

# PHOENIX POWER COMPANY SAOG

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## NOTES TO THE FINANCIAL STATEMENTS

AT 31 March 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

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## NOTES TO THE FINANCIAL STATEMENTS AT 31 March 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 31<sup>st</sup> March 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 31 March 2020

### 3 OPERATING REVENUE

	31 MARCH 2020 RO'000	31 MARCH 2020 US\$'000	31 MARCH 2019 RO'000	31 MARCH 2019 US\$'000
Capacity charges	7,646	19,886	7,472	19,434
Energy charges	11,656	30,315	10,633	27,653
	<u>19,302</u>	<u>50,201</u>	<u>18,105</u>	<u>47,087</u>

### 4 OPERATING COSTS

	31 MARCH 2020 RO'000	31 MARCH 2020 US\$'000	31 MARCH 2019 RO'000	31 MARCH 2019 US\$'000
Gas consumption	11,112	28,899	10,120	26,319
Depreciation (Note 8, 9)	4,032	10,487	3,990	10,377
Operation and maintenance cost	2,797	7,275	2,197	5,715
Long term services agreement	1,203	3,128	1,134	2,950
Insurance and other cost	121	314	212	552
Connection and license fee	26	68	132	343
	<u>19,291</u>	<u>50,171</u>	<u>17,785</u>	<u>46,256</u>

### 5 GENERAL AND ADMINISTRATIVE EXPENSES

	31 MARCH 2020 RO'000	31 MARCH 2020 US\$'000	31 MARCH 2019 RO'000	31 MARCH 2019 US\$'000
Staff costs and other benefits	145	376	153	399
Legal and professional charges	36	94	14	36
Other expenses	109	284	114	297
Office rent	8	21	6	15
Depreciation (note 8)	2	6	6	15
	<u>300</u>	<u>781</u>	<u>293</u>	<u>762</u>

## PHOENIX POWER COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS AT 31 March 2020

#### 6 FINANCE COSTS (NET)

	31 MARCH 2020 RO'000	31 MARCH 2020 US\$'000	31 MARCH 2019 RO'000	31 MARCH 2019 US\$'000
Interest and swap settlements	3,853	10,021	4,005	10,416
Amortisation of deferred finance cost	228	594	249	647
Asset retirement obligation - unwinding of discount	55	144	66	174
Interest expense for lease liability	103	267	22	56
DSRA LC Commission & WC fee	20	52	20	51
Exchange (Gain) / loss	128	332	10	26
Interest Income	-	(1)	(11)	(28)
	<u>4,387</u>	<u>11,409</u>	<u>4,361</u>	<u>11,342</u>

#### 7 INCOME TAX

Income tax represents deferred tax expense for the period.

## PHOENIX POWER COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS

AT 31 March 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
<b>Cost</b>						
At 1 January 2020	83,876	518,087	10,809	3,249	246	616,267
Additions during the period	-	-	-	-	-	-
At 31 March 2020	<u>83,876</u>	<u>518,087</u>	<u>10,809</u>	<u>3,249</u>	<u>246</u>	<u>616,267</u>
<b>Accumulated depreciation</b>						
At 1 January 2019	10,606	65,502	3,647	536	211	80,502
Charge during the period	524	3,238	180	23	7	3,972
At 31 March 2019	<u>11,130</u>	<u>68,740</u>	<u>3,827</u>	<u>559</u>	<u>218</u>	<u>84,474</u>
<b>Net book value</b>						
At 31 March 2020	<u>72,746</u>	<u>449,347</u>	<u>6,982</u>	<u>2,690</u>	<u>28</u>	<u>531,793</u>
At 31 December 2019	<u>73,270</u>	<u>452,585</u>	<u>7,162</u>	<u>2,713</u>	<u>35</u>	<u>535,765</u>

## PHOENIX POWER COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS AT 31 March 2020

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

	<b>Plant building US\$'000</b>	<b>Plant and equipment US\$'000</b>	<b>Strategic spares US\$'000</b>	<b>Asset retirement US\$'000</b>	<b>Other assets US\$'000</b>	<b>Total US\$'000</b>
<b>Cost</b>						
At 1 January 2020	218,142	1,347,432	28,113	8,450	637	1,602,774
Additions during the period	-	-	-	-	-	-
At 31 March 2020	<u>218,142</u>	<u>1,347,432</u>	<u>28,113</u>	<u>8,450</u>	<u>637</u>	<u>1,602,774</u>
<b>Accumulated depreciation</b>						
At 1 January 2020	27,581	170,361	9,479	1,396	547	209,364
Charge during the period	1,364	8,421	469	59	17	10,330
At 31 March 2020	<u>28,945</u>	<u>178,782</u>	<u>9,948</u>	<u>1,455</u>	<u>564</u>	<u>219,694</u>
<b>Net book value</b>						
At 31 March 2020	<u><b>189,197</b></u>	<u><b>1,168,650</b></u>	<u><b>18,165</b></u>	<u><b>6,995</b></u>	<u><b>73</b></u>	<u><b>1,383,080</b></u>
At 31 December 2019	<u>190,561</u>	<u>1,177,071</u>	<u>18,634</u>	<u>7,054</u>	<u>90</u>	<u>1,393,410</u>

# PHOENIX POWER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2020

### 9 RIGHT TO USE ASSETS

<b>Cost</b>	<b>Land Lease RO '000</b>	<b>Connection Fee RO '000</b>	<b>Total RO '000</b>
Opening balance	1,814	6,995	8,809
Additions during the period	-	-	-
At 31 March 2020	<u>1,814</u>	<u>6,995</u>	<u>8,809</u>
<b>Accumulated depreciation</b>			
Opening balance	52	200	252
Charge during the period	13	50	63
At 31 March 2020	<u>65</u>	<u>250</u>	<u>315</u>
<b>Net book value</b>			
At 31 March 2020	<u><b>1,749</b></u>	<u><b>6,745</b></u>	<u><b>8,494</b></u>
At 31 December 2019	<u>1,762</u>	<u>6,795</u>	<u>8,557</u>

### 9 RIGHT TO USE ASSETS

<b>Cost</b>	<b>Land Lease US\$'000</b>	<b>Connection Fee US\$'000</b>	<b>Total US\$'000</b>
Opening balance	4,718	18,193	22,911
Additions during the period	-	-	-
At 31 March 2020	<u>4,718</u>	<u>18,193</u>	<u>22,911</u>
<b>Accumulated depreciation</b>			
Opening balance	135	521	656
Charge during the period	34	130	164
At 31 March 2020	<u>169</u>	<u>651</u>	<u>820</u>
<b>Net book value</b>			
At 31 March 2020	<u><b>4,549</b></u>	<u><b>17,542</b></u>	<u><b>22,091</b></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 31 MARCH 2020

### 10 TRADE AND OTHER RECEIVABLES

	2020 RO'000	2020 US\$'000	2019 RO'000	2019 US\$'000
Trade receivables	65,003	169,059	53,632	139,485
Other receivables	14	36	21	55
Prepayments	679	1,765	266	692
	<u>65,696</u>	<u>170,860</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	3,863	10,048	7,530	19,585
Short Term Deposits	1,000	2,600	-	-
	<u>4,863</u>	<u>12,648</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	<u>146,260</u>	<u>380,390</u>	<u>146,260</u>	<u>380,390</u>

#### Dividend

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

Dividend proposed to shareholders at the Annual General Meeting ("AGM") on March 2020 has been approved as per CMA (circular 4/2020) which 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% of the paid up share capital of the Company as of 31 December 2019.

### 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 31 MARCH 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	91,075	236,867	91,075	236,867
Secured term loan from Japan Bank for International Cooperation	173,871	452,200	173,871	452,200
Secured term loan under NEXI facilities	45,537	118,433	45,537	118,433
	<u>310,483</u>	<u>807,500</u>	<u>310,483</u>	<u>807,500</u>
Less : Deferred finance cost	(4,256)	(11,069)	(4,484)	(11,663)
	<u>306,227</u>	<u>796,431</u>	<u>305,999</u>	<u>795,837</u>
Less : Current portion of loans	<u>(29,367)</u>	<u>(76,376)</u>	<u>(29,367)</u>	<u>(76,376)</u>
Non-current portion of loans	<u>276,860</u>	<u>720,055</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	39,512	102,761	23,683	61,595
Forward foreign exchange contracts	11,341	29,495	8,506	22,123
Fair value of derivatives	<u>50,853</u>	<u>132,256</u>	<u>32,189</u>	<u>83,718</u>
Less : Income tax effect	(7,630)	(19,838)	(4,829)	(12,558)
	<u>43,223</u>	<u>112,418</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	42,366	110,184	27,001	70,224
Current portion	8,487	22,072	5,188	13,494
	<u>50,853</u>	<u>132,256</u>	<u>32,189</u>	<u>83,718</u>

# PHOENIX POWER COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2020

### 16 ACCOUNTS PAYABLE AND ACCRUALS

	2020 RO'000	2020 US\$'000	2019 RO'000	2019 US\$'000
Trade accounts payable	57,783	150,282	46,664	121,362
Amounts due to related parties (note 17)	859	2,233	2,700	7,023
Accrued expenses	9,582	24,921	6,197	16,118
	<u>68,224</u>	<u>177,436</u>	<u>55,561</u>	<u>144,503</u>
Less: employees' end of service benefits included in accruals	(59)	(153)	(55)	(142)
	<u>68,165</u>	<u>177,283</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)	859	2,233	2,700	7,023

#### Income statement transactions

	2020 RO'000	2020 US\$'000	2019 RO'000	2019 US\$'000
Shareholders	18	46	21	54
Other related parties :				
Operation and Maintenance Cost (POMCo)	2,797	7,275	2,197	5,715

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## NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 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.