | <u>21,018</u> | <u>2,021</u> | <u>5,257</u> |
| FINANCING ACTIVITIES | | | | | |
| Dividend paid | | (2,924) | (7,608) | (2,340) | (6,086) |
| Repayment of interest bearing loans and borrowings | | (14,412) | (37,483) | (13,691) | (35,607) |
| Working Capital Facility | | 13,475 | 35,046 | 10,087 | 26,234 |
| Lease payment | | (507) | (1,319) | (104) | (272) |
| | | <u>(4,368)</u> | <u>(11,364)</u> | <u>(6,048)</u> | <u>(15,731)</u> |
| INCREASE (USED IN) IN CASH AND CASH EQUIVALENTS | | | | | |
| | | <u>3,712</u> | <u>9,654</u> | <u>(4,027)</u> | <u>(10,474)</u> |
| Cash and cash equivalents at the beginning of the period | | 7,530 | 19,585 | 13,769 | 35,810 |
| | | <u>7,530</u> | <u>19,585</u> | <u>13,769</u> | <u>35,810</u> |
| CASH AND CASH EQUIVALENTS AT 30 JUNE 2020 | 11 | <u>11,242</u> | <u>29,239</u> | <u>9,742</u> | <u>25,336</u> |

The attached notes 1 to 20 form part of these financial statements

PHOENIX POWER COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2020

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.

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 SAOC, 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 Axia Power Holdings B.V; Chubu Electric Power Sur B.V; Qatar Electricity and Water Company (Q.S.C.); and Multitech LLC.

PHOENIX POWER COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2020

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 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.

These financials includes audited figures for 31st December 2019. These financials includes unaudited figures for 30th June 2020 and 2019 are unaudited.

2.2 Accounting policies

The significant accounting policies applied by the Company in these unaudited financial statements are consistent with those applied by the Company in its financial statements as at and for the year ended 31 December 2019.

PHOENIX POWER COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2020

3 OPERATING REVENUE

| | 30 JUNE 2020 RO'000 | 30 JUNE 2020 US\$'000 | 30 JUNE 2019 RO'000 | 30 JUNE 2019 US\$'000 |
|------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Capacity charges | 33,096 | 86,076 | 32,330 | 84,083 |
| Energy charges | 32,845 | 85,423 | 29,866 | 77,676 |
| | <u>65,941</u> | <u>171,499</u> | <u>62,196</u> | <u>161,759</u> |

4 OPERATING COSTS

| | 30 JUNE 2020 RO'000 | 30 JUNE 2020 US\$'000 | 30 JUNE 2019 RO'000 | 30 JUNE 2019 US\$'000 |
|-----------------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Gas consumption | 31,460 | 81,821 | 28,529 | 74,198 |
| Depreciation (note 8 a,b) | 8,065 | 20,975 | 7,975 | 20,741 |
| Operation and maintenance cost | 5,080 | 13,212 | 4,108 | 10,683 |
| Long term services agreement | 3,026 | 7,871 | 3,053 | 7,940 |
| Insurance and other cost | 339 | 882 | 547 | 1,421 |
| Connection and license fee | 52 | 136 | 258 | 670 |
| | <u>48,022</u> | <u>124,897</u> | <u>44,470</u> | <u>115,653</u> |

5 GENERAL AND ADMINISTRATIVE EXPENSES

| | 30 JUNE 2020 RO'000 | 30 JUNE 2020 US\$'000 | 30 JUNE 2019 RO'000 | 30 JUNE 2019 US\$'000 |
|--------------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Staff costs and other benefits | 267 | 695 | 306 | 796 |
| Legal and professional charges | 73 | 190 | 69 | 179 |
| Other expenses | 203 | 529 | 215 | 560 |
| Office rent | 14 | 36 | 16 | 42 |
| Depreciation (note 8) | 5 | 12 | 6 | 16 |
| | <u>562</u> | <u>1,462</u> | <u>612</u> | <u>1,593</u> |

PHOENIX POWER COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2020

6 FINANCE COSTS (NET)

| | 30 JUNE 2020 RO'000 | 30 JUNE 2020 US\$'000 | 30 JUNE 2019 RO'000 | 30 JUNE 2019 US\$'000 |
|--|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Interest and swap settlements | 7,705 | 20,039 | 8,249 | 21,454 |
| Amortisation of deferred finance cost | 453 | 1,179 | 494 | 1,286 |
| Asset retirement obligation - unwinding of discount | 111 | 288 | 133 | 349 |
| Interest expense for lease liability | 205 | 534 | 43 | 111 |
| DSRA LC Commission & WC fee | 80 | 207 | 53 | 139 |
| Exchange (Gain) / loss | 241 | 628 | 199 | 518 |
| Interest Income | (6) | (16) | (43) | (112) |
| | <u>8,789</u> | <u>22,859</u> | <u>9,128</u> | <u>23,745</u> |

7 INCOME TAX

Income tax represents deferred tax expense for the period.

PHOENIX POWER COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

AT 30 JUNE 2020

8 PROPERTY, PLANT AND EQUIPMENT

| | Plant Building RO'000 | Plant and Equipment RO'000 | Strategic spares RO'000 | Asset Retirement RO'000 | Other Assets RO'000 | Total RO'000 |
|---|--------------------------|-------------------------------|----------------------------|----------------------------|------------------------|-----------------|
| Cost | | | | | | |
| At 1 January 2020 | 83,876 | 518,087 | 10,809 | 3,249 | 246 | 616,267 |
| Additions during the period | - | - | - | - | - | - |
| Transfer/Reclassification during the period | - | - | - | - | - | - |
| At 30 June 2020 | 83,876 | 518,087 | 10,809 | 3,249 | 246 | 616,267 |
| Accumulated depreciation | | | | | | |
| At 1 January 2020 | 10,606 | 65,502 | 3,647 | 536 | 211 | 80,502 |
| Charge during the period | 1,049 | 6,476 | 360 | 45 | 13 | 7,943 |
| Transfer/Reclassification during the period | - | - | - | - | - | - |
| At 30 June 2020 | 11,655 | 71,978 | 4,007 | 581 | 224 | 88,445 |
| Net book value | | | | | | |
| At 30 June 2020 | 72,221 | 446,109 | 6,802 | 2,668 | 22 | 527,822 |
| At 31 December 2019 | 73,270 | 452,585 | 7,162 | 2,713 | 35 | 535,765 |

PHOENIX POWER COMPANY SAOG

**NOTES TO THE FINANCIAL STATEMENTS
AT 30 JUNE 2020**

8 PROPERTY, PLANT AND EQUIPMENT (continued)

| Cost | Plant building US\$'000 | Plant and equipment US\$'000 | Strategic spares US\$'000 | Asset retirement US\$'000 | Other assets US\$'000 | Total US\$'000 |
|---|------------------------------------|---|--|--|--------------------------------------|---------------------------|
| At 1 January 2020 | 218,142 | 1,347,432 | 28,113 | 8,450 | 637 | 1,602,774 |
| Additions during the period | - | - | - | - | - | - |
| Transfer/Reclassification during the period | - | - | - | - | - | - |
| At 30 June 2020 | 218,142 | 1,347,432 | 28,113 | 8,450 | 637 | 1,602,774 |
| Accumulated depreciation | | | | | | |
| At 1 January 2020 | 27,581 | 170,361 | 9,479 | 1,396 | 547 | 209,364 |
| Charge during the period | 2,727 | 16,843 | 937 | 117 | 35 | 20,659 |
| Transfer/Reclassification during the period | - | - | - | - | - | - |
| At 30 June 2020 | 30,308 | 187,204 | 10,416 | 1,513 | 582 | 230,023 |
| Net book value | | | | | | |
| At 30 June 2020 | 187,834 | 1,160,228 | 17,697 | 6,937 | 55 | 1,372,751 |
| At 31 December 2019 | 190,561 | 1,177,071 | 18,634 | 7,054 | 90 | 1,393,410 |

PHOENIX POWER COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS AT 30 June 2020

9 RIGHT TO USE ASSETS

| Cost | Land Lease RO '000 | Connection Fee RO '000 | Total RO '000 |
|------------------------------------|-----------------------------------|---------------------------------------|--------------------------|
| Opening balance / Reclassification | 1,814 | 6,995 | 8,809 |
| Additions during the period | - | - | - |
| At 30 June 2020 | <u>1,814</u> | <u>6,995</u> | <u>8,809</u> |
| Accumulated depreciation | | | |
| Opening balance / Reclassification | 52 | 200 | 252 |
| Charge during the period | 26 | 100 | 126 |
| At 30 June 2020 | <u>78</u> | <u>300</u> | <u>378</u> |
| Net book value | | | |
| At 30 June 2020 | <u>1,736</u> | <u>6,695</u> | <u>8,431</u> |
| At 31 December 2019 | <u>1,762</u> | <u>6,795</u> | <u>8,557</u> |

9 RIGHT TO USE ASSETS

| Cost | Land Lease US\$'000 | Connection Fee US\$'000 | Total US\$'000 |
|------------------------------------|------------------------------------|--|---------------------------|
| Opening balance / Reclassification | 4,718 | 18,193 | 22,911 |
| Additions during the period | - | - | - |
| At 30 June 2020 | <u>4,718</u> | <u>18,193</u> | <u>22,911</u> |
| Accumulated depreciation | | | |
| Opening balance / Reclassification | 135 | 521 | 656 |
| Charge during the period | 68 | 260 | 328 |
| At 30 June 2020 | <u>203</u> | <u>781</u> | <u>984</u> |
| Net book value | | | |
| At 30 June 2020 | <u>4,515</u> | <u>17,412</u> | <u>21,927</u> |
| At 31 December 2019 | <u>4,583</u> | <u>17,672</u> | <u>22,255</u> |

PHOENIX POWER COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS AT 30 June 2020

10 TRADE AND OTHER RECEIVABLES

| | 2020 RO'000 | 2020 US\$'000 | 2019 RO'000 | 2019 US\$'000 |
|-------------------|----------------|------------------|----------------|------------------|
| Trade receivables | 93,437 | 243,010 | 53,632 | 139,485 |
| Other receivables | 13 | 33 | 21 | 55 |
| Prepayments | 442 | 1,150 | 266 | 692 |
| | <u>93,892</u> | <u>244,193</u> | <u>53,919</u> | <u>140,232</u> |

11 BANK BALANCES

| | 2020 RO'000 | 2020 US\$'000 | 2019 RO'000 | 2019 US\$'000 |
|------------------------|----------------|------------------|----------------|------------------|
| Cash and Bank balances | 11,242 | 29,239 | 7,530 | 19,585 |
| Short Term Deposits | - | - | - | - |
| | <u>11,242</u> | <u>29,239</u> | <u>7,530</u> | <u>19,585</u> |

12 SHARE CAPITAL

| | 2020 RO'000 | 2020 US\$'000 | 2019 RO'000 | 2019 US\$'000 |
|--|----------------|------------------|----------------|------------------|
| Issued and fully paid up share capital | 146,260 | 380,390 | 146,260 | 380,390 |

Dividend

Pursuant to shareholders' resolution dated 19 March 2019, the Board of Directors in their meetings held on 23 April 2019 and 29 October 2019 announced cash dividend of 2.15 baizas per share and 2.0 baizas per share, respectively for the year ended 31 December 2018. Accordingly dividend amounting to US\$ 8.178 million (RO 3.144 million) was paid in July 2019 and US\$ 7.608 million (RO 2.925 million) is payable as of 31 December 2019 which was paid subsequently in January 2020.

Shareholders at the Annual General Meeting ("AGM"), on 20 May 2020 authorized the Board of Directors to determine and distribute cash dividend to the shareholders of the Company which will be paid in July 2020 and January 2021 for the year ended 31 December 2019, provided that the aggregate amount of such dividend shall not exceed 4.15 baizas per share.

The board of directors was resolved on 23rd June 2020 to distribute cash dividend of Baizas 2.75 per share, out of the retained earnings as per the audited financial statements for the financial year ended 31 December 2019 to the shareholders of the Company who are registered in the Company's shareholders' register with the Muscat Clearing & Depository Company SAOC as on 21 July 2020.

13 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.

PHOENIX POWER COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS AT 30 June 2020

14 INTEREST BEARING LOANS AND BORROWINGS

| | 2020 RO'000 | 2020 US\$'000 | 2019 RO'000 | 2019 US\$'000 |
|---|----------------|------------------|----------------|------------------|
| Secured term loan from commercial banks | 86,848 | 225,872 | 91,075 | 236,867 |
| Secured term loan from Japan Bank for International Cooperation | 165,800 | 431,209 | 173,871 | 452,200 |
| Secured term loan under NEXI facilities | 43,424 | 112,936 | 45,537 | 118,433 |
| | <u>296,072</u> | <u>770,017</u> | <u>310,483</u> | <u>807,500</u> |
| Less : Deferred finance cost | (4,031) | (10,485) | (4,484) | (11,663) |
| | <u>292,041</u> | <u>759,532</u> | <u>305,999</u> | <u>795,837</u> |
| Less : Current portion of loans | (29,757) | (77,391) | (29,367) | (76,376) |
| Non-current portion of loans | <u>262,284</u> | <u>682,141</u> | <u>276,632</u> | <u>719,461</u> |

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 with stand by facility of US\$ 38 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 loan agreements contain certain restrictive covenants, which include, amongst other restrictions over debt service, pattern of shareholding, payment of dividends, asset sales/transfers, amendment to significant agreements entered by the Company and creation of additional security under charge.

15 DERIVATIVE FINANCIAL INSTRUMENTS

| | 2020 RO'000 | 2020 US\$'000 | 2019 RO'000 | 2019 US\$'000 |
|------------------------------------|----------------|------------------|----------------|------------------|
| Cumulative changes in fair value: | | | | |
| Interest rate swap agreements | 39,860 | 103,668 | 23,683 | 61,595 |
| Forward foreign exchange contracts | 10,398 | 27,043 | 8,506 | 22,123 |
| Fair value of derivatives | <u>50,258</u> | <u>130,711</u> | <u>32,189</u> | <u>83,718</u> |
| Less : Income tax effect | (7,539) | (19,607) | (4,829) | (12,558) |
| | <u>42,719</u> | <u>111,104</u> | <u>27,360</u> | <u>71,160</u> |

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

| | 2020 RO'000 | 2020 US\$'000 | 2019 RO'000 | 2019 US\$'000 |
|---------------------|----------------|------------------|----------------|------------------|
| Non-current portion | 40,614 | 105,629 | 27,001 | 70,224 |
| Current portion | 9,644 | 25,082 | 5,188 | 13,494 |
| | <u>50,258</u> | <u>130,711</u> | <u>32,189</u> | <u>83,718</u> |

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NOTES TO THE FINANCIAL STATEMENTS AT 30 June 2020

16 ACCOUNTS PAYABLE AND ACCRUALS

| | 2020 RO'000 | 2020 US\$'000 | 2019 RO'000 | 2019 US\$'000 |
|---|----------------|------------------|----------------|------------------|
| Trade accounts payable | 73,890 | 192,172 | 46,664 | 121,362 |
| Amounts due to related parties (note 16) | 1,656 | 4,307 | 2,700 | 7,023 |
| Accrued expenses | 10,632 | 27,657 | 6,197 | 16,118 |
| | <u>86,178</u> | <u>224,136</u> | <u>55,561</u> | <u>144,503</u> |
| Less: employees' end of service benefits included in accruals | <u>(36)</u> | <u>(94)</u> | <u>(55)</u> | <u>(142)</u> |
| | <u>86,142</u> | <u>224,042</u> | <u>55,506</u> | <u>144,361</u> |

17 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

| | 2020 RO'000 | 2020 US\$'000 | 2019 RO'000 | 2019 US\$'000 |
|---|----------------|------------------|----------------|------------------|
| Phoenix Operation and Maintenance Company LLC (POMCo) | 1,656 | 4,307 | 2,700 | 7,023 |

Income statement transactions

| | 2020 RO'000 | 2020 US\$'000 | 2019 RO'000 | 2019 US\$'000 |
|--|----------------|------------------|----------------|------------------|
| Shareholders | 35 | 91 | 41 | 107 |
| Other related parties : | | | | |
| Operation and Maintenance Cost (POMCo) | 5,080 | 13,212 | 4,108 | 10,683 |

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NOTES TO THE FINANCIAL STATEMENTS AT 30 June 2020

18 COMMITMENTS

The Company has entered into agreements for purchase of natural gas with the Ministry of Oil and Gas, Usufruct rights over plant site with the Government of Sultanate of Oman, 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.

19 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2019.

20 COMPARATIVE FIGURES

Certain comparative figures have been reclassified where necessary to conform to the current period presentation.