2019 ANNUAL REPORT

ENERGISING OMAN'S FUTURE

الباطنة للطاقة

AL BATINAH POWER

His Majesty
Sultan Qaboos bin Said
May Allah have mercy upon him

His Majesty
Sultan Haitham bin Tarik

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BOARD OF DIRECTORS AND KEY EXECUTIVE OFFICERS

Board of Directors	Position	Representing
Mr. Saif Abdullah Hamood Al-Harthy	Chairperson	
Mr. Kamal Narayan Mathur	Deputy Chairperson	
Mr. Pascal Renaud	Director	Kahrabel FZE
Mr. Muhammad Fawad Akhtar	Director	
Mr. Ryuji Kikuchi	Director	Sojitz Global Investment B.V.
Mr. Shabib Abdullah Mohamed Al-Busaidi	Director	Public Authority for Social Insurance
Mr. Vincent Montanet	Director	
Mr. Mohamed Amur Mohamed Al-Mamari	Director	Civil Service Employees Pension Fund
Mr. Mohammad Ribhi Izzat AlHusseini	Director	Ministry of Defence Pension Fund
Mr. Kazuichi Ikeda	Director	SEP International Netherlands B.V.
Mr. Yasser Ramadan Mahamad Kheir	Director	

Key Executive Officers	Position
Eng. Mohammed Ali Salim Ali Al Rawahi	Chief Executive Officer
Mr. Yusuke Koseki	Chief Financial Officer

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of Al Batinah Power Company SAOG (the "Company"), I have the pleasure to present the Directors' Report of the Company for the year ended 31 December 2019.

Operational Highlights

The plant achieved an excellent milestone as it crossed 3,100 lost time accident free days (901,611 man hours) at site since inception, maintaining its excellent record of zero lost time accidents and zero environmental incidents, which reflects our continued focus on health, safety, security and environment. The plant's operation was excellent during the year achieving a reliability of 99.88% which is one of the best reliability records in the plant history. The plant delivered 1,389 GWh to the grid, corresponding to a load factor of 21.53% compared to 74.02% for the year of 2018.

Financial Results

	2019 RO'000s Audited	2018 RO'000s Audited	Percentage change
Revenues	**49,206**	75,138	-34.5%
Direct costs	**(27,728)**	(53,957)	
Gross profit	**21,478**	21,181	1.4%
Other income	**52**	115	
General and administrative expenses	**(800)**	(778)	
Profit before interest and tax	**20,730**	20,518	1.0%
Finance costs (net)	**(9,320)**	(9,871)	
Profit before tax	**11,410**	10,647	7.2%
Tax	**(1,665)**	(1,575)	
Net profit for the period	**9,745**	9,072	7.4%

Lower revenue as compared to the previous year is attributed mainly to lower plant load factor. Low load factor led to less fuel gas consumption and less energy variable fees which are the reasons for the decrease in the direct costs as compared to the last year.

Higher gross profit as compared to the previous year was attributed mainly to the better plant reliability, favorable indexation, the higher thermal efficiency and adoption of the IFRS16 (Leases) partly offset by the higher plant auxiliaries' electricity consumption when the plant load is zero and the higher EUR exchange rate applied for the O&M expenses to the operator.

The steady reduction in finance costs due to the scheduled debt repayments contributed positively to the better profit before tax. Consequently, the net profit is 7.4% higher than the previous year.

Subsequent to the Executive Regulations issued in February 2019, the Oman Power & Water Procurement Company SAOC ("OPWP") has compensated the Company for a withholding tax ("WHT") on interests. Furthermore, WHT on interest and dividends was fortunately suspended with effect from May 2019 for 3 years.

The Company distributed a cash dividend of 2.80% (Baizas 2.80 per share) in June 2019 and 4.20% (Baizas 4.20 per share) in December 2019.

The share price was 58 Baizas at the end of December 2019.

Corporate Social Responsibility

Driven by the Company's CSR Policy to support the local community in education and environment, The Company has entered into sponsorship agreement with three other power companies to install a 48 KWp photovoltaic ("PV") system in Hafidh bin Saif School in Liwa. Enhancing the awareness of the clean and renewable energy amongst the students and society, the project has been completed and the PV is expected to produce around 77 MWh/year. The total project cost is around 60,000 OMR which is sponsored by four power companies equally.

Furthermore, the Company with another sector company sponsored an aerospace ship shaped cinema of 12,500 OMR (6,250 OMR each), which plays scientific movies using the virtual reality technology. Targeted about 200,000 visitors the cinema offered its services in the Oman Scientific exhibition (4-8 November 2019) and then was transferred to General Directorate of Education for North Al Batinah Governorate where it will serve the local community schools and colleagues for a period of 10 years.

Finally, enhancing students' engagements and interactions with scientific subjects, the Company donated the supply of interactive displays & interactive white boards to Abu Almundher School in Sohar with a cost of 3,750 OMR.

Medium term Outlook

The plant dispatch was impacted by the introduction of the new IPP projects in Sohar and Ibri and the low growth of power demand in MIS compared to what was forecasted by OPWP. As a result, the plant is expected to continue receiving low dispatch in winter period and partial dispatch in summer period. It is worth to mention that the scenario will have no impact on the financial performance of the Company since its net profit is mainly derived from the plant availability.

There is no planned major inspection during the winter period (October 2019 – March 2020). Minor inspections for gas turbines no. 11&12 are planned in March 2020.Lessons learnt from the previous inspections are being considered and management will endeavor to achieve smooth and timely completion of this inspection.

In order to avoid the cash sweep that applies to the last two instalments of the commercial loan tranche that is scheduled from April 2023 as agreed in the Finance Documents, the Company has assessed the financial market conditions and decided to wait for a better market opportunity.

Authority of Electricity Regulation ("AER") plan to introduce the electricity spot market in 2021 is progressing. The Company's generation license had been modified to reflect the introduction of the electricity spot market. The Company continued to participate in the working group committee meetings and preparing the implementation plan as per the guidance from AER. OPWP plans to introduce a training trail period by mid of 2020 and to go live with new trading system by end of 2020. The Company's Power Purchase Agreement ("PPA") with OPWP expires in 2028 and accordingly the spot market will have no impact on the revenue stream of our Company until the expiry of the PPA. The Company is protected by the PPA for any cost it may incur as a result of the spot market.

All reasonable measures are taken by the management to maintain the plant excellent records in health, safety, security and environment as well as the plant high availability levels in 2020.

Finally, on behalf of the Board of Directors, I would like to express our deep sorrow for the demise of His Majesty Sultan Qaboos bin Said, may Allah rest his soul in peace and to wish His Majesty Sultan Haitham bin Tarik bin Taimur, the utmost success for the future, as he prepares to take the Sultanate forward. The Company will continue to effectively participate in the growth of the Sultanate's economy and to dedicate our efforts to the building of a strong nation.

Saif Al Harthy
Chairperson of the Board

PROFILE OF MAJOR SHAREHOLDERS

Kahrabel FZE

Kahrabel FZE ("Kahrabel") is part of the ENGIE Group and fully owned by International Power SA (Belgium based company). Kahrabel was established in 2005 to give its contribution to ENGIE business in Middle East, South & Central Asia and Turkey (MESCAT). ENGIE Group is a global energy player operating in the three businesses of electricity, natural gas and energy services, with a Turnover of 60.6 billion Euro and EBITDA of 10 billion Euro (2018 consolidated financial results). The Group develops its businesses around a model based on responsible growth to take on the major challenges of energy's transition to a low-carbon economy: access to sustainable energy, climate-change mitigation and adaptation, security of supply and the rational use of resources. ENGIE is born out of the merger between SUEZ and Gaz de France, and has a story of more than 150 years as both entities were founded in the 19th Century. ENGIE is a key player in Europe and GCC as well as operates in close to 70 countries on the 5 continents.

Kahrabel business:

Kahrabel was established to be a direct shareholder in many of the existing holding and project companies operating out of the Middle East, South & Central Asia and Turkey (MESCAT) region as well as a vehicle to develop the ENGIE activities within the region and covers all the scope of businesses of the Group:

- Low CO_2 power generation, including: combined cycle and cogeneration plants using natural gas, onshore and offshore Wind power plant, Solar farms (Photovoltaic), Concentrating Solar Power systems (to provide steam continuously even after sunset), Grid scale storage, Dispatchable renewables.
- Global Networks such as Gas transmission, Gas Storage, Gas distribution, LNG (liquefaction and regassification, small scale LNG), Trading Gas, Biogas, Hydrogen uses, Power Transmission & Distribution (T&D)

In particular, it operates in the following activities: Ownership, Management, Services, Operation, Maintenance and Contracting Activities in Relation to Power, Water, Oil, Gas and other Industrial Ventures.

Position:

Kahrabel is based in the Dubai Airport Free Zone Authority ("DAFZA"), in the Emirate of Dubai, UAE and contributes to the ENGIE business in MESCAT.

The ENGIE Business Unit MESCAT produces ca. 32 GW of gas-fired power and has close to 1 GW of solar power in operation & under construction or development (mainly in India). In the Gulf region, it is also a leading producer of desalinated water with a capacity of ca. 5.5 million m3/day.

In Turkey, ENGIE also has 370,000 customers in gas distribution via IZGAZ, provides 145,000 m^3 floating gas storage & regasification capacity and is active in energy retail, trading & origination.

Ownership:

Kahrabel entity is fully owned (100%) by International Power SA Belgium, company organized, existing and registered under the laws of the Kingdom of Belgium under commercial register number 0403.203.264 and having its registered office at Boulevard Simon Bolivar 34, 1000 Brussels, Belgium.

Middle East Investment LLC

Middle East Investment LLC is a subsidiary of Suhail Bahwan Group, which is one of the foremost & most reputed business house in the Sultanate of Oman.

Middle East Investment LLC is mainly engaged in investment & trading in quoted & un-quoted equity and debt securities.

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

Sojitz Global Investment B.V. (SGI)

Sojitz Global Investment B.V. (SGI) is a wholly owned subsidiary of Sojitz, which is an investment and trading corporation based in Tokyo, Japan, and listed on the Tokyo Stock Exchange.

Sojitz employs more than 19,000 people worldwide (as of September 2019) and achieved revenues of JPY 1.9 trillion in the fiscal year ended in March 2019 (IFRS basis).

Sojitz was established through the merger of Nichimen Corporation (established in 1892) and Nissho Iwai Corporation (established in 1896) in 2004. Sojitz conducts its operations in around 50 countries through over 400 consolidated subsidiaries and affiliated companies in Japan and overseas. Sojitz's business activities are wide-ranging, covering machinery, energy and metal, chemicals and consumer lifestyle. Sojitz's strength lies not only in developing financial schemes, but also in conducting accurate analysis of markets through its overseas networks and determining the commercial viability of businesses using accumulated expertise in various fields. Sojitz has used these skills to pursue opportunities in IPP businesses as a developer, investor, finance arranger and/or project coordinator. Sojitz has been involved in IPP projects worldwide including Oman, Saudi Arabia, USA, Indonesia, Vietnam, Mexico, Sri Lanka and Japan.

Specifically in the Gulf region, Sojitz has long been actively involved in power and water business including EPC projects such as Ghubrah Phase 1, 2, 3/4 and 5 and IPP projects such as PP11 IPP (1,729 MW) in Saudi Arabia and Barka-3 (744 MW, CCGT) / Sohar-2 (744MW, CCGT) in Oman.

Further information about Sojitz is available at: http://www.sojitz.com/en/

SEP International Netherlands B.V. (SEPI)

SEPI is a wholly owned subsidiary of Shikoku Electric Power Co., Inc. (Yonden) for investing to and managing IPP/IWPP projects outside Japan, which holds shares in Barka-3 IPP (744MW, GTCC) & Sohar-2 IPP (744MW, GTCC) in Oman, Ras Laffan C IWPP (2,730MW, GTCC & 63MIGD) in Qatar, Huatacondo IPP (98MW, Photovoltaic) in Chile, Yunlin IPP (640MW, Offshore Wind) in Taiwan and Ahlone IPP (121MW, GTCC) in Myanmar.

Huatacondo IPP, 98MW Photovoltaic power project in Chile, achieved COD in 2019 and sells electricity in electricity market.

In 2019, Yonden committed new investments of Yunlin IPP (640MW Offshore wind project in Taiwan) which is now being constructed, targeting COD in 2021 and Ahole IPP (121MW GTCC project in Myanmar) which is now under operation from 2013.

Yonden, listed on the Tokyo Stock Exchange, is an electric power utility and carries out the integrated process of generating, transmitting, distributing, and selling electricity to approx. 4 million people in Shikoku region, Japan. Yonden employs approx. 4,500 people and has achieved consolidated operating revenues of USD 6.6 billion from the electricity sales of 27.9 billion kWh in the fiscal year ended March 31, 2019. Since its establishment in 1951, Yonden has contributed to regional development through the stable supply of low-cost, high-quality electricity by establishing a balanced energy mix that combines nuclear, coal, oil, gas, hydro, and solar power, totaling approx. 5,434MW (net and gross) in generating capacity at 63 power stations.

Especially in the thermal power field, over 400 engineers engage in engineering, construction, operation and maintenance of thermal power plants whose generating capacity is approximately 3,391MW with their comprehensive experiences, skills and know-how obtained for more than 60 years. Yonden owns two GTCC units (296MW and 289MW at its Sakaide Power Station).

Further information about Yonden is available at: http://www.yonden.co.jp/english/index.html

Public Authority for Social Insurance (PASI)

PASI is a public authority established in Oman enjoying administrative and financial independence pursuant to Royal Decree 72/91 issued on 2nd July 1991. PASI manages a defined benefit pension scheme for Omani nationals employed in the private sector inside Oman and in The GCC in additional to Omani Nationals working abroad and self-employed and alike.

PASI invests actively in the local and international capital markets. Locally, PASI has been a pioneer in participating in power, utility companies and major real estate projects. Internationally, PASI's investments cover both traditional (such as bonds and equities) and alternative assets (such as private equity, infrastructure & real estate).

Further information about PASI is available at: www.pasi.gov.om

Civil Service Employees Pension Fund (CSEPF)

The Civil Service Employees Pension Fund (CSEPF) was established simultaneously with the introduction of the Law of Pensions and End of Service Benefits for Omani Nationals employed in the Government sector in the beginning of 1986.

The Fund is an independent government unit which has a juristic personality, an administrative and financial independence.

Further information about CSEPF is available at: www.civilpension.gov.om

Ministry of Defence Pension Fund (MODPF)

The Ministry of Defence Pension Fund is a public legal entity in the Sultanate of Oman duly organized under, and registered pursuant to, Sultani Decree 87/93 issued on 29th December 1993. The Ministry of Defence Pension Fund is one of the largest pension funds in Oman and is a major investor in the local capital markets, both in equities and bonds. It is also a major participant in project investments and Real Estate investments. The Fund is represented on the boards of several prominent Corporates in Oman.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Al Batinah Power Company SAOG (the "Company") considers corporate citizenship as a key element of the business success. Guided by its CSR policy and focusing on education, sports, health, safety and environment as key engagements areas, the Company has spent 25,000 OMR in three projects in 2019 as summarized in the table below:

	Project Description	Amount (RO)
1	48 KWp Solar PV project at Hafidh bin Saif School in Liwa	15,000
2	Aerospace ship shaped cinema	6,250
3	Supply of interactive displays & interactive white boards to Abu Al mundhir Al Ruhaili School in Sohar	3,750
	Total	**25,000**

With the aim to achieve below main objectives:

1. Providing green, renewable and free of charge electricity to the school
2. Enhancing the awareness of the clean and renewable energy amongst the students and society
3. Promoting in country value and supporting Omani SME in the field of the renewable energy

The Company has entered into sponsorship agreement with three other power companies to install a 48 KWp solar PV system in Hafidh bin Saif School in Liwa. The project has been completed and it has a capacity of 48 KWp and expected to produce around 77 MWh/year. The total project cost is around 60,000 OMR which is sponsored by four power companies.

The Company with another sector company sponsored an aerospace ship shaped cinema of 12,500 OMR (6,250 OMR each), which plays scientific movies using the virtual reality technology. Targeted about 200,000 visitors the cinema offered its services in the Oman Scientific exhibition which was held in the period between 4th and 8th November 2019. The cinema then transferred to the General Directorate of Education for North Al Batinah Governorate where it serves the local community schools and colleagues for a period of 10 years.

Finally, enhancing students' engagements and interactions with scientific subjects, the company denoted the supply of interactive displays & interactive white boards to Abu Al Mundhir Al Ruhaili School in Sohar with a cost of 3,750 OMR.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management of Al Batinah Power Company SAOG (the "Company") is pleased to present its report on the Company's business structure, opportunities and threats, operational and financial performance, risks and concerns, outlook and other matters of importance to the shareholders.

Industry structure and development

In 2004, the 'Sector Law' came into force which provides the framework for the industry structure of electricity and related water in Oman. It led to the establishment of an independent regulatory authority, the Authority for Electricity Regulation (AER), a single procurement company, Oman Power and Water Procurement Company SAOC (OPWP) and a holding company, Electricity Holding Company SAOC (EHC).

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 identifies new projects to be developed by private sector entities, in order to meet the future power generation and water desalination requirements of Oman.

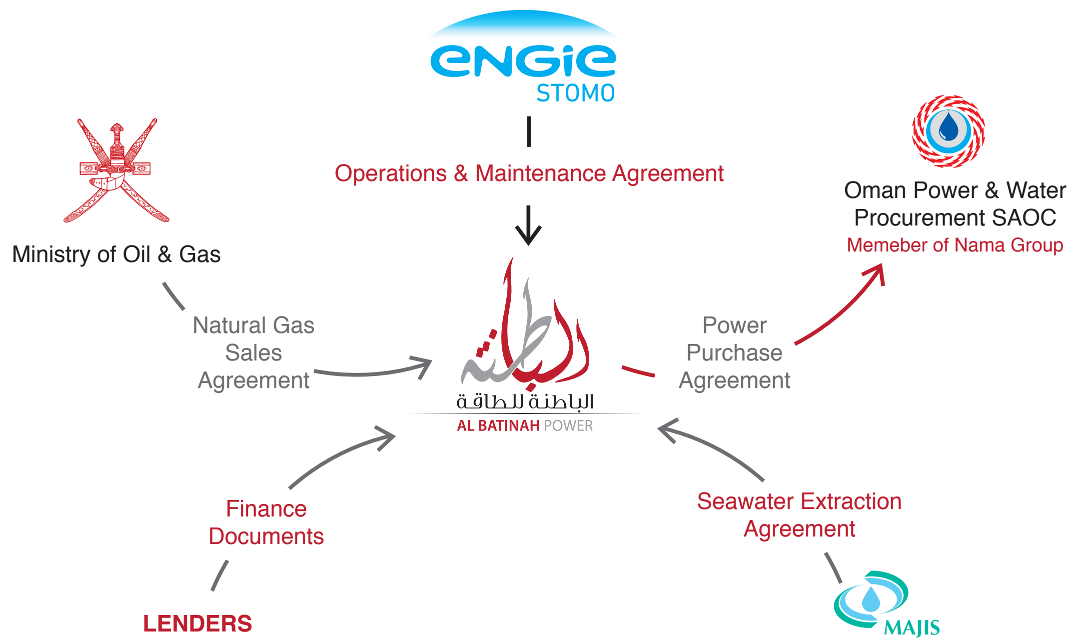
Oman's electricity sector is partly government-owned and partly privatized. OPWP's portfolio of contracted power and water capacity comprises of long-term contracts with power and/or desalination plants in operation.

The Authority of Electricity regulation (AER) has modified the Company's Generation License to reflect the introduction of the Electricity spot market from the month of December 2020. The Company is closely following OPWP's "spot market" arrangements for the future procurement of power from independent power producers. Although the Company has a Power Purchase Agreement (PPA) with OPWP which expires in April 2028, the proposed spot market rules will require the Company to participate, on a daily basis, in the 'spot market' process albeit with no risk to its revenue arrangements agreed within the existing PPA. With the proposed arrangement, OPWP aims to enhance dispatch efficiency by increasing transparency, achieving fuel efficiency, efficient asset utilization and clarity in respect of post PPA term revenue opportunities for generators, thereby enhancing transparency of the treatment of expiring PPAs. OPWP would continue to retain its role as the single buyer of all wholesale electricity in the country.

Opportunities and Threats

The Company has a well-established contractual framework ensuring stable and predictable cash flows.

Contractual Framework



The Power Purchase Agreement (PPA) with OPWP is resilient to potential shocks in gas prices and power demand until 2028. OPWP is the sole purchaser of all electricity output from the power plant (the "Plant") and the Company is fully dependent on timely payments by OPWP.

The Natural Gas Sales Agreement (NGSA) executed with the Ministry of Oil and Gas (MOG) secures the availability of fuel (natural gas) back to back with the PPA term. In January 2015, the gas price was revised with annual escalation of minimum 3% as per the NGSA. However, as the gas cost is a pass-through element under the PPA, the Company has no impact from the increase in the gas price.

The Seawater Extraction Agreement executed with Majis Industrial Services SAOC (Majis) secures the availability of chlorinated seawater, which the Company uses mainly for cooling purpose for different equipment of the Plant.

The Company has entered into financing agreements with a consortium of international banks and export credit agencies. The interest rates volatility is adequately hedged through entering into interest rate swap agreements thus improving the predictability of cash flows available to shareholders.

The technological risk is considered low as the Plant uses proven technology from renowned international suppliers (mainly Siemens).

Suez-Tractebel Operation and Maintenance Oman LLC (ENGIE STOMO) is contracted to operate and maintain the Plant for the term of the PPA. STOMO is an experienced and skilled operator with largest O&M expertise in Oman. The operations and maintenance standards of the Plant are based on international best practices, in accordance with ENGIE's policies and principles which in turn are derived from its experience in operating numerous power generation plants worldwide.

Finally, the Company continues to benefit from the extensive experience of its main shareholders in ownership and operation of power projects in the country and worldwide.

Discussion on operational performance

Health and Safety

Health and safety performance is given utmost importance within the Company and also encompasses STOMO, various contractors and sub-contractors, in order to achieve the goal set by the top management: zero harm and zero environmental incidents.

The overall health, safety, security and environmental (HSSE) performance in 2019 was excellent with no lost time accident (LTA) reported. The Company takes pride to inform that the Plant has completed 3,100 days without LTA (901,611 man hours) by the end of 2019.

The Plant holds major certifications like ISO 14001 and ISO 45001 as a testimony for safe and high quality Plant operations.. Many other proactive actions undertaken by the Company and STOMO have led to such excellent accomplishment of HSSE objectives:

- Management reviews and safety walks
- Proactive key performance indicators (KPI)
- Behavioral based program called "fresh eyes"
- Implementation of INTELEX – a safety reporting management system
- Behavioral Attitude Recommendation Standards (BARS) is a corporate initiative introduced by Engie as part of wider loss control and risk management approach.
- All the O&M managers and HSE staff are NEBOSH certified

Every incident or near miss is taken very seriously, analyzed and actions are proactively implemented and shared internally and with board members so as to benefit from their experience and network to ensure best practice.

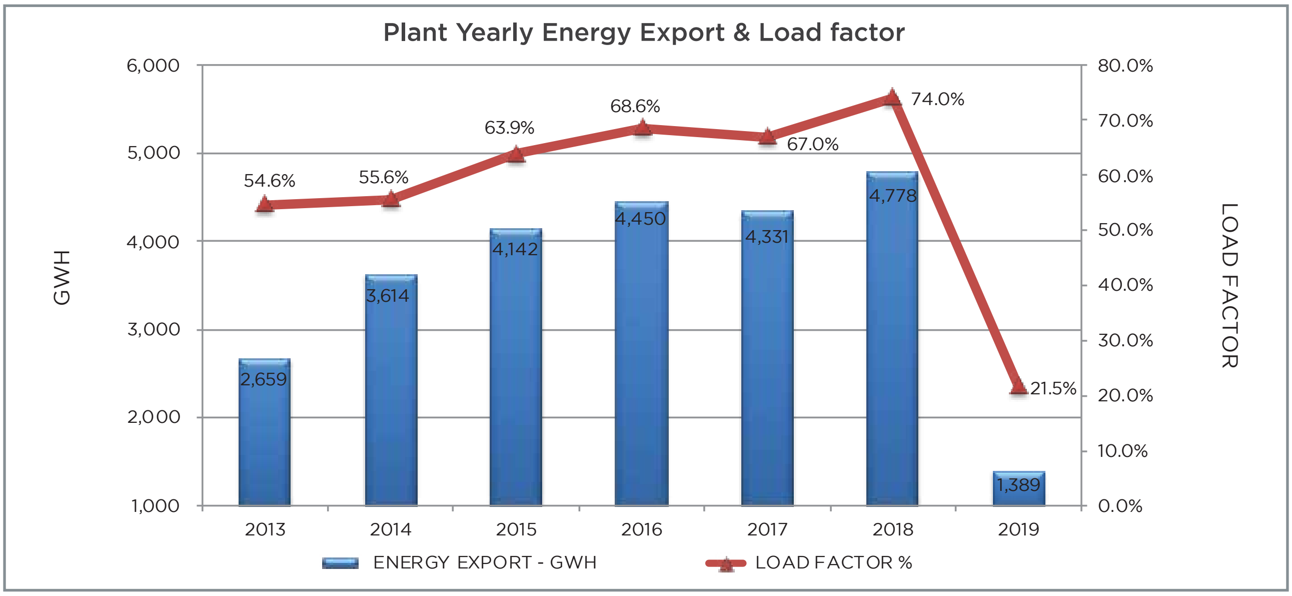
Human Resources – training and career development

Training values at the plant are established by STOMO. These are primarily aimed to ensure that all of their employees perform their tasks in the most efficient and safe manner. The Company and STOMO are committed to empower qualified Omani Nationals to acquire better-quality engineering and related skills and take up higher responsibilities in operating and maintaining the Plant. To this end, since inception, the strategy of the Company and STOMO has been to train and develop qualified Omani staff to take up additional responsibilities in the due course. Annual performance review of each employee includes assessment of their career growth. STOMO has been successful in identifying candidates, especially young Omani graduates, with high potentials to take them through a higher level of specialized training and peer guidance to scale the echelons of senior management, reaching the highest position in a power company.

The Company too has established processes and has implemented its human resource policy that maps career graph for young Omani Nationals to achieve their potentials and grow professionally and take up senior positions.

Net energy export and load factor

Impacted by the introduction of new IPP's in Sohar and Ibri and the low growth of power demand in MIS compared to the forecast, the net energy export and load factor during 2019 was the lowest in plant history.



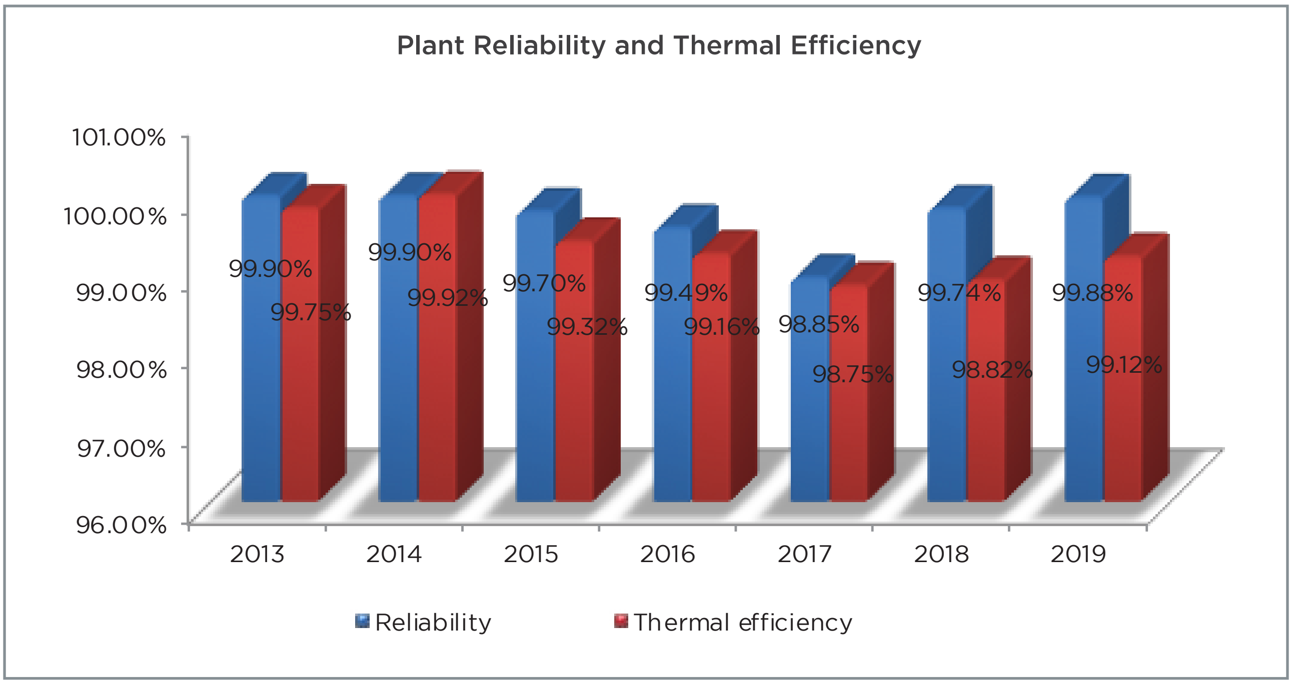
Capacity

The capacity of a plant is defined as the total electrical power (MW), which can be delivered by the plant at reference site conditions. As defined in the PPA, the guaranteed contracted capacity slightly and gradually decreases over the first 5 years of the project and then reaches a plateau at 736.53 MW from Contract Year 6 until the end of the PPA. This guaranteed contracted capacity has been successfully demonstrated by performance test in April 2019.

Reliability and Thermal Efficiency

The reliability of a plant is its ability to deliver the declared capacity, as per the PPA. The Plant's operational reliability over the last seven years has been excellent by industry standards and materially contributes to the Company's financial performance. The plant has achieved a reliability of 99.88% in 2019 which is one of the best reliability records in the plant history.

The efficiency of a power plant is measured in terms of the amount of heat required to produce one unit of electrical energy. In 2019, the overall plant efficiency as compared to the plant actual gas consumption was slightly negative. The plant continues to discover new opportunities to improve the plant efficiency which can shrink the negative fuel margin of the plant.



Maintenance

Maintenance of the Plant was undertaken in accordance with the standard operations and maintenance processes recommended by the Original Equipment Manufacturer (OEM), Siemens, and also condition based monitoring. During 2019, the medium inspection of steam turbine and steam turbine generator was carried out by the OEM (Siemens). With very low dispatch of the plant since May 2019, minor inspections of both of the gas turbines are shifted to 2020 due to low accumulated operating hours on the gas turbines.

Warranty

Warranty claims have been reduced drastically and only a few remain open to be rectified, awaiting gas turbine major inspections. The Warranty bond value was reduced to be commensurate with the open warranty claims and the Warranty bond was extended by the EPC Contractor until 31st December 2021. The supplemental agreement and thus the supplemental warranty bond on cooling water pumps naturally expired in April 2019 as no findings were observed during the pump overhaul prior to the expiry of the additional warranty.

Discussion on financial performance

Figures in RO millions		2019	2018	% change
Revenues	1	**49.21**	75.14	-34.5%
Net Profit	2	**9.74**	9.07	7.4%
Net Profit before Finance costs	3	**19.06**	18.94	0.6%
Total Assets	4	**260.78**	265.57	-1.8%
Capital (Paid-up)	5	**67.49**	67.49	0.0%
Total Equity	6	**88.94**	83.92	6.0%
Term Loans*	7	**142.52**	157.41	-9.5%
Weighted average number of shares	8	**674.89**	674.89	0.0%
Actual number of shares outstanding	9	**674.89**	674.89	0.0%
Ordinary Dividends	10	**4.72**	5.72	-17.5%

Key Financial Indicators		2019	2018	% change
Net Profit Margin	2/1	**19.8%**	12.1%	n/a
Return on Capital (Paid-up)	2/5	**14.4%**	13.4%	n/a
Return on Capital Employed	3/(6+7)	**8.2%**	7.8%	n/a
Debt Equity ratio	7:6	**61.6 : 38.4**	65.2 : 34.8	n/a
Net assets per share (Baizas)	6/8	**131.79**	124.35	6.0%
Basic earnings per share (Baizas)	2/8	**14.43**	13.44	7.4%
Dividends per share (Baizas)	10/9	**7.00**	8.48	-17.5%

** Excluding unamortised transaction cost*

Analysis of Profit & Loss

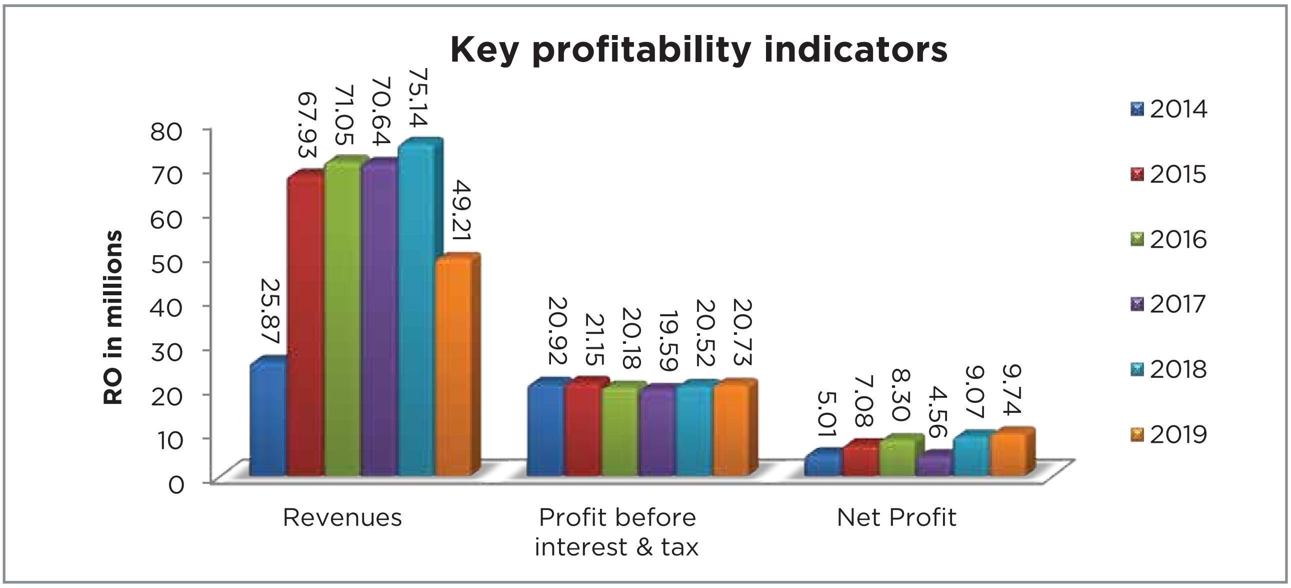
Lower revenue as compared to the previous year was attributed mainly to lower plant load factor. The variability of the plant load factor influences the fuel and energy charge received from OPWP. However, these charges are passed through to the MOG and STOMO, hence no material impact on the Company's profitability.

Higher gross profit as compared to the previous year was attributed mainly to the better availability, favorable indexation, the higher thermal efficiency and the adoption of the IFRS16 (Leases) partly offset by the higher plant auxiliaries' electricity consumption when the plant load is zero and the higher EUR exchange rate applied for the O&M expenses to STOMO.

Furthermore, the steady reduction in the finance costs because of the scheduled debt repayments positively contributed to the better profit before tax. Consequently, the Net Profit for the year 2019 is increased by 7.4% compared to last year.

As a result, the basic earnings per share increased to 14.44 Baizas for the year 2019 compared to 13.44 Baizas in year 2018.

The Company revenue and profit in the last five years are graphically displayed below:



** Major reason of the increase in revenue from 2014 to 2015 is that the gas unit price escalated double effective 1 January 2015 as per the NGSA. As the gas price is a pass through element in the PPA, the Company's revenues have correspondingly increased on a back to back basis.*

Analysis of Balance Sheet

Total Assets of the Company stood at RO 260.78 million as on 31 December 2019 as compared to RO 265.57 million last year mainly due to depreciation charge for the year.

Trade Receivables are mostly from OPWP and that is expected to be settled in the due course as provided in the PPA.

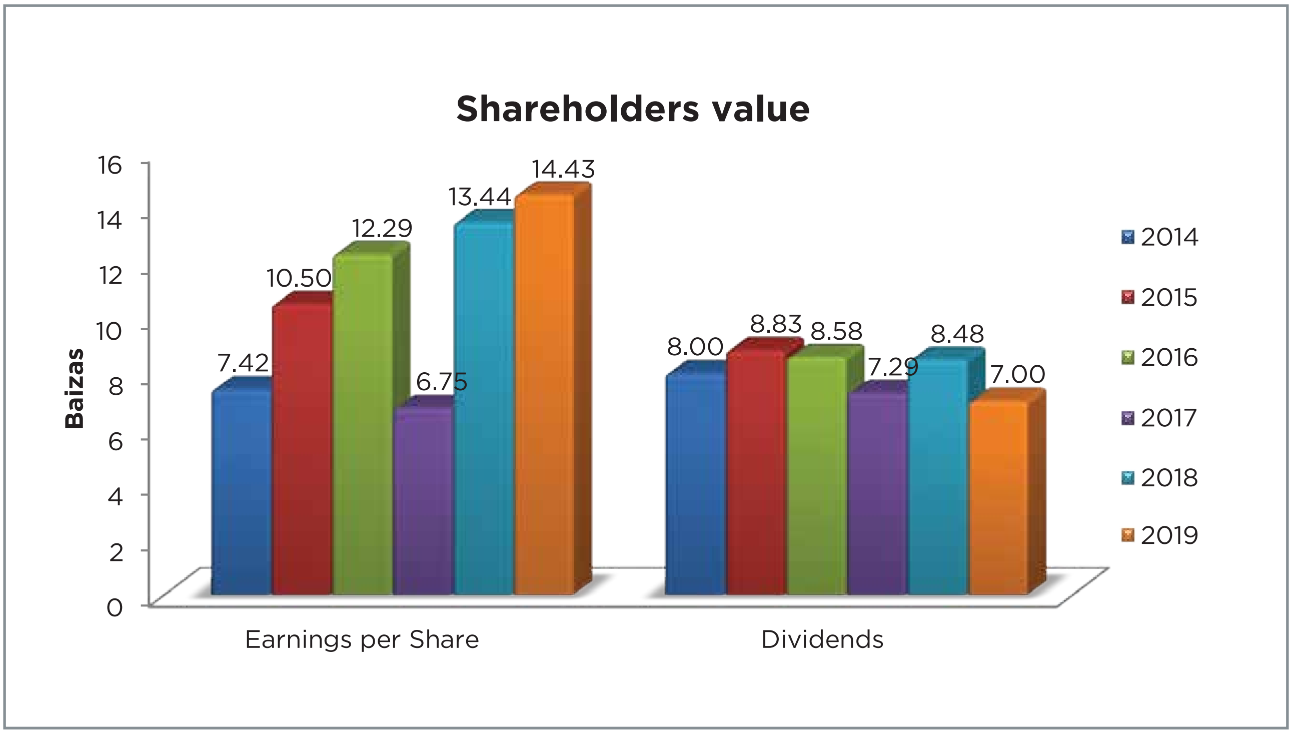
Cash and cash equivalents and short term deposit net of short term borrowing stood at RO -1.78 million as at 31 December 2019, as compared to RO 1.63 million last year.

The Shareholders Funds (Net Assets) slightly increased to RO 88.94 million as of 31 December 2019 mainly due to higher net profit earned during year 2019 as reduced by the dividends distributed to the shareholders during the year.

Term Loans (including non-current and current balances) have reduced to RO 138.48 million as a result of scheduled loan repayments in accordance with the terms agreed within the Finance Documents.

Dividend Distribution

The Company's dividend policy of distributing available cash is conditional upon fulfilling of covenants agreed within the Finance Documents which include making adequate provisions for forecasted loan repayments and operating expenses. Consistent with the Company's policy and in accordance with Capital Market Authority regulations, the Company declared and distributed dividend of RO 4.72million (translating to 7.00 Baizas per share) in year 2019 (paid out of the audited retained earnings for the year ended 31 December 2018). The dividend payout for year 2019 was 17% lower than year 2018.



Risks and Concerns

Loss of Availability due to Mechanical Breakdown

The principal risk to the Company is the Plant being unavailable due to mechanical breakdown. In order to mitigate this risk, the Company ensures and monitors that STOMO operates and maintains the Plant in line with the Company's directives, best industry practices maintenance schedules prescribed by the OEMs.

Loss of Availability due to Accidental Damage

In accordance with industry best practices, the Company ensures that adequate insurance policies are in place to protect the business against property damage and loss of income arising from accidental damage.

OPWP Payments

OPWP has settled except for the fuel gas component of the invoices for May to November 2019. However, the Company has accordingly not settled the corresponding fuel gas payments to MOG since the fuel gas cost is back-to-back with the PPA term and the Company is liable to pay to MOG only on receiving the corresponding fuel gas component from OPWP. Therefore, there is no material impact on the Company's profitability and the cash flow.

Outlook

The Company continues to consistently perform its obligation under the PPA in order to ensure the compensation by OPWP.

Recognizing that the long-term sustainability of the Company's financial results depends upon its efficient operational base, the management will continue to focus on ensuring high levels of the Plant availability whilst closely controlling overhead costs.

Furthermore, the Company is evaluating the financial market conditions for any opportunities to avoid the cash sweep that applies to the last two installments of the commercial loan tranche that is scheduled from April 2023 as agreed in the Finance Documents.

Internal control systems and their adequacy

The management is fully aware of the importance of a strong internal control system. Since conversion of the Company's status to SAOG in 2014, the Company has appointed a full time in-house internal auditor. Furthermore, taking into account her skills and experiences, she was appointed as the head of the Internal Audit Unit of the Company in the year 2019. In addition, adequate training opportunities have been provided to the internal auditor in the year 2019 to build upon her professional skills.

Pursuant to Article 27 of the CMA resolution no. 10/2018, Deloitte & Touche (M.E) & Co LLC (Deloitte), was engaged to perform external quality assessment of the Company's Internal Audit Unit. Deloitte concluded that Internal Audit Unit generally conforms with the Institute of Internal Auditor's (IIA's) Standards for the Professional Practice of Internal Auditing and the IIA Code of Ethics and Article 27 of the CMA resolution no. 10/2018.

The management continues to evaluate all business processes along with related policies and procedures and also implements the recommendations of the internal auditor to further augment the overall internal controls environment of the Company.

Gratitude and Conclusion

The management acknowledges and appreciates the commitment and diligence of all employees of the Company while assuring them of their career advancement and continued welfare.

CORPORATE GOVERNANCE REPORT

EY
Building a better working world

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

REPORT OF FACTUAL FINDING

TO THE SHAREHOLDERS OF AL BATINAH POWER COMPANY SAOG

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

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

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

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

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

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

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

Ernst & Young LLC

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

19 February 2020
Muscat

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Al Batinah Power Company SAOG (the "Company") hereby present their Corporate Governance Report for the year ended 31 December 2019 in accordance with the Code of Corporate Governance of Public Listed Companies (the "Code"), clarifications and notifications issued by the Capital Market Authority (the "CMA") from time to time.

Company's philosophy

The Company follows the principles of good Corporate Governance and has implemented the guidelines issued by the CMA. Effective Corporate Governance assures the shareholders that there is a well performing management in place which supports the highest standards towards transparency, accountability, continuous improvement of business processes, disclosure, displaying the highest ethical standards, observing compliance with laws, permits and regulations and business propriety with the aim of enhancing long term shareholders value and the interest of all stakeholders. Towards this, the Company has put in place effective policies, procedures and systems to ensure fair and timely release of material information about the Company to the stakeholders.

The Audit Committee and the Nomination & Remuneration Committee are fully operational in line with the provisions of the Code. The Company is being managed with due diligence and care, and in the best interest of all shareholders.

In accordance with the CMA rules and guidelines on disclosure, the Company's Statutory Auditors, Ernst and Young, have issued a separate Report on the Company's Governance Report for the year ended 31 December 2019.

Board of Directors

In compliance with the Company's Articles of Association, the Board is constituted of 11 directors. The shareholders of the Company at the Annual General Meeting (the "AGM") in March 2019 elected the existing board members for a term of 3 years. In 2019, few directors have resigned from the board as disclosed to the Market by the company in a timely manner and their replacements were nominated and appointed according to the CMA rules. The term will expire at the conclusion of the AGM to be held in March 2022.

a) Composition, category and attendance of Directors in 2019

All Directors are non-executive in accordance with the requirement of the Code.

	Name of Directors	Category of Directors ^	Attendance					
			Board Meetings					AGM
			21 Feb	24 Apr	30 Jul	23 Oct	Total	20 Mar
Incumbent as of Dec 31, 2019	Mr. Saif Abdullah Hamood Al-Harthy (Chairperson)	Independent	✓	✓	Proxy	✓	4	✓
	Mr. Kamal Narayan Mathur (Deputy Chairperson)	Independent	✓	✓	✓	✓	4	✓
	Mr. Pascal Renaud	Non-independent & Nominee Director	n/a	Proxy	✓	✓	3	X
	Mr. Vincent Montanet	Independent	n/a	✓	Proxy	Proxy	3	X
	Mr. Ryuji Kikuchi	Non-independent & Nominee Director	✓	Proxy	✓	✓	4	X
	Mr. Shabib Abdullah Mohamed Al-Busaidi	Non-independent & Nominee Director	n/a	✓	✓	✓	3	X
	Mr. Muhammad Fawad Akhtar	Non-Independent	n/a	✓	Proxy	✓	3	X
	Mr. Mohamed Amur Mohamed Al-Mamari	Non-independent & Nominee Director	✓	✓	✓	✓	4	✓
	Mr. Mohammad Ribhi Izzat Alhusseini	Independent & Nominee Director	✓	✓	✓	✓	4	✓
	Mr. Kazuichi Ikeda	Non-independent & Nominee Director	n/a	n/a	n/a	✓	1	n/a
	Mr. Yasser Ramadan Mahamad Kheir	Independent	✓	✓	✓	✓	4	✓
Term Expired or Resigned	Mr. Debasish Majumder	Independent	n/a	n/a	n/a	n/a	0	n/a
	Mr. Clifford John Sanders	Non-independent & Nominee Director	✓	n/a	n/a	n/a	1	n/a
	Mr. Guillaume Baudet	Independent	Proxy	n/a	n/a	n/a	1	n/a
	Mr. Hadi Said Humaid Al-Harthy	Non-independent & Nominee Director	✓	n/a	n/a	n/a	1	n/a
	Mr. Khalifa Mubarak Al Hinai	Independent	✓	n/a	n/a	n/a	1	n/a
	Mr. Masahiro Komatsubara	Non-independent & Nominee Director	X	Proxy	Proxy	n/a	2	X

^ The category of the incumbent directors is based on new elections held on 20 March 2019.
✓ : attend, x : absent, n/a : not in seat

b) Directors holding directorship/chairmanship in other joint stock companies in Oman as of 31 December 2019

Name of Director	Name of Companies	Position Held
Mr. Mohammad Ribhi Izzat Alhusseini	National Aluminum Products Company SAOG	Director and Audit Committee member
Mr. Yasser Ramadan Mahamad Kheir	Oman Ceramics Company SAOG	Director

The brief profile of Directors and key executive officers is included as an Annexure to the Corporate Governance Report.

Audit Committee

a) Brief description of terms of reference

The primary function of the Audit Committee is to provide independent assistance to the Board in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community and other stakeholders relating to:

(i) The integrity of the Company's financial statements and accounting and financial reporting processes,

(ii) The effectiveness of the Company's risk management and internal control systems,

(iii) The performance of the Company's internal audit function,

(iv) The qualifications and independence of the external auditors, and

(v) The Company's compliance with ethical, legal and regulatory requirements.

Consistent with this function, the Audit Committee encourages continuous improvement of, and promote adherence to the Company's policies, procedures, and practices for corporate accountability, transparency and integrity.

In fulfilling its role, it is the responsibility of the Audit Committee to maintain free and open communication with the external auditors, the internal auditor and the management of the Company and to determine that all parties are aware of their responsibilities.

b) Composition, position and attendance in 2019

The majority of Audit Committee members and Chairperson are independent directors and at least one member has finance and accounting expertise, as required by the Code.

<table>
<tr><th colspan="2" rowspan="2">Name of Committee Members</th><th rowspan="2">Position</th><th colspan="5">Attendance</th></tr>
<tr><th>20 Feb</th><th>23 Apr</th><th>29 Jul</th><th>22 Oct</th><th>Total</th></tr>
<tr><td colspan="2">Mr. Vincent Montanet</td><td>Chairperson</td><td>n/a</td><td>✓</td><td>Proxy</td><td>Proxy</td><td>3</td></tr>
<tr><td colspan="2">Mr. Kamal Narayan Mathur</td><td>Member</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>4</td></tr>
<tr><td colspan="2">Mr. Ryuji Kikuchi</td><td>Member</td><td>✓</td><td>X</td><td>✓</td><td>✓</td><td>3</td></tr>
<tr><td rowspan="2">Term Expired or Resigned</td><td>Mr. Guillaume Baudet</td><td>Chairperson</td><td>Proxy</td><td>n/a</td><td>n/a</td><td>n/a</td><td>1</td></tr>
<tr><td>Mr. Debasish Majumder</td><td>Member</td><td>n/a</td><td>n/a</td><td>n/a</td><td>n/a</td><td>0</td></tr>
</table>

✓ : attend, x : absent, n/a : not in seat

Nomination & Remuneration Committee

a) Brief description of terms of reference

The primary function of the Nomination & Remuneration Committee (the "NRC") is to:

(i) Assist the general meeting in the nomination of proficient and high caliber directors,

(ii) Prepare job descriptions of the directors including the Chairperson of the Board,

(iii) Develop succession plan for the Board or at least the Chairperson and executive management, and

(iv) Propose proper remuneration and incentives policy to attract competent executive management.

b) Composition, position and attendance in 2019

Name of Committee Members		Position	Attendance		
			20 Feb	22 Oct	Total
Mr. Yasser Mohammed Kheir		Chairperson	✓	✓	2
Mr. Muhammad Fawad Akhtar		Member	n/a	✓	1
Mr. Ryuji Kikuchi		Member	✓	✓	2
Term Expired	Mr. Clifford John Sanders	Member	✓	n/a	1

✓ : attend, x : absent, n/a : not in seat

Appraisal for the performance of the Board

As approved by the shareholders at the AGM held in 20 March 2019, the Company will conduct a performance appraisal of the newly elected Board members once during its 3years' term. The primary objective of the appraisal is to consider the composition, structure, dynamics, relationships and performance of the Board and its Committees in accordance with the appraisal criteria approved by the shareholders.

The appraisal for the performance of the current Board will be conducted in the year 2021 provided it is approved by the shareholders in the forthcoming general meeting.

Process of nomination of the directors

The election of the Board is governed by the Company's Articles of Association. The Company ensures that the elections of the Board are held in accordance with the Commercial Companies Law and rules issued by the Capital Market Authority.

In accordance with the requirement of the Code and the Articles of Association of the Company, the following shall be observed on the formation of the Board:

(i) Eleven directors to be elected by the shareholders in general meeting for a term of 3 years,

(ii) All directors shall be non-executive directors,

(iii) At least one third of the directors shall be independent,

(iv) The members of the Board are elected from amongst the shareholders or non-shareholders. A candidate, if a shareholder, for election to the Board is required to hold at least 5% of the Company's issued share capital,

(v) The juristic person shall not be represented by more than one representative on the Board,

(vi) A director shall not be allowed to combine the positions of chief executive officer and chairperson, and

(vii) No director shall be a member of the Board in more than four joint stock companies or chairperson of more than two joint stock companies.

(viii) A member of the Company's Board shall not participate in the management of another company engaged in similar business.

Remuneration

a) Sitting fees to members of Board and its sub-committees

As approved by the shareholders, the sitting fee of RO 400 for the members of the Board and RO 200 for the members of the Audit Committee and the NRC is paid. The sitting fee is payable to the Board, the Audit Committee and the NRC members who attend the meeting either in person or over video conference in line with the Code. The sitting fee is also paid in case a juristic person, in the absence of its nominated Board member, delegates another representative to attend the Board meeting.

The sitting fees for the year 2019 paid to the directors for attending the Board, the Audit Committee and the NRC meetings amounted to RO 14,800, RO 1,600 and RO 1,200, respectively.

b) Remuneration to Board members

The Board proposes to pay remuneration for the year 2019 to the Board members, equal to actual sitting fees paid during year, for their contribution in achieving excellent operational and financial results. The proposed remuneration of RO 14,800 has been accrued in the financial statements for year ended 31 December 2019, however, the remuneration shall be paid provided it is approved by the shareholders in the forthcoming general meeting.

c) Other payments to directors

There was no other payment to the directors besides their sitting fees.

d) Top 5 officers

The Company paid to its top 5 officers an aggregate amount of RO 373,247 which includes secondment fee, salaries, allowances, performance based bonuses and other benefits. The remuneration paid is commensurate with their qualification, role, responsibility and performance. The criteria of the performance based bonus are the degree of achievement of the objectives set by officers at beginning of year in line with the Company's goal and overall strategy. The employment contracts stipulate a notice period of one month.

Details of non-compliance by the Company

There were no penalties imposed on the Company by the Capital Market Authority, Muscat Securities Market ("MSM") or any other statutory authority on any matter related to capital markets during the past three years.

Means of communication with the shareholders and investors

The Company communicates with the shareholders and investors mainly through the MSM website and the Company's website (www.albatinahpower.com) in both English and Arabic. Material information is disclosed immediately, and financial information such as initial quarterly and annual un-audited financial results, un-audited interim financial statements, and annual report including audited financial statements and Management Discussion & Analysis Report are disclosed within the regulatory deadlines. The Company's executive management is also available to meet its shareholders and analysts as and when required.

Market price data

a) High/Low/Closing share price and performance comparison during each month in 2019

Month	Price (Baizas)				MSM Index (Service sector)	
	High	Low	Closing	Change from 1 January 2019	Closing	Change from 1 January 2019
January	102	95	96	-4.95%	2,142.44	-6.46%
February	97	90	93	-7.92%	2,079.39	-9.21%
March	93	87	87	-13.86%	1,979.61	-13.57%
April	90	79	80	-20.79%	2,034.26	-11.88%
May	82	77	80	-20.79%	1,975.07	-13.77%
June	82	74	76	-24.75%	1,915.80	-16.35%
July	78	69	70	-30.69%	1,838.60	-19.72%
August	70	66	69	-31.68%	1,873.58	-18.20%
September	78	70	71	-29.70%	1,950.53	-14.84%
October	75	67	70	-30.69%	1,909.84	-16.61%
November	73	70	70	-30.69%	1,954.94	-14.64%
December	71	57	58	-42.57%	1,896.58	-17.19%

During 2019, the Company has distributed cash dividend of 2.80% (Baizas 2.80 per share) in June and 5.20% (Baizas 5.20 per share) in December, to the shareholders of the Company who are registered in the Company's shareholders' register with the Muscat Clearing & Depository Company SAOC respectively as on 09 June 2019 and 01 December 2019, out of the retained earnings as per the audited financial statements for the financial year ended 31 December 2018.

b) Distribution of shareholding as of 31 December 2019

Category	Number of shareholders	Number of shares held	Share capital %
5% and above	7	567,140,828	84.04%
1% to 5%	-	-	-
Less than 1 %	2,636	107,746,602	15.96%
Total	**2,643**	**674,887,430**	**100.00%**

Professional profile of the statutory auditor

The shareholders of the company appointed Ernst and Young (EY) as its auditor for 2019. EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

The MENA practice of EY has been operating in the region since 1923 and employs over 7,000 professionals. EY has been operating in Oman since 1974 and is a leading professional services firm in the country. EY MENA forms part of EY's EMEIA practice, with over 4,600 partners and approximately 106,775 professionals. Globally, EY operates in more than 150 countries and employs 261,559 professionals in 700 offices. Please visit ey.com for more information about EY. During the year 2019, EY rendered professional services to the Company equivalent to RO 10,150 (RO 9,400 for audit and RO 750 for other services).

External Quality Assessment of Internal Audit Unit

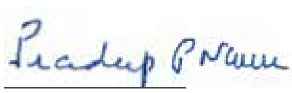
Pursuant to Article 27 of the CMA resolution no. 10/2018, Deloitte & Touche (M.E) & Co LLC (Deloitte), was engaged to perform external quality assessment of the Company's Internal Audit Unit. Deloitte concluded that Internal Audit Unit generally conforms with the Institute of Internal Auditor's (IIA's) Standards for the Professional Practice of Internal Auditing and the IIA Code of Ethics and Article 27 of the CMA resolution no. 10/2018.

The above statement is in accordance with the requirements stated in Standard 1321 of IPPF and Article 27 of CMA resolution no. 10/2018. The phrase generally conforms means there may be opportunities for improvement, but these should not represent situations where the internal audit activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives."

Acknowledgement by the Board of Directors

- The Board of Directors accepts the responsibility for accurately preparing accounts and financial statements and confirms the financial statements for 2019 have been prepared in accordance with the applicable International Financial Reporting Standards and rules.
- The Board of Directors, through the Audit Committee, has reviewed the Company's system of internal controls, and assures efficiency and adequacy of the internal control systems including financial management and its related operations, obligation management and risk management.
- The Company has robust business model as explained in detail in the financial report and, as such, the Board of Directors confirms that they believe there are no material matters which may affect the continuation of the Company and its ability to continue its operations during the next financial year.

Chairperson



Director

Brief Profiles of Directors

Name	:	Mr. Saif Abdullah Hamood Al-Harthy
Year of Joining	:	2018
Education	:	Masters in Chemical Engineering, University of Nottingham, UK
Experience	:	Mr. Saif started his carrier as a field Engineer in Petroleum Development Oman (PDO), where he was involved in the design and upgrade of the major gas exporting facilities in central Oman. He later worked as a senior Business Planner for the PDO gas directorate before joining Qalhat LNG in 2006 as a Technical Coordinator. Mr. Saif is currently working for Oman LNG as Chief Corporate Services & Investment Officer.

Name	:	Mr. Kamal Narayan Mathur
Year of Joining	:	2019
Education	:	Certified Internal Auditor - Institute of Internal Auditors, Orlando, Florida, USA; Chartered Accountant - ICAI, India.
Experience	:	20 plus years of experience in multi-cultural & multi geography environment. A strategically astute, internationally experienced Process Control, Internal Audit and Finance Professional with Specialized experience in various industries. He had served several leading companies viz., Zensar, Tupperware, Landmark group, Al Nassar Holdings, Alagar Investments etc.

Name	:	Mr. Pascal Renaud
Year of Joining	:	2019
Education	:	PhD Access Diploma (DEA) in Energy & Nuclear Physics, Specialized Master in Risk Management
Experience	:	2019-Now: Operations & Maintenance Director, ENGIE Middle East, South & Central Asia and Turkey 2017-2019 : General Manager O&M company JOMEL (Marafiq IWPP in KSA)& COO Saudi Arabia and Kuwait for ENGIE. 2015-2017 : Chief European Maintenance & Operations Officer (ENGIE Belgium) 2009-2015 : COO and CEO of Power Generation Companies in France and Southern Europe.

Name	:	Mr. Vincent Montanet
Year of Joining	:	2019
Education	:	Master's Degree in Business Administration
Experience	:	Originally from France with a Master's Degree in Business Administration Vincent Montanet started his career as a technical, life cycle and energy estimator in the UK. Since then he has worked for the ENGIE Group in various positions and more recently as Director of Sales for COFELY UK motivating country sales, business development, bid management, and estimating activities and teams as well supporting with key client retention and group growth on EMEA portfolio-based opportunities. In his current role as Chief Development Officer for Customer Solutions within the ENGIE Group based in Dubai and with a presence in the Middle East of more than 8 years Vincent is equipped with a career history of revenue growth and business turnaround success and holding specific international expertise in facilities management, energy and technical services and have contributed to the industry working with some of the most critical outsourced private and government operations in both Europe and the Middle East.

Name	:	Mr. Ryuji Kikuchi
Year of Joining	:	2017
Education	:	MBA at Dartmouth College, School of Business (Tuck School), USA BA Architecture, Waseda University, Japan
Experience	:	Mr. Kikuchi as over 15year experience of project financed IPP development and contracting of power projects in various countries including, Oman, KSA, UAE, Sri Lanka, Mexico, Vietnam, India, Mongolia. He also has hands on experience of managing IPP project in Sri Lanka as CEO. Prior to above, he had been engaged in trade and structured finance for variety of Sojitz's overseas businesses.

Name	:	Mr. Shabib Abdullah Mohamed Al-Busaidi
Year of Joining	:	2019
Education	:	Master in Actuarial Sciences, University of Kent, UK
Experience	:	Mr. Shabib started his carrier in Capital Market Authority and Ministry of National Economy where he was involved in fields of Finance, Strategic planning and Statistics. Mr. Shabib is currently working for Public Authority for Social Insurance as Assistant Expert for Insurance Affairs where he is responsible for the actuarial studies and Social Insurance schemes designing.

Name	:	Mr. Muhammad Fawad Akhtar
Year of Joining	:	2019
Education	:	Fellow member of Association of Chartered Certified Accountants, UK and Institute of Chartered Accountants of Pakistan and holds a Bachelor degree in Economics
Experience	:	Mr. Akhtar has more than 20 years of professional working experience; including 15 years in energy sector. He started his career with Ernst & Young where he spent 5 years. He joined ENGIE group in 2003 and led the Accounting/Reporting and thereafter Corporate Finance & Planning functions in group's two power plants in Pakistan, remained extensively involved in successful development of 404MW greenfield project. He acted as CFO of Al Suwadi Power Company SAOG in Oman from Aug 2014 till Mar 2019. Presently he is working as CFO / Business Manager of ENGIE group companies, Arabian Power Company and ITM O&M Company Limited, in UAE.

Name	:	Mr. Mohamed Amur Mohamed Al-Mamari
Year of Joining	:	2016
Education	:	Master Degree in Accounting and Finance from Cardiff University-UK in 2008 and Bachelor Degree in Economics and Accounting from Kuwait University in 1997.
Experience	:	Mr. Mohamed has more than 21 years' experience in investment, admin, finance and pension in Civil Service Employee Pension Fund, Mr. Mohamed held below mentioned positions: - Director of Civil Service Employees Pension Fund - Al Batinah North Governorate Department (from 2010 till today). - Director of Admin Department (from 2007 to 2009). - Head of Finance Section (from 2004 to 2006). - Accountant in Investment Department (from 1997 to 2003).

Name	:	**Mr. Mohammad Ribhi Izzat Al Husseini**
Year of Joining	:	2016
Education	:	MBA - Corporate Finance from University of Dallas-USA and Bachelor's Degree in Money and Banking from Yarmouk University- Jordan
Experience	:	Mr. Mohammed has over 23 years of work experience. He is currently working as Deputy Investment Director in Ministry of Defence Pension Fund Muscat, Oman. He is a member in the Audit Committee of the National Aluminum Products Company SAOG. He also has extensive experience in local and regional markets.

Name	:	**Mr. Kazuichi Ikeda**
Year of Joining	:	2019
Education	:	Master degree in Electrical Engineering from Osaka University (Japan)
Experience	:	Mr. Ikeda is General Manager of Strategy & Management Group, International Business and Cooperation Department of YONDEN, a parent company of SEPI. In this position, he is responsible for strategic planning of international investments as well as asset management of IPP/IWPP projects. Mr. Ikeda started his career in YONDEN in 1995 as an electrical engineer and has been involved in construction, maintenance and performance management of various thermal power plants in Japan for more than 9 years. He has been engaged in international IPP/IWPP development over 12 years, out of which he worked for Ras Laffan C IWPP project in Qatar for more than two and a half years as one of the management personnel in charge of the maintenance of the whole plant (2,730MW – Power & 63MIGD – Water).

Name	:	**Mr. Yasser Mohammed Kheir**
Year of Joining	:	2018
Education	:	B. SC Electrical – Electronic Engineering, Aleppo University
Experience	:	Having 23 years' experience in the ICT domain & had worked for Syrian Telecom Company as Operation Director & deputy GM, then worked with many telecommunication Operators within GCC region, also worked as international Business Development General manager with Azian Group Holding, worked as Vice president with Transtelecoms - SA and have joined Suhail Bahwan group as General Manager of Bahwan projects & telecom company in 2013 .

Brief Profiles of Key Executive Officers

The senior management team has been empowered by the Board of Directors for the day-to-day operations of the Company.

Name	:	Eng. Mohammed Ali Salim Ali Al Rawahi
Position	:	Chief Executive Officer
Year of Joining	:	2019
Education	:	Master of Business Administration from University of Bedfordshire Mechatronic Engineering Degree from Sultan Qaboos University
Experience	:	Eng. Mohammed Al Rawahi has a wide range of experience in the power and water desalination sector. He had worked in open cycle and combined cycle power plants and MSF and RO water desalination plants. He was appointed as CEO of Al Batinah Power Company SAOG in September 2019. Prior to that Mohammed grown in his career life from a Local Plant Engineer, Power Generation Engineer, Operation Manager and finally Plant Manager of Sohar1 Power and Desalination Plant and Sohar2 Power Plant.

Name	:	Mr. Yusuke Koseki
Position	:	Chief Financial Officer
Year of Joining	:	2019
Education	:	Bachelor's Degree in Engineering from Kyushu University
Experience	:	Mr. Koseki has over 9 years of work experience since he joined Sojitz Corporation. He started his career as a tax and accounting specialist in Sojitz Corporation and had worked for over 4years. Thereafter he had been worked for development of new power projects and water projects in the Middle East and Southwest Asia region for 4yeras. He also had led the post-merger integration with respect to M&A deal of power project in Sri Lanka.

AUDITED FINANCIAL STATEMENTS

Building a better working world

Ernst & Young LLC
P.O. Box 1750, Ruwi 112
5th Floor, Landmark Building
Opposite Al Ameen Mosque
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C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

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

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the *International - Code of Ethics for Professional Accountants (including International Independence Standards)* (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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL BATINAH POWER COMPANY SAOG (CONTINUED)

Key audit matters (continued)

Key audit matters	*How our audit addressed the key audit matters*
Allowance for impaired debts The Company is required to regularly assess the recoverability of its trade receivables. The recoverability of trade receivables was significant to our audit due to the value of amounts aged greater than the credit terms extended to customers. This involves judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money. The Company's disclosures are included in Note 3 to the financial statement, which outlines the accounting policy for determining the allowance for doubtful debts and details of the period on period movement in gross and net trade receivables.	Our audit procedures for obtaining sufficient appropriate audit evidence over the carrying value of trade receivables, we: - Assessed the design and tested the operating effectiveness of relevant controls in relation to the granting of credit facilities, including credit checks; - Tested the aging of trade receivables for a sample of customer transactions; - Evaluated receipts after year-end to determine any remaining exposure at the date of the financial report; - Examined the Company's assessment of the customers' financial circumstances and ability to repay the debt and - Considered the customers' historical payment habits along with other macroeconomic information. We assessed appropriateness of the Company's provisioning policy applied which included: - Assessed whether the calculation was in, accordance with IFRS 9 and comparing the Company's provisioning rates against historical collection data. - Checked appropriateness of opening balance adjustments mainly arising from impairment. We evaluated the completeness, accuracy and relevance of data used in the expected credit loss model and checked the mathematical accuracy of the calculations. We assessed the adequacy of the Company's disclosures in relation to trade receivables included in the financial statement. Details regarding credit risk and the aging of trade receivables is set out in notes 10 and 19(b) to the financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL BATINAH POWER COMPANY SAOG (CONTINUED)

Key audit matters (continued)

Hedge accounting The Company uses derivative financial instruments to hedge interest rate and foreign currency exposure on term loans and future cash flows in accordance with parameters approved by the Board. Rules on accounting for derivative instruments are complex and hedge accounting requirements, including documentation, can be complicated. Lack of compliance with documentation rules, hedge effectiveness rules, and probability criteria could lead to income statement volatility. The accounting policy relating to revenue recognition is set out in note 3 to the financial statements.	Our audit procedures in this area included the following: - We examined the nature of the hedge relationships that were entered into and whether these were in line with the Company's strategy. For the derivatives outstanding at the year-end, we assessed their completeness and existence through obtaining external confirmations and their fair value through performing our own independent re-calculations; - We involved our specialists for assessing the Company's hedge accounting and for testing hedge effectiveness; - We assessed adequacy of disclosure relating to hedge accounting.

Other information included in the Company's 2019 Annual Report

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL BATINAH POWER COMPANY SAOG (CONTINUED)

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL BATINAH POWER COMPANY SAOG (CONTINUED)

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

- Conclude on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL BATINAH POWER COMPANY SAOG (CONTINUED)

Report on other legal and regulatory requirements

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

Ernst & Young LLC
B. Hindy
Bassam Moustafa Hindy
19 February 2020
Muscat

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

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Revenues		**49,206**	**127,973**	75,138	195,418
Direct costs	4	**(27,728)**	**(72,114)**	(53,957)	(140,328)
GROSS PROFIT		**21,478**	**55,859**	21,181	55,090
Other income		**52**	**135**	115	300
General and administrative expenses	5	**(800)**	**(2,080)**	(778)	(2,025)
PROFIT BEFORE INTEREST AND TAX		**20,730**	**53,914**	20,518	53,365
Finance costs - net	6	**(9,320)**	**(24,238)**	(9,871)	(25,673)
PROFIT BEFORE TAX		**11,410**	**29,676**	10,647	27,692
Income tax expense	7 a	**(1,665)**	**(4,331)**	(1,575)	(4,097)
NET PROFIT FOR THE YEAR		**9,745**	**25,345**	9,072	23,595
Earnings per share					
Basic earnings per share (Baizas / cents)	23	**14.44**	**37.55**	13.44	34.96

The attached notes 1 to 23 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
NET PROFIT FOR THE YEAR		**9,745**	**25,345**	9,072	23,595
Other comprehensive income, net of income tax:					
Items that will be reclassified to profit or loss:					
Cash flow hedges - effective portion of changes in fair value - net of income tax	14	**(3,567)**	**(9,280)**	1,844	4,799
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,178**	**16,065**	10,916	28,394

The attached notes 1 to 23 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
ASSETS					
Non-current assets					
Property,plant and equipment	8	**246,322**	**640,630**	253,649	659,683
Right-of-use assets	9 a	**3,479**	**9,049**	-	-
Capital spares		**487**	**1,267**	305	794
		250,288	**650,946**	253,954	660,477
Current assets					
Inventory		**1,911**	**4,970**	1,878	4,883
Trade and other receivables	10	**5,118**	**13,310**	5,905	15,356
Short term deposit	11	**1,578**	**4,103**	1,807	4,700
Cash and cash equivalents	12	**1,883**	**4,898**	2,021	5,256
		10,490	**27,281**	11,611	30,195
TOTAL ASSETS		**260,778**	**678,227**	265,565	690,672
EQUITY AND LIABILITIES					
Equity					
Share capital	13 a	**67,489**	**175,523**	67,489	175,523
Legal reserve	13 b	**5,468**	**14,222**	4,493	11,686
Retained earnings		**15,981**	**41,563**	11,935	31,041
Total equity		**88,938**	**231,308**	83,917	218,250
Hedging reserve	13 c & 14	**(6,816)**	**(17,727)**	(3,249)	(8,447)
Net Equity		**82,122**	**213,581**	80,668	209,803
LIABILITIES					
Non-current liabilities					
Term loans	15	**122,685**	**319,077**	137,490	357,582
Lease liabilities	9 b	**3,553**	**9,240**	-	-
Derivative instruments	14	**8,019**	**20,856**	3,822	9,937
Deferred tax liability	7 c	**17,901**	**46,558**	16,867	43,866
Asset retirement obligation	16	**276**	**716**	256	665
End of service benefits		**22**	**58**	34	90
		152,456	**396,505**	158,469	412,140
Current liabilities					
Trade and other payables	17	**5,040**	**13,107**	9,341	24,289
Lease liabilities	9 b	**128**	**333**	-	-
Short term borrowing	2 (xi)	**5,238**	**13,623**	2,200	5,722
Term loans	15	**15,794**	**41,078**	14,887	38,718
		26,200	**68,141**	26,428	68,729
Total liabilities		**178,656**	**464,646**	184,897	480,869
TOTAL EQUITY AND LIABILITIES		**260,778**	**678,227**	265,565	690,672
Net assets per share (Baizas / cents) - adjusted	22	**131.78**	**342.74**	124.34	323.39

The financial statements were authorised for issue and approved by the Board of Directors on 19 February 2020 and were signed on their behalf by:

Chairperson

Director

The attached notes 1 to 23 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

الباطنة للطاقة
AL BATINAH POWER

	Note	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		**11,410**	**29,676**	10,647	27,692
Adjustments for:					
Depreciation	4 & 5	**7,687**	**19,990**	7,427	19,317
Finance costs (net)	6	**9,320**	**24,238**	9,871	25,673
Reversal/accrual of end of service benefits		**(12)**	**(32)**	6	17
Cash from operations before working capital changes		**28,405**	**73,872**	27,951	72,699
Changes in:					
Inventories		**(33)**	**(87)**	(109)	(282)
Trade and other receivables		**784**	**2,039**	(1,129)	(2,934)
Trade and other payables		**(4,358)**	**(11,326)**	3,548	9,220
Cash generated from operating activities		**24,798**	**64,498**	30,261	78,703
Lease payments	9 (b)	**(252)**	**(656)**	-	-
Finance costs paid (net)		**(8,292)**	**(21,567)**	(8,893)	(23,129)
Net cash flows from operating activities		**16,254**	**42,275**	21,368	55,574
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property, plant and equipment	8	**(123)**	**(321)**	(51)	(133)
Proceeds from sale of property, plant and equipment		**-**	**-**	2	6
Net cash flows used in investing activities		**(123)**	**(321)**	(49)	(127)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of term loans	15	**(14,887)**	**(38,718)**	(14,178)	(36,873)
Proceeds / (repayment) of short term borrowing - net	15	**3,038**	**7,901**	(2,644)	(6,876)
Short term deposit		**229**	**597**	194	503
Interest received		**75**	**195**	62	160
Dividends paid	13 (d)	**(4,724)**	**(12,287)**	(5,723)	(14,884)
Net cash flows used in financing activities		**(16,269)**	**(42,312)**	(22,289)	(57,970)
Net changes in cash and cash equivalents		**(138)**	**(358)**	(970)	(2,523)
Cash and cash equivalents at 1 January	12	**2,021**	**5,256**	2,991	7,779
Cash and cash equivalents at 31 December	12	**1,883**	**4,898**	2,021	5,256

The attached notes 1 to 23 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Note	Share capital RO'000	Legal reserve RO'000	Retained earnings RO'000	Hedging reserve RO'000	Total RO'000
Balance at 1 January 2018		67,489	3,586	9,493	(5,093)	75,475
Comprehensive income for the year						
Net profit for the year		-	-	9,072	-	9,072
Other comprehensive income - net of income tax						
Cash flow hedges - effective portion of changes in fair value		-	-	-	1,844	1,844
Total comprehensive income		-	-	9,072	1,844	10,916
Transfer to legal reserve		-	907	(907)	-	-
Transaction with owners of the Company						
Dividend	13 (d)	-	-	(5,723)	-	(5,723)
Total transaction with owners of the Company		-	-	(5,723)	-	(5,723)
Balance at 31 December 2018		67,489	4,493	11,935	(3,249)	80,668
Comprehensive income for the year						
Net profit for the year				**9,745**		**9,745**
Other comprehensive income - net of income tax						
Cash flow hedges - effective portion of changes in fair value					**(3,567)**	**(3,567)**
Total comprehensive income		**-**	**-**	**9,745**	**(3,567)**	**6,178**
Transfer to legal reserve			**975**	**(975)**		
Transaction with owners of the Company						
Dividend	13 (d)	**-**	**-**	**(4,724)**	**-**	**(4,724)**
Total transaction with owners of the Company		**-**	**-**	**(4,724)**	**-**	**(4,724)**
Balance at 31 December 2019		**67,489**	**5,468**	**15,981**	**(6,816)**	**82,122**

The attached notes 1 to 23 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

For the year ended 31 December 2019

AL BATINAH POWER

	Note	Share capital USD'000	Legal reserve USD'000	Retained earnings USD'000	Hedging reserve USD'000	Total USD'000
Balance at 1 January 2018		175,523	9,326	24,690	(13,246)	196,293
Comprehensive income for the year						
Net profit for the year		-	-	23,595	-	23,595
Other comprehensive income - net of income tax						
Cash flow hedges - effective portion of changes in fair value		-	-	-	4,799	4,799
Total comprehensive income		-	-	23,595	4,799	28,394
Transfer to legal reserve		-	2,360	(2,360)	-	-
Transaction with owners of the Company						
Dividend	13 (d)	-	-	(14,884)	-	(14,884)
Total transaction with owners of the Company		-	-	(14,884)	-	(14,884)
Balance at 31 December 2018		175,523	11,686	31,041	(8,447)	209,803
Comprehensive income for the year						
Net profit for the year				**25,345**		**25,345**
Other comprehensive income - net of income tax						
Cash flow hedges - effective portion of changes in fair value					**(9,280)**	**(9,280)**
Total comprehensive income		**-**	**-**	**25,345**	**(9,280)**	**16,065**
Transfer to legal reserve		**-**	**2,536**	**(2,536)**	**-**	**-**
Transaction with owners of the Company						
Dividend	13 (d)	**-**	**-**	**(12,287)**	**-**	**(12,287)**
Total transaction with owners of the Company		**-**	**-**	**(12,287)**	**-**	**(12,287)**
Balance at 31 December 2019		**175,523**	**14,222**	**41,563**	**(17,727)**	**213,582**

The attached notes 1 to 23 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Batinah Power Company ("Company") was registered as a closed Omani Joint Stock company ("SAOC") on 2 August 2010 under the Commercial Companies Law of Oman. Subsequently the Company was converted to a public joint stock company ("SAOG") and was listed on the Muscat Securities Market on 23 June 2014.

The Company's objectives are to develop, finance, design, construct, operate, maintain, insure and own a power generating facility (the Sohar 2 Power Plant with a capacity of about 750MW), and associated gas interconnection facilities and other relevant infrastructure; making available the demonstrated power capacity; and selling the electrical energy generated to Oman Power and Water Procurement Company SAOC ("OPWP"). Accordingly, the Plant is considered and managed as one reportable segment. Commercial Operation of the Plant was achieved by the Company on 3 April 2013.

2 SIGNIFICANT AGREEMENTS

Project documents

(i) Power Purchase Agreement ("PPA") dated 10 August 2010 with OPWP for a period of 15 years from the scheduled Commercial Operation Date ("COD").

(ii) Natural Gas Sales Agreement ("NGSA") dated 31 August 2010 with the Ministry of Oil and Gas ("MOG") for the purchase of natural gas for a period of 15 years from the scheduled COD.

(iii) Turnkey Engineering, Procurement and Construction Contract ("EPC Contract") dated 15 September 2010 with Siemens AG and GS Engineering & Construction Corp. to perform the engineering, procurement and construction of the Plant.

(iv) Sub-Usufruct Agreement ("SUA") relating to the plant site dated 10 August 2010 with Sohar Industrial Port Co. SAOC ("SIPC") for grant of exclusive right to use and benefit from the land upto 20 October 2028.

(v) Electrical Connection Agreement dated 28 December 2011 with Oman Electricity Transmission Company SAOC for connection of the Company's equipment to the transmission system for a period of 30 years from its execution date.

(vi) Operation & Maintenance Agreement ("O&M Agreement") dated 24 September 2010 with Suez-Tractebel Operation and Maintenance Oman LLC ("STOMO") for a period of 15 years from the scheduled COD.

(vii) Seawater Extraction Agreement ("SEA") dated 10 August 2010 with Majis Industrial Services SAOC for a period ending on the last day of the PPA term.

Finance documents

(viii) Common Terms Agreement, Facility Agreements and First Amendment Agreement related to these Agreements dated 16 September 2010 for long term loans with international and local banks.

(ix) Hedging Agreements for interest rate swap made with Credit Agricole Corporate & Investment Bank (dated 5 October 2010), KfW IPEX Bank GmbH (dated 6 October 2010), HSBC Bank Middle East Limited (dated 6 October 2010) and Standard Chartered Bank (dated 7 October 2010 and reprofiled on 19 December 2011).

(x) Hedging Agreements for currency swap with Standard Chartered Bank dated 12 October 2010 and Credit Agricole Corporate & Investment Bank dated 4 August 2015 and 3 September 2019.

(xi) Revolving Working Capital Facility Agreement dated 5 June 2012 with Bank Muscat SAOG for purpose of availing short term loans upto Omani Rial 8.459 million.

2 SIGNIFICANT AGREEMENTS *(continued)*

Security documents

(xii) Intercreditor Deed dated 16 September 2010 with The Export-Import Bank of Korea, Credit Agricole Corporate & Investment Bank and Others.

(xiii) Commercial Mortgage over Company's Assets dated 21 September 2010 with Bank Muscat SAOG as "Mortgagee".

(xiv) Legal Mortgage dated 21 September 2010 with Bank Muscat SAOG.

(xv) Agreement for Security over Omani Shares dated 16 September 2010 with the Founder Shareholders, Bank Muscat SAOG and Credit Agricole Corporate & Investment Bank.

(xvi) Offshore Deed of Charge and Assignment dated 16 September 2010 with Credit Agricole Corporate & Investment Bank.

(xvii) Deed of Assignment of Reinsurances dated 16 September 2010 with Credit Agricole Corporate & Investment Bank and Oman United Insurance Company SAOG.

(xviii) Sale and Purchase Agreement dated 16 September 2010 with Bank Muscat SAOG.

(xix) Direct Agreements entered into by Lenders Agent in respect of PPA, NGSA, EPC Contract and O&M Agreement.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

a) Statement of compliance

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

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

b) Basis of measurement

These financial statements are prepared on historical cost basis except for provision for right of use assets, lease liabilities, asset retirement obligation and deferred finance cost which are measured at amortised cost and certain financial instruments which are measured at fair value.

c) Presentation and functional currency

These financial statements are presented in United States Dollars ("USD"), which is the Company's functional currency and also in Rial Omani ("RO") for local regulatory requirements. The Omani Rial amounts, which are presented in these financial statements have been translated from the USD amounts at an exchange rate of USD 1 = RO 0.3845. All values are rounded to the nearest thousand (USD '000 and RO '000) except where otherwise indicated.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 BASIS OF PREPARATION *(continued)*

d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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 post reporting date events.

Measurement of fair value

The Company measures fair values using the following fair value hierarchy based on the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in the active market for similar instruments, quoted market prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments that are valued based on quoted prices of similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Key sources of estimation uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of financial assets at amortised cost

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The impairment provision is assessed based on the "Expected Credit Loss" model under IFRS 9, the impairment impact is considered to be immaterial.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 BASIS OF PREPARATION *(continued)*

d) Use of estimates and judgements (continued)

Key sources of estimation uncertainties *(continued)*

Impairment of inventory

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

At the reporting date, inventory was RO 1.91 million (2018: RO 1.88 million) [USD 4.97 million (2018: USD 4.88 million)] and the provisions for slow moving and obsolete inventory is RO nil (2018: RO nil) [USD nil (2018: USD nil)] respectively. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit or loss.

Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation.This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Taxes

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

Leases – Estimating the incremental borrowing rate

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 BASIS OF PREPARATION *(continued)*

d) Use of estimates and judgements (continued)

Key sources of estimation uncertainties *(continued)*

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

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

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

3.2 CHANGES IN ACCOUNTING POLICIES

a) Standards issued but not yet effective

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

IFRS 17 Insurance Contracts (not applicable to the Company)

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

Amendments to IAS 1 and IAS 8: Definition of Material

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

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 CHANGES IN ACCOUNTING POLICIES *(continued)*

b) New and amended standards and interpretations

The following new standards and amendments became effective as at 1 January 2019:

- IFRS 16 Leases
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Annual IFRS Improvement Process
- IFRS 3 Business Combinations - Previously held Interests in a joint operation
- IFRS 11 Joint Arrangements - Previously held Interests in a joint operation
- IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity.
- IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

The above standards, other than IFRS 16, do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

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

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

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

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

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 CHANGES IN ACCOUNTING POLICIES *(continued)*

IFRS 16 Leases *(continued)*

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

Impact on transition:
As at 1 January 2019, the Company recorded right-of-use assets for site rent and corresponding lease liabilities of RO 2.71 million (USD 7.07 million) and the Company recorded right-of-use assets for connection fees and corresponding liabilities of RO 0.99 million (USD 2.60 million) with an impact on retained earnings of RO nil (USD nil).

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

	Amount in RO '000'	Amount in USD '000'
Assets		
Operating lease commitments as at 31 December 2018	6,573	16,986
Discounted operating lease commitments as at 1 January 2019	3,716	9,665
Less:		
Commitments relating to short- term leases	-	-
Commitments relating to leases of low – value assets	-	-
Add:		
Commitments relating to leases previously classified as finance leases	-	-
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	-	-
Lease liabilities as at 1 January 2019	**3,716**	**9,665**

3.3 SIGNIFICANT ACCOUNTING POLICIES

a) *Leases*

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

Company as a lessee

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a) Leases (continued)

a. Right of use assets

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

Lease costs for the year ended 31 December 2019 relating to the right-of-use assets amounting to USD 0.62 million (RO 0.24 million) are included under depreciation expenses.

b. Lease liabilities

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

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

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

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

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Currency

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at the reporting date.

Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rates at the date of the transaction. Translation gains and losses related to monetary items are recognized in the income statement in the period in which they arise, with the exception of those related to monetary items that qualify as hedging instruments in a cash flow hedge that are recognized initially in profit or loss and other comprehensive income to the extent that the hedge is effective.

c) Financial Instruments

Initial measurement of financial instruments

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. On this date, financial assets are classified at amortised cost or fair value.

Subsequent measurement of financial assets

IFRS 9 divides all financial assets into two classifications - those measured at amortised cost and those measured at fair value. Where the Company measures financial assets at fair value, gains and losses are either recognised entirely in profit or loss (fair value through profit or loss, "FVTPL"), or recognised in other comprehensive income (fair value through other comprehensive income, "FVTOCI").

Classification of financial assets

The financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.The financial assets are measured as per IFRS 9 are measured accordingly:

(i) Financial assets carried 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 FVTPL:

(a) The asset is held within a "business model" whose objective is to hold assets to collect contractual cash flows;

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (SPPI) on the principal amount outstanding.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) Financial Instruments *(continued)*

Classification of financial assets *(continued)*

(ii) Financial assets carried at fair value through other comprehensive income (FVOCI).

Debt instruments at FVOCI

The Company applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

(a) The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
(b) The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Financing income and foreign exchange gains and losses and impairment losses are recognised in income statement. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from equity to profit or loss.

This category only includes debt instruments, which the Company intends to hold for the foreseeable future and which the Company has irrevocably elected to so classify upon initial recognition or transition. The Company classified its debt instruments at FVOCI. Debt instruments at FVOCI are not subject to an impairment assessment under IFRS 9.

Equity instruments at FVOCI

Upon initial recognition, the Company may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments:Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis.

The Company have no equity instruments at FVOCI.

(iii) Financial assets carried at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through 001, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. The Company does not have financial assets at fair value through profit or loss.

All other debt instruments are measured at FVTPL. The Company does not have any such instrument.

The Company's financial assets include trade receivables, due from related parties, other receivables, short term deposit and bank balances. These financial assets qualify for and are classified as debt instruments measured at amortised cost.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) Financial Instruments *(continued)*

Fair value option

The Company measures a financial asset at FVTPL at initial recognition even if it meets the two requirements to be measured at amortised cost or FVTOCI if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company does not have any financial assets measured at FVTPL as of period end.

Subsequent measurement of financial liabilities

The Company categorises its financial liabilities into two measurement categories: FVTPL and amortised cost.

The Company designates a financial liability as measured at FVTPL when it meets the definition of held for trading or when they are designated as such on initial recognition using the fair value option.

Gains and losses on financial liabilities designated as at FVTPL are split into the amount of change in fair value attributable to changes in credit risk of the liability, presented in other comprehensive income, and the remaining amount in profit or loss.

The Company recognises the full amount of change in the fair value in profit or loss only if the presentation of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. That determination is made at initial recognition and is not reassessed.

Cumulative gains or losses presented in other comprehensive income is subsequently transferred within equity.

Financial liabilities not held at FVTPL are subsequently measured at amortised cost using the effective interest method.

The Company's financial liabilities include accounts payable, due to related parties, fair value of derivatives, short term borrowing and term loans.

Except for fair value of derivatives which is measured at fair value, all other financial liabilities of the Company are measured at amortised cost.

Derecognition of financial assets

The Company determines if the asset under consideration for derecognition is:

(a) an asset in its entirety, or

(b) specifically identified cash flows from an asset (or a Company of similar financial assets), or

(c) a hilly proportionate (pro rata) share of the cash flows from an asset (or a Company of similar financial assets), or

(d) a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a Company of similar financial assets)

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) Financial Instruments *(continued)*

Derecognition of financial assets *(continued)*

Once the asset under consideration for derecognition has been determined, the Company performs an assessment as to whether the asset has been transferred, and if so, whether the transfer of that asset is subsequently eligible for derecognition. An asset is transferred if either the Company has transferred the contractual rights to receive the cash flows, or the Company has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows on under an arrangement that meets the following three conditions:

(a) the Company has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset;
(b) the Company is prohibited from selling or pledging the original asset; and
(c) the Company has an obligation to remit those cash flows without material delay.

Once the Company has determined that the asset has been transferred, it then determines whether or not it has transferred substantially all of the risks and rewards of ownership of the asset.If substantially all the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been retained, derecognition of the asset is precluded.

Impairment of financial assets

The Company assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer, default or delinquency by an issuer, indications that an issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets such as adverse changes in the payment status of issuers, or economic conditions that correlate with defaults in the Company.

IFRS 9 defines expected credit losses as the weighted average of credit losses with the respective risks of a default occurring as the weightings.

At each reporting date the Company provides for expected losses on all of the following using reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of fixture economic conditions when measuring expected credit losses:

a) Financial assets measured at amortised cost,
b) Financial assets mandatorily measured at FVTOCI, and
c) Loan commitments when there is a present obligation to extend credit.

The Company measures expected credit losses through a loss allowance at an amount equal to:
a) the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
b) full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (continued)

The Company provides for a loss allowance for full lifetime expected credit losses for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

The Company determines the amount of expected credit losses by evaluating the range of possible outcomes as well as incorporating the time value of money. These expected losses are discounted to the reporting date using the effective interest rate of the asset (or an approximation thereof) that was determined at initial recognition.

Derivative financial instruments and hedge accounting

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 effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk.

A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

(a) the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
(b) at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge; and
(c) the hedging relationship meets all of the hedge effectiveness requirements.

As part of risk management strategies, the Company uses derivative financial instruments, such as interest rate swaps, to hedge interest rate sensitivities. These derivative financial instruments qualify for hedge accounting and are designated as cash flow hedges. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Company adjusts the cash flow hedge reserve in equity to the lower of the following:
(a) the cumulative gain or loss on the hedging instrument from inception of the hedge; and
(b) the cumulative change in fair value of the hedged item from inception of the hedge.

Effectiveness testing, re balancing and discontinuation

The Company performs prospective assessment of effectiveness of its cash flow hedges at each reporting date. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and any remaining gain or loss is hedge ineffectiveness which is recognised in profit or loss.

When the Company discontinues hedge accounting for a cash flow hedge, the amount that has been accumulated in the cash flow hedge reserve remains in equity if the hedged future cash flows are still expected to occur, until such cash flows occur. if the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified to profit or loss.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Effectiveness testing, re balancing and discontinuation (continued)

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Company discontinues hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (alter any rebalancing). This includes instances when the hedging instrument expires or is sold, terminated or exercised.

Current versus non-current classification

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

Off setting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, 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 and direct labour, 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. Cost also may include transfers from profit or loss and other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

At 31 December 2019

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) Property, plant and equipment *(continued)*

(i) Recognition and measurement *(continued)*

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and the difference is recognised in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the asset less its residual value.

The Management assigns useful lives and residual values to the items of property, plant and equipment based on intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual lives or residual values differing from the initial estimates. The Management has reviewed the residual values and useful lives of the major items of property, plant and equipment and have determined that no adjustment is necessary.

The estimated useful lives for current and comparative periods are as follows:

	Years
Property, plant and equipment	40
Technical spares	25
Other assets	3

(iv) Capital work in progress

Capital work in progress is measured at cost and is not depreciated until it is transferred into one of the fixed asset categories, which occurs when the asset is ready for intended use.

(v) Asset retirement obligation

A liability for future asset retirement obligation is recognized as the activities giving rise to the obligation of future site restoration take place. The liability is measured at the present value of the estimated future cash outflows to be incurred on the basis of current technology. The liability includes all costs associated with site restoration, including plant closure and monitoring costs.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Capital spares

Cost includes all expenditure directly attributable to the acquisition of capital spares.

Capital spares shall be recognised in the carrying amount of the affected item of property, plant and equipment when it is put in use. The carrying amount of the replaced item is derecognised. When it is not practical to determine the carrying amount of the replaced part, the cost of the capital spare may be used as an indication of what the cost of the replaced part was at the time it was acquired.

f) Inventory

Inventory comprises of fuel oil and are stated at lower of cost or net realizable value. The cost of inventories is determined on the weighted average cost basis and includes expenditure incurred in acquiring and bringing them to their existing location and condition. Obsolete inventory items are written down to their estimated net realizable value.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, bank balances and short term deposits with an original maturity of three months or less.

h) Impairment

(i) Non-derivative 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 amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement. An impairment loss is reversed if reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

(ii) Non - financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity.

The recoverable amount of the cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the plant.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Impairment *(continued)*

(ii) Non - financial assets *(continued)*

The management determines whether there are any indications of impairment to carrying value of property, plant and equipment on an annual basis because of the difference between the duration of the contracted cash flows and accounting deprecation of assets. This requires an estimation of the value in use of the cash generating unit. Estimating the value in use requires the Company to make an estimate of the residual value of the cash generating unit at the end of the term of the PPA considering the expected future cash flows for the period beyond the term of the PPA and also a suitable discount rate in order to calculate the present value of those cash flows.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i) Financial liabilities

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

j) Employee terminal benefits

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 income statement as incurred.

The Company's obligation in respect of the terminal benefits of non-Omani employees, is the amount of future benefit that such employees have earned in return for their service in the current and prior periods.

k) Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

l) Finance charges

Interest expense and similar charges are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to prepare for its intended use or sale. Finance income is recognised as it accrues in the income statement.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Deferred financing cost

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 drawn amount of the term loans. The amortization of the deferred financing costs was capitalized during construction period of the plant except during the early power period during which an amount proportionate to the period was charged to the income statement. Subsequent to the COD, the amortization of the deferred financing costs is charged to the income statement.

n) Revenues

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

The tariff structure under the PPA is comprised of power capacity (includes investment charge and fixed operation and maintenance charge), electrical energy and fuel charges components. The investment charge of the power capacity component is treated as operating lease and recognised on a straight line basis over the lease term whereas the other components of tariff under the PPA are recognised as revenue over time as OPWP simultaneously receives and consumes the benefits provided by the Company. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

o) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

p) Dividend

The Board of Directors take into account appropriate parameters including the requirements of the Commercial Companies Law while recommending the dividend.

Dividends on ordinary shares are recognised when they are approved for payment.

q) Directors' sitting fees and remuneration

Directors' sitting fees and remuneration are approved by the Shareholders in the ordinary annual general meeting of the Company and are recognised as an expense in the income statement.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

At 31 December 2019

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Earnings per share

The Company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

s) Determination of fair value

(i) Derivative financial instruments

Fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using yield curves of the respective currencies.

The fair value of interest rate swaps is based on estimated fixture cash flows based on the terms and maturity of each contract and using market interest rates.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and counterparty when appropriate.

(ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

4 DIRECT COSTS

	2019	**2019**	2018	2018
	RO'000	**USD'000**	RO'000	USD'000
Fuel gas	**12,047**	**31,331**	37,417	97,313
Depreciation [note 8 and 9(a)]	**7,672**	**19,952**	7,420	19,298
Operation and maintenance ("O&M") fees (note 18)	**5,979**	**15,551**	6,732	17,509
Seawater extraction	**1,016**	**2,643**	998	2,596
Insurance	**488**	**1,270**	509	1,324
Other O&M expenses (note 18)	**206**	**537**	139	361
Fuel oil	**59**	**153**	196	509
Grid connection fee	**16**	**41**	186	483
Plant site rent	**2**	**5**	170	442
Custom duty (note 18)	**(8)**	**(20)**	100	259
Other direct costs	**251**	**651**	90	234
	27,728	**72,114**	53,957	140,328

5 GENERAL AND ADMINISTRATIVE EXPENSES

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Secondment fees (note 18)	**237**	**616**	236	615
Employment costs	**181**	**471**	169	440
Public company related costs	**95**	**247**	99	258
Agency fees	**54**	**141**	51	133
Directors' sitting fee and remuneration (note 18)	**32**	**84**	34	88
Corporate social responsibility	**25**	**65**	26	67
Office rent	**20**	**53**	20	53
Depreciation (note 8)	**15**	**38**	7	19
Other general and administrative expenses	**141**	**365**	136	352
	800	**2,080**	778	2,025

6 FINANCE COSTS (NET)

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Interest on term loans	**7,169**	**18,645**	7,413	19,282
Amortisation of deferred finance costs	**989**	**2,573**	1,083	2,816
Swap interest	**652**	**1,697**	1,121	2,917
Interest on lease liability [note 9(b)]	**217**	**564**	-	-
Debt Service Reserve Account ("DSRA") LC cost (note 18)	**175**	**454**	174	453
Interest on short term borrowing	**109**	**284**	80	206
Exchange loss	**61**	**158**	46	119
Asset retirement obligation - unwinding of discount (note 16)	**20**	**51**	18	47
Finance income	**(72)**	**(188)**	(64)	(167)
	9,320	**24,238**	9,871	25,673

7 TAXATION

(a) Tax expense recognised in the statement of comprehensive income:

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Deferred tax expense relating to temporary differences	**1,665**	**4,331**	1,575	4,097

For the purpose of determining the taxable results for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices. The adjustments to accounting profit for the year has resulted in a taxable profit which is adjusted against the brought forward tax losses.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

At 31 December 2019

7 TAXATION *(continued)*

(b) Reconciliation

The following is a reconciliation of income tax on the accounting profit with the tax expenses at the applicable tax of 15% (2018:15%):

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Profit before tax	11,410	29,676	10,647	27,692
Income tax as per rates mentioned above	1,712	4,451	1,597	4,154
Change in recognised temporary difference	(48)	(122)	-	-
Not allowable expense	1	2	-	-
Deferred tax impact for prior period due to increase in tax rate	-	-	(22)	(57)
Deferred tax expense for the year	**1,665**	**4,331**	1,575	4,097

No deferred tax has been recognised on tax losses of RO 37.4 million (2018: RO 35.2 million) which are expected to expire in the years between 2020 - 2024 (2018: years between 2019 - 2023), as it is probable that future taxable profits will not be available against which the Company can use the benefits therefrom.

The Company's effective tax rate for the year ended 31 December 2019 was 14.6% (31 December 2018: 14.8%).

(c) Deferred tax liability

	At 1 Jan 2019 RO'000	Recognised during the year RO'000	At 31 Dec 2019 RO'000
Deferred tax liability recognised in income statement			
Depreciation for property, plant and equipment	(20,929)	(1,452)	(22,381)
Provision for right-of-use assets and lease liabilities	-	30	30
Provision for site restoration	38	3	41
Losses carried forward	3,452	(246)	3,206
	(17,439)	(1,665)	(19,104)

	At 1 Jan 2019 RO'000	Recognised during the year RO'000	At 31 Dec 2019 RO'000
Deferred tax asset directly recognised in equity			
Fair value adjustment of interest rate and forex swap (note 14)	572	631	1,203
Net deferred tax liability	(16,867)	(1,034)	(17,901)
In equivalent USD	(43,866)	(2,692)	(46,558)

7 TAXATION *(continued)*

(c) Deferred tax liability (continued)

	At 1 Jan 2018 RO'000	Recognised during the year RO'000	At 31 Dec 2018 RO'000
Deferred tax liability recognised in income statement			
Depreciation for property, plant and equipment	(19,022)	(1,907)	(20,929)
Provision for site restoration	35	3	38
Losses carried forward	3,123	329	3,452
	(15,864)	(1,575)	(17,439)
Deferred tax asset directly recognised in equity			
Fair value adjustment of interest rate and forex swap (note 14)	898	(326)	572
Net deferred tax liability	(14,966)	(1,901)	(16,867)
In equivalent USD	(38,922)	(4,944)	(43,866)

(d) Status of tax returns

The tax returns for the years 2013 to 2016 have been assessed by the Tax Authority whereas the tax years 2017 and 2018 remain unassessed to date. The management is of the opinion that the final tax liability for the years 2013 to 2018 would not be material to the Company's financial position as at 31 December 2019.

8 PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment RO'000	Technical spares RO'000	Other assets RO'000	Capital work-in-progress RO'000	Total RO'000
Cost					
1 January 2019	296,359	1,724	142	-	**298,225**
Additions during the year	39	3	8	73	**123**
Disposals during the year	-	-	(3)	-	**(3)**
31 December 2019	**296,398**	**1,727**	**147**	**73**	**298,345**
Depreciation					
1 January 2019	44,123	345	108	-	**44,576**
Charge during the year	7,365	70	15	-	**7,450**
Disposals during the year	-	-	(3)	-	**(3)**
31 December 2019	**51,488**	**415**	**120**	**-**	**52,023**
Carrying amount					
31 December 2019	**244,910**	**1,312**	**27**	**73**	**246,322**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

At 31 December 2019

8 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Property, plant and equipment RO'000	Technical spares RO'000	Other assets RO'000	Capital work-in-progress RO'000	Total RO'000
Cost					
1 January 2018	296,353	1,710	127	-	298,190
Additions during the year	6	14	31	-	51
Disposals during the year	-	-	(16)	-	(16)
31 December 2018	296,359	1,724	142	-	298,225
Depreciation					
1 January 2018	36,774	274	117	-	37,165
Charge during the year	7,349	71	7	-	7,427
Disposals during the year	-	-	(16)	-	(16)
31 December 2018	44,123	345	108	-	44,576
Carrying amount					
31 December 2018	252,236	1,379	34	-	253,649

	Property, plant and equipment USD'000	**Technical spares USD'000**	**Other assets USD'000**	**Capital work-in-progress USD'000**	**Total USD'000**
Cost					
1 January 2019	770,766	4,483	370	-	**775,619**
Additions during the year	100	9	21	191	**321**
Disposals during the year	-	-	(8)	-	**(8)**
31 December 2019	**770,866**	**4,492**	**383**	**191**	**775,932**
Depreciation					
1 January 2019	114,755	897	284	-	**115,936**
Charge during the year	19,155	181	38	-	**19,374**
Disposals during the year	-	-	(8)	-	**(8)**
31 December 2019	**133,910**	**1,078**	**314**	**-**	**135,302**
Carrying amount					
31 December 2019	**636,956**	**3,414**	**69**	**191**	**640,630**

	Property, plant and equipment USD'000	Technical spares USD'000	Other assets USD'000	Capital work-in-progress USD'000	Total USD'000
Cost					
1 January 2018	770,750	4,447	330	-	775,527
Additions during the year	16	36	81	-	133
Disposals during the year	-	-	(41)	-	(41)
31 December 2018	770,766	4,483	370	-	775,619

8 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Property, plant and equipment USD'000	Technical spares USD'000	Other assets USD'000	Capital work-in-progress USD'000	Total USD'000
Depreciation					
1 January 2018	95,642	712	306	-	96,660
Charge during the year	19,113	185	19	-	19,317
Disposals during the year	-	-	(41)	-	(41)
31 December 2018	114,755	897	284	-	115,936
Carrying amount					
31 December 2018	656,011	3,586	86	-	659,683

The term loan facilities are secured by a comprehensive legal and commercial mortgage on all assets of the Company (note 15).

9 a) RIGHT-OF-USE ASSETS

	Connection Equipment RO'000	Site Rent RO'000	Total RO'000
Cost			
1 January 2019	999	2,717	**3,716**
Additions during the year	-	-	**-**
31 December 2019	**999**	**2,717**	**3,716**
Depreciation			
1 January 2019	-	-	**-**
Charge for the year (note 4)	125	112	**237**
31 December 2019	**125**	**112**	**237**
Carrying amount			
31 December 2019	**874**	**2,605**	**3,479**

	Connection Equipment USD'000	Site Rent USD'000	Total USD'000
Cost			
1 January 2019	2,599	7,066	**9,665**
Additions during the year	-	-	**-**
31 December 2019	**2,599**	**7,066**	**9,665**
Depreciation			
1 January 2019	-	-	**-**
Charge for the year (note 4)	325	291	**616**
31 December 2019	**325**	**291**	**616**
Carrying amount			
31 December 2019	**2,274**	**6,775**	**9,049**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

At 31 December 2019

9 b)LEASE LIABILITIES

Lease liabilities included in the statement of financial position as:

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
1 January 2019	3,716	9,665	-	-
Interest on lease liability (note 6)	217	564	-	-
Lease payments	(252)	(656)	-	-
31 December 2019	3,681	9,573	-	-

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Non-current lease liabilities	3,553	9,240	-	-
Current Lease liabilities	128	333	-	-
	3,681	9,573	-	-

Amount payable under **operating leases**	Contractual Undiscounted cash flows 2019 RO'000	Present value of lease payments 2019 RO'000	Contractual Undiscounted cash flows 2019 USD'000	Present value of lease payments 2019 USD'000
Within one year	337	128	876	333
In 2 to 5 years	1,385	640	3,602	1,664
More than 5 years	4,599	2,913	11,961	7,576
	6,321	3,681	16,439	9,573
Less: unpaid finance cost	(2,640)	-	(6,866)	-
Lease liabilities	3,681	3,681	9,573	9,573

The Company has leased land for plant premises and have lease term till 2043. The Company's obligations under its leases secured by the lessor's title to the leased assets. The Company is restricted from assigning and subleasing the leased assets. The Company has entered into a lease agreement on September 2010 in respect of the land used for plant, which is valid until first quarter of 2043.

The following are the amounts recognised in statement of income:

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Depreciation for rights-of-use assets [note 9(a)]	237	616	-	-
Interest on lease liabilities (note 6)	217	564	-	-
Total amount recognized in profit or loss	454	1,180	-	-

10 TRADE AND OTHER RECEIVABLES

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Trade receivables	**4,506**	**11,720**	4,814	12,520
Accrued income	**300**	**779**	12	32
Prepayments	**239**	**621**	231	600
Due from a related party (note 18)	**19**	**50**	-	-
Other receivables	**54**	**140**	848	2,204
	5,118	**13,310**	5,905	15,356

Trade receivables includes an amount of USD 7.89 million (RO 3.03 million) relating to Fuel component, from May 2019 to December 2019, not received from OPWP. Pursuant to the Natural Gas Sales Agreement signed with Ministry of Oil and Gas (MOG), the Company has accordingly not settled the corresponding Fuel payments to MOG as the Company is liable to pay to MOG only on receipt of the corresponding PPA payment relating to gas portion from OPWP. The impairment provision is assessed based on the "Expected Credit Loss" model under IFRS 9, which is considered to be immaterial.

11 SHORT TERM DEPOSIT

As per the CTA, the Company is required to maintain a debt service provisioning account ("DSPA") to ensure funds are available to service the loan instalments and interest on due date. At each repayment date at the end of October the Company is required to put the scheduled amount towards the next six monthly payments. The amount in the DSPA cannot be utilized for any purpose other than servicing the loan instalments and interest and is as such, restricted cash. The amount in the DSPA account has been put into a short term deposit maturing on 29 April 2020.

12 CASH AND CASH EQUIVALENTS

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Cash in hand and at bank	**1,883**	**4,898**	2,021	5,256
	1,883	**4,898**	2,021	5,256

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

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

At 31 December 2019

13 EQUITY

a) Share capital
The details of the shareholders are as follows:

31 December 2019	Nationality	No. of shares held of nominal value 100 Bzs. Each	% of total	Aggregate nominal value of shares held 2019 RO'000
Kahrabel FZE	UAE	**201,791,343**	**29.90%**	**20,179**
Middle East Investment LLC	Omani	**96,508,899**	**14.30%**	**9,651**
Civil Service Employees Pension Fund	Omani	**87,452,380**	**12.96%**	**8,745**
SEP International Netherlands B.V.	Netherlands	**48,254,453**	**7.15%**	**4,825**
Sojitz Global Investment B.V.	Netherlands	**48,254,453**	**7.15%**	**4,825**
Public Authority for Social Insurance	Omani	**44,678,563**	**6.62%**	**4,468**
Ministry of Defence Pension Fund	Omani	**40,200,737**	**5.96%**	**4,020**
Shareholders with less than 5% shareholding		**107,746,602**	**15.96%**	**10,776**
		674,887,430	**100.00%**	**67,489**
Nominal value in USD				**175,523**

31 December 2018	Nationality	No. of shares held of nominal value 100 Bzs. Each	% of total	Aggregate nominal value of shares held 2018 RO '000
Kahrabel FZE	UAE	201,791,343	29.90%	20,179
Middle East Investment LLC	Omani	96,508,899	14.30%	9,651
Civil Service Employees Pension Fund	Omani	87,922,172	13.03%	8,792
SEP International Netherlands B.V.	Netherlands	48,254,453	7.15%	4,825
Blue Horizon Sohar Power B.V.	Netherlands	48,254,453	7.15%	4,825
Public Authority for Social Insurance	Omani	45,152,563	6.69%	4,515
Ministry of Defence Pension Fund	Omani	40,890,737	6.06%	4,089
Shareholders with less than 5% shareholding		106,112,810	15.72%	10,613
		674,887,430	100.00%	67,489
Nominal value in USD				175,523

The Company has authorised, issued and paid-up share capital of RO 67,488,743 consisting of 674,887,430 shares of RO 0.1 each (2018: RO 67,488,743 consisting of 674,887,430 shares of RO 0.1 each).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

13 EQUITY *(continued)*

b) Legal reserve
Article 132 of the Commercial Companies Law requires that 10% of Company's net profits, after deduction of taxes for establishing a legal reserve untill such legal reserve amounts to at least one- third of the Company's share capital.

c) Hedging reserve
Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (note 14)

d) Dividend
Pursuant to shareholders resolution of 20 March 2019, the Board of Directors, in the meetings held on 24 April 2019 and 23 October 2019, approved cash dividends of 2.80 Baizas and 4.20 Baizas per share, respectively from the retained earnings of the Company as at 31 December 2018, to the shareholders of the Company who are registered in the Company shareholders' register with Muscat Clearing and Depository Company SAOC. The cut off dates for entitlement to receive dividends were 9 June 2019 and 1 December 2019 respectively.

Unclaimed dividend relating to cut off date of 9 June 2019 amounting to RO 2,645.41 has been deposited by Muscat Clearing & Depository Company SAOC with the Investors Trust Fund.

14 HEDGING RESERVE

Derivative instruments assets (liabilities) were as follows :

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Interest rate swaps:				
Term loans (note 15)				
Standard Chartered Bank	**(2,426)**	**(6,310)**	(893)	(2,322)
KfW IPEX - Bank GmbH	**(1,269)**	**(3,301)**	(464)	(1,206)
Credit Agricole Corporate & Investment Bank	**(1,114)**	**(2,897)**	(355)	(924)
HSBC Bank Middle East Limited	**(940)**	**(2,444)**	(333)	(865)
Total fair value of interest rate swaps	**(5,749)**	**(14,952)**	(2,045)	(5,317)
Deferred tax asset	**862**	**2,243**	307	797
Fair value of interest rate swaps net of tax	**(4,887)**	**(12,709)**	(1,738)	(4,520)
Currency swaps:				
Standard Chartered Bank	**(2,217)**	**(5,767)**	(1,818)	(4,727)
Credit Agricole Corporate & Investment Bank	**(53)**	**(137)**	41	107
Total fair value of currency swaps	**(2,270)**	**(5,904)**	(1,777)	(4,620)
Deferred tax asset	**341**	**886**	266	693
Fair value of currency swaps net of tax	**(1,929)**	**(5,018)**	(1,511)	(3,927)
Total fair value of derivative instruments	**(8,019)**	**(20,856)**	(3,822)	(9,937)
Less: Deferred tax asset [note 7(c)]	**1,203**	**3,129**	573	1,490
Total fair value of derivative instruments (net of tax)	**(6,816)**	**(17,727)**	(3,249)	(8,447)
Hedging reserve net of tax at the end of the year	**(6,816)**	**(17,727)**	(3,249)	(8,447)
Less: Hedging reserve net of tax at the beginning of the year	**(3,249)**	**(8,447)**	(5,093)	(13,246)
Effective portion of change in fair value of cash flow hedge for the year	**(3,567)**	**(9,280)**	1,844	4,799

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

At 31 December 2019

14 HEDGING RESERVE *(continued)*

(a) The long term facilities (note 15) [total drawdown of USD 490.50 million (RO 188.60 million) excluding Hermes Covered Fixed Facility of USD 120 million (RO 46.14 million)], the Company bear interest at US LIBOR plus applicable margins.

The Company has fixed the rate of interest through Interest Rate Swap Agreements ("IRS") entered into with, Standard Chartered Bank, dated 19 December 2011; KfW IPEX - Bank GmbH, dated 6 October 2010; Credit Agricole Corporate & Investment Bank, dated 5 October 2010 and HSBC Bank Middle East Limited, dated 6 October 2010 respectively, for the facilities (excluding Hermes Covered Fixed Facility).

The hedged notional amounts stand at approximately USD 121.50 million (RO 46.72 million), USD 63.64 million (RO 24.47 million), USD 57.86 million (RO 22.25 million) and USD 46.28 million (RO 17.79 million) at fixed interest rates of 2.9708%, 2.9750%, 2.9530% and 2.9788% per annum respectively, excluding margins.

(b) The O&M Agreement includes an outflow of approximately Euro 55 million, payable in Euro. The Company has entered into a Forward Rate Agreements ("FRA") with Standard Chartered Bank and two FRA with Credit Agricole Corporate & Investment Bank on 12 October 2010, 4 August 2015 and 3 September 2019 respectively to hedge against fluctuations in Euro/USD exchange rate. As per the FRAs', the Company shall pay a fixed USD amount at an exchange rate of 1.4318, 1.17471 and 1.2155 respectively and receive contractual Euro amount at each maturity date.

15 TERM LOANS

	2019 RO'000	**2019 USD'000**	2018 RO'000	2018 USD'000
Term loan	**142,520**	**370,664**	157,407	409,382
Less: current portion of term loan	**(15,794)**	**(41,078)**	(14,887)	(38,718)
Non-current portion of term loan	**126,726**	**329,586**	142,520	370,664
Less: Unamortised transaction cost	**(4,041)**	**(10,509)**	(5,030)	(13,082)
	122,685	**319,077**	137,490	357,582

On 16 September 2010, the Company entered into a Common Terms Agreement ("CTA"), for credit facilities with a consortium of international banks, export credit agencies and a local bank, with Credit Agricole Corporate & Investment Bank as the Global Facility Agent, Offshore Security Trustee, Offshore Account Bank, KEXIM Facility Agent and Commercial Facility Agent; with Bank Muscat SAOG as Onshore Security Agent and Onshore Account Bank; and with KfW IPEX - Bank GmbH as the Hermes Facility Agent.

At 31 December, the outstanding amounts were as follows:

	2019 RO'000	**2019 USD'000**	2018 RO'000	2018 USD'000
Hermes Covered Variable Facility	**38,217**	**99,395**	43,762	113,815
Commercial Facility	**45,040**	**117,138**	45,785	119,076
Hermes Covered Fixed Facility	**24,394**	**63,444**	27,933	72,648
KEXIM Direct Facility	**23,751**	**61,771**	27,196	70,732
KEXIM Covered Facility	**11,118**	**28,916**	12,731	33,111
	142,520	**370,664**	157,407	409,382

Repayments

The aggregate amount of drawrlown under the above facilities is repayable in half yearly instalments commencing from 31 October 2013, with the final instalment being due on 31 March 2027 except for Commercial Facility which has a final maturity date of 31 March 2028.

15 TERM LOANS *(continued)*

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Term loans		Short term borrowing	
	RO'000	USD'000	RO'000	USD'000
Balance at 1 January 2019	157,407	409,382	2,200	5,722
Proceeds from borrowing	-	-	68,701	178,676
Repayments of borrowing	(14,887)	(38,718)	(65,663)	(170,775)
Balance at 31 December 2019	142,520	370,664	5,238	13,623

Interest

(i) Interest on Hermes Covered Fixed Facility is charged at a fixed rate of 3.60% per annum, including margin.
(ii) Interest on the remaining facilities is charged at a floating rate of US LIBOR plus applicable margin. The Company has entered into interest rate swap contracts to fix its obligations against unfavorable US LIBOR rate changes.

During the year, the margins ranged between 1.70% and 2.80% per annum (2018: ranged between 1.70% and 2.80% per annum) depending on the type of facility and the interest payment period.
Other fees

Under the terms of the above facilities, the Company is required to pay agency and other fees.

Securities

The above facilities are secured by comprehensive legal and commercial mortgages on all the assets, etc. of the Company.

Covenants

The term loan facilities contain certain covenants pertaining to, amongst other things, liquidation and merger, entering into material new agreements, negative pledge, disposal of asset, granting of loan and guarantee, acquisition of capital assets, debt service coverage ratio, change of business, loan and guarantee, hedging agreement, etc, which the Company is required to comply. The Company is in compliance with the covenants.

16 ASSET RETIREMENT OBLIGATION

Under the Sub-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. The technique reflects assumptions such as costs, plant useful life, inflation and discount rates that third parties would consider to assume for the settlement of the obligation.

The movement in ARO provision is as follows:

	2019	2019	2018	2018
	RO'000	USD'000	RO'000	USD'000
At the beginning of the year	256	665	238	618
Unwinding of discount during the year	20	51	18	47
Balance at the end of the year	276	716	256	665

17 TRADE AND OTHER PAYABLES

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Fuel gas payable and accrual	**2,891**	**7,519**	5,987	15,570
Accrued interest cost	**1,237**	**3,216**	1,363	3,544
Due to related parties (note 18)	**505**	**1,313**	397	1,032
Other payable and accruals	**407**	**1,059**	1,594	4,143
	5,040	**13,107**	9,341	24,289

18 RELATED PARTY TRANSACTIONS

Related parties comprise the shareholders, directors, key management personnel, business entities that have the ability to control or exercise significant influence over financial and operating decisions of the Company and entities over which certain shareholders are able to exercise significant influence. Prices and terms of these transactions, which are entered in the normal course of business, are on mutually agreed terms and conditions.

Key Management benefits

Key management personnel are those having authority for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise).

Total compensation paid to the top five employees including key management personnel for the year ended 31 December are as follows:

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Key management benefits	**373**	**970**	374	973

The Company had the following transactions with related parties during the year:

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Suez-Tractebel Operation & Maintenance Oman LLC	**6,355**	**16,528**	6,967	18,118
Al Suwadi Power Company SAOG	**217**	**565**	230	598
Sojitz Corporation	**129**	**336**	118	307
Kahrabel Operations & Maintenance (Oman) LLC	**129**	**335**	129	335
ENGIE SA	**81**	**209**	80	209
Middle East Investment LLC	**39**	**100**	34	88
International Power SA Dubai Branch	**37**	**96**	38	98
Directors'	**32**	**84**	34	88
Shikoku Electric Power Co., Inc.	**19**	**50**	28	72
Public Authority for Social Insurance	**17**	**45**	17	46
Kahrabel FZE	**-**	**-**	28	72
Multitech LLC	**-**	**-**	4	11
Laborelec Middle East	**-**	**-**	1	3
	7,055	**18,348**	7,708	20,045

18 RELATED PARTY TRANSACTIONS *(continued)*

The nature of the above transactions is as follows:

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Operation and maintenance ("O&M") fees (note 4)	**5,979**	**15,551**	6,732	17,509
Secondment fees (note 5)	**237**	**616**	236	615
Sharing of costs	**217**	**565**	230	598
Other O&M cost (note 4)	**206**	**537**	139	361
DSRA LC cost (note 6)	**175**	**454**	174	453
Backcharge of expenses	**90**	**233**	-	-
Spares	**88**	**228**	8	21
Professional fees	**37**	**96**	39	101
Directors' sitting fee and remuneration (note 5)	**32**	**84**	34	88
Custom duty (note 4)	**(8)**	**(20)**	100	259
Others	**2**	**4**	16	40
	7,055	**18,348**	7,708	20,045

Balances due from a related party at the year end comprised (note 10)

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Al Suwadi Power Company SAOG	**19**	**50**	-	-

Balances due to related parties at the year end comprised (note 17)

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Suez-Tractebel Operation & Maintenance Oman LLC	**432**	**1,126**	238	618
Kahrabel Operations & Maintenance (Oman) LLC	**31**	**80**	32	84
Directors'	**15**	**38**	15	40
Sojitz Corporation	**10**	**25**	11	27
ENGIE SA	**6**	**16**	87	226
International Power SA Dubai Branch	**5**	**14**	5	14
Middle East Investment LLC	**3**	**7**	5	13
Shikoku Electric Power Co., Inc.	**2**	**4**	2	4
Public Authority for Social Insurance	**1**	**3**	1	3
Kahrabel FZE	**-**	**-**	1	3
	505	**1,313**	397	1,032

19 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:
- Market risk
- Credit risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

19 FINANCIAL RISK MANAGEMENT *(continued)*

The Board of Directors has overall responsibility for establishing and overseeing the Company's risk management framework. The Board has entrusted the management with the responsibility of developing and monitoring the Company's risk management policies and procedures and its compliance with them.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk:

The Company has borrowings which are interest beating and exposed to changes in US LIBOR rates. The Company has entered into interest rate swaps to hedge its US LIBOR risk exposure on 100% of its total loan facilities, excluding Hermes Covered Fixed Facility.

The Company does not account for any fixed rate financial liabilities at fair value through profit or loss and the Company does not designate hedging instruments under a fair value hedge accounting model. Therefore a change in interest rate at the reporting date would not affect the income statement.
At the reporting date, the interest rate profile of the Company's interest-bearing financial liabilities was:

	Interest rate %	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Financial liabilities					
Term loans					
- USD variable rate loans	Libor + margins	**118,126**	**307,220**	129,474	336,734
- USD fixed rate loan	3.60%	**24,394**	**63,444**	27,933	72,648
		142,520	**370,664**	157,407	409,382

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in US LIBOR rates at the reporting date would have increased/ (decreased) equity and statement of profit or loss and other comprehensive income by the amounts of USD 73,597 (RO 28,298) [2018: USD 203,397 (RO 78,206)]. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Currency risk:

The price under the O&M Agreement includes an expected amount of approximately Euro 55 million, payable in Euro. The Company has entered into FRAs' to hedge against fluctuations in Euro/USD exchange rate (note 13(b)). The Euro amounts hedged cover 95% of expected outflows for the period from January 2020 to August 2021, 73% for the period from September 2021 to December 2024 and 42% for the period from January 2025 to March 2028. The Management considers that the Company is not exposed to significant foreign exchange risk because most other transactions and balances are either in RO or USD and RO is effectively pegged to the USD.

Sensitivity analysis:

A strengthening/ (weakening) by 10% of the Euro against all other currencies at the reporting date would have affected the measurement of financial instruments denominated in a foreign currency and increased/ (decreased) equity and the statement of profit or loss and other comprehensive income by the amounts of USD 590,395 (RO 227,007) [2018: USD 460,030 (RO 176,882)]. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

19 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash balances held with banks. OPWP is the Company's sole customer and the Company analyses its credit risk with OPWP by monitoring its credit rating.

The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks and financial institutions.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Trade receivables (note 10)	**4,506**	**11,720**	4,814	12,520
Short term deposit	**1,578**	**4,103**	1,807	4,700
Cash at bank (note 12)	**1,883**	**4,898**	2,021	5,256
Accrued income (note 10)	**300**	**779**	12	32
Other receivables (note 10)	**54**	**140**	848	2,204
	8,321	**21,640**	9,502	24,712

Age analysis of trade receivables as at 31 December was:

	2019 RO'000 Trade Receivable	2019 USD'000 Allowance for impairment	2018 RO'000 Trade Receivable	2018 USD'000 Allowance for impairment
Not past due	**1,473**	**-**	4,814	-
Past due 0 < 3 months	**2,052**	**-**	-	-
Past due > 3 months	**981**	**-**	-	-
	4,506	**-**	4,814	-
Nominal value in USD '000	**11,720**	**-**	12,520	-

The table below shows the balances with banks categorized by short-term credit ratings as published by Moody' Service at the reporting date:

	Rating	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Bank					
Bank balances					
Bank Muscat SAOG	P-3	**1,534**	**3,991**	1,468	3,819
Credit Agricole Corporate & Investment Bank	P-1	**349**	**907**	553	1,437
		1,883	**4,898**	2,021	5,256
Short term deposit					
Credit Agricole Corporate & Investment Bank	P-1	**1,578**	**4,103**	1,807	4,700

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

At 31 December 2019

19 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company limits its liquidity risk by ensuring that a working capital facility is available, when required.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The following are the contractual maturities of financial liabilities, including interest payments:

31 December 2019	**Carrying amount RO'000**	**Contractual cash flow RO'000**	**Less than 1 year RO'000**	**Between 2 to 5 years RO'000**	**More than 5 years RO'000**
Derivatives					
Derivative instruments	**8,019**	**8,501**	**-**	**7,333**	**1,168**
Non-derivatives financial liabilities					
Term loans	**138,479**	**172,482**	**22,467**	**94,076**	**55,939**
Short term borrowing	**5,238**	**5,238**	**5,238**	**-**	**-**
Trade and other payables	**5,040**	**5,040**	**5,040**	**-**	**-**
	156,776	**191,261**	**32,745**	**101,409**	**57,107**

31 December 2019	**Carrying amount USD'000**	**Contractual cash flow USD'000**	**Less than 1 year USD'000**	**Between 2 to 5 years USD'000**	**More than 5 years USD'000**
Derivatives					
Derivative instruments	**20,856**	**22,111**	**-**	**19,072**	**3,039**
Non-derivatives financial liabilities					
Term loans	**360,155**	**448,590**	**58,432**	**244,672**	**145,486**
Short term borrowing	**13,623**	**13,623**	**13,623**	**-**	**-**
Trade and other payables	**13,107**	**13,107**	**13,107**	**-**	**-**
	407,741	**497,431**	**85,162**	**263,744**	**148,525**

31 December 2018	Carrying amount RO'000	Contractual cash flow RO'000	Less than 1 year RO'000	Between 2 to 5 years RO'000	More than 5 years RO'000
Derivatives					
Derivative instruments	3,822	3,808	-	3,433	375
Non-derivatives financial liabilities					
Term loans	152,377	197,956	22,201	92,674	83,081
Short term borrowing	2,200	2,200	2,200	-	-
Trade and other payables	9,341	9,341	9,341	-	-
	167,740	213,305	33,742	96,107	83,456

19 FINANCIAL RISK MANAGEMENT *(continued)*

31 December 2018	Carrying amount USD'000	Contractual cash flow USD'000	Less than 1 year USD'000	Between 2 to 5 years USD'000	More than 5 years USD'000
Derivatives					
Derivative instruments	9,937	9,904	-	8,928	976
Non-derivatives financial liabilities					
Term loans	396,300	514,838	57,739	241,024	216,075
Short term borrowing	5,722	5,722	5,722	-	-
Trade and other payables	24,289	24,289	24,289	-	-
	436,248	554,753	87,750	249,952	217,051

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

Fair value hierarchy:

The management believes that the fair value of the financial assets and liabilities are not significantly different from their carrying amounts as shown in the financial statements at the reporting date. There were no transfers between level 1 and level 2 during the year.

Measurement of fair values

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

Embedded derivatives

The following agreements contain embedded derivatives:

(a) 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.

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

(c) The SUA between the Company and SIPC contains embedded derivatives in the pricing formula that adjust the rent for the land to re fl ect changes in US consumer price index and the Omani consumerprice index.

These embedded derivatives are not separated from the host contract, the PPA and the O&M Agreement, and SUA and is not accounted for as a standalone derivative under IAS 39, 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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*
At 31 December 2019

20 COMMITMENTS

a) Operation and maintenance commitments

As per the O&M Agreement, STOMO is scheduled to operate and maintains the plant until 31 March 2028. Under the O&M Agreement the Company has to pay the following operating fees
- a fixed monthly fee; and
- a variable fee

All fees are subject to indexation based on Omani, Euro material and labour & US Producer Price indices.

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

	2019	2019	2018	2018
	RO'000	USD'000	RO'000	USD'000
Within one year	**7,829**	**20,362**	5,951	15,478
Between two and five years	**31,489**	**81,896**	25,176	65,477
After five years	**25,417**	**66,105**	29,029	75,497
	64,735	**168,363**	60,156	156,452

Euro/USD rate for converting Euro denominated O&M payments as at 31 December 2019 was 1.14 (31 December 2018: 1.14).

b) As at 31 December 2019, the Company has outstanding purchase orders for USD 164,658 (RO 63,311) [2018: USD 712,451 (RO 213,937)].

21 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 IFRS - 16 Leases. The Management further determined that such an arrangement in substance represents an operating lease. The lease commenced on 3 April 2013. The following is the total of minimum lease receipts expected to be received under the PPA, excluding indexation:

	2019	2019	2018	2018
	RO'000	USD'000	RO'000	USD'000
Within one year	**28,282**	**73,555**	28,246	73,462
Between two and five years	**113,020**	**293,940**	113,020	293,940
After five years	**87,979**	**228,814**	116,261	302,368
	229,281	**596,309**	257,527	669,770

22 NET ASSET PER SHARE - ADJUSTED

Net assets per share is calculated by dividing the net assets attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Net assets - sharehlolder funds	**88,938**	**231,308**	83,917	218,250
Weighted average number of shares outstanding during the year	**674,887**	**674,887**	674,887	674,887
Net assets per share (Baizas / cents) - adjusted	**131.78**	**342.74**	124.34	323.39

The management believes that the hedging deficit of RO 6.82 million (USD 17.73 million) as at 31 December 2019 [2018: RO 3.25 million (USD 8.45 million)] represents the loss which the Company would incur, if it opts to terminate its swap agreements on this date. However, under the terms of its financing documents, the Company is not permitted to terminate the swap agreements. Accordingly the hedging deficit has been excluded from the shareholder funds.

23 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Net profit for the year	**9,745**	**25,345**	9,072	23,595
Weighted average number of shares outstanding during the year	**674,887**	**674,887**	674,887	674,887
Basic earnings per share (Baizas / cents)	**14.44**	**37.55**	13.44	34.96