

ANNUAL
REPORT

2019

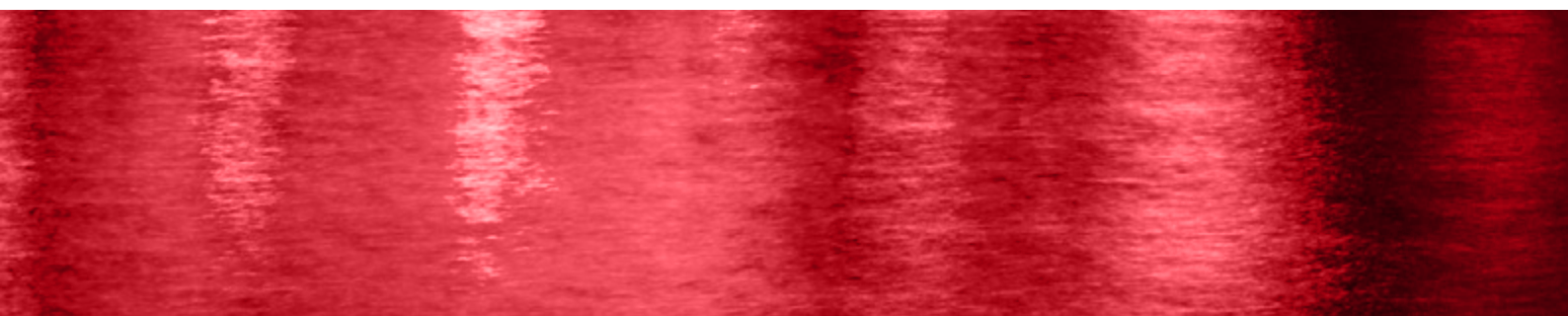
Energising Oman's Future

السوادي
وادي

السوادي للطاقة

AL SUWADI 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. Charles Paul Dexter	Chairperson	Kahrabel FZE
Mr. Ravinder Soin	Deputy Chairperson	
Mr. Ali Taqi Ibrahim Al-Lawati	Director	Public Authority for Social Insurance
Ms. Ashok Kumar Saproo	Director	
Mr. Bipin Dharamsey Nensey	Director	
Mr. Jurgen De Vyt	Director	
Ms. Maria Del Carmen Vidal	Director	
Mr. Muneer Abdullah Al-Balushi	Director	Civil Service Employees Pension Fund
Ms. Sameena Hasan Nagarwala	Director	Ministry of Defence Pension Fund
Mr. Yasushi Asano	Director	Sojitz Global Investment B.V.
Mr. Yoshitetsu Fujisawa	Director	SEP International Netherlands B.V.
Key Executive Officers	Position	
Mr. Navneet Kasbekar	Chief Executive Officer	
Mr. Preetam Saraf	Chief Financial Officer	





BOARD OF DIRECTORS' REPORT

Dear Shareholders,

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

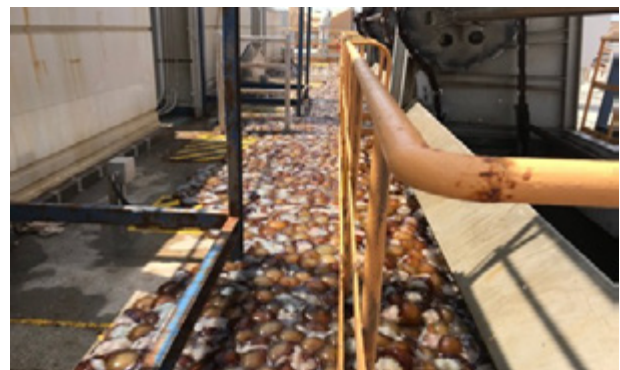
Corporate Governance

The Company has complied with the Code of Corporate Governance and applicable circulars issued from time to time by the Capital Market Authority (CMA).

Operational Results

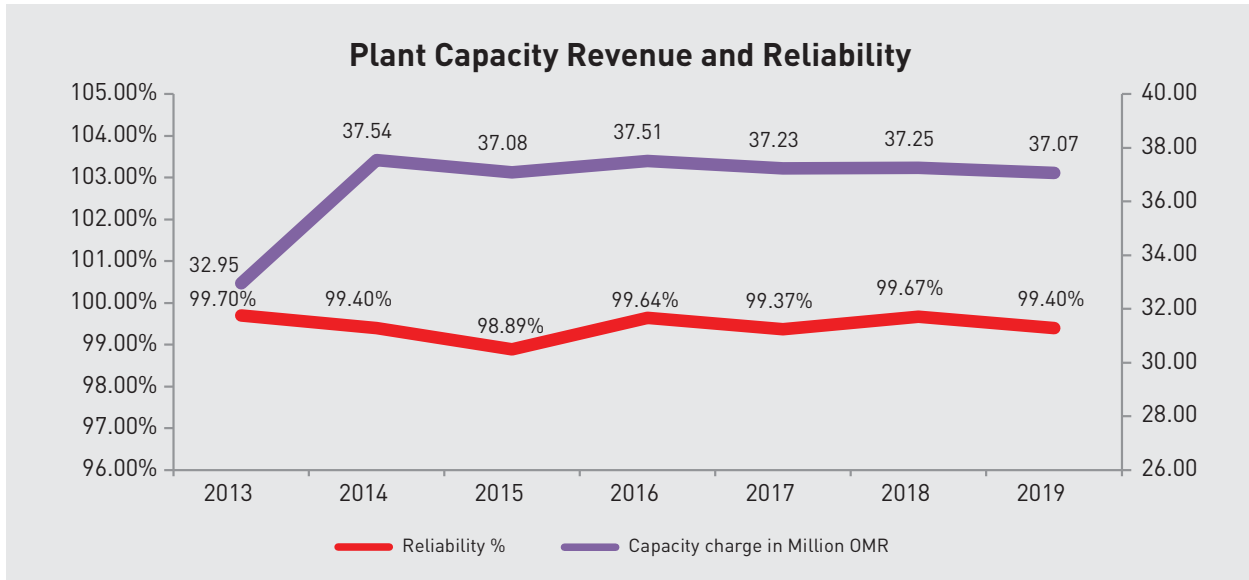
The operational performance of the plant during the year was excellent and 2019 could have been a more successful year for the Company but for the unprecedented 3 jelly fish attacks at the plant that not only caused a major outage and disruption in the plant's operation but also caused extensive damage to the plant's water intake facility. The issue was notified to Oman Power and Water Procurement (OPWP) as Force Majeure event, a clause agreed in the Power Purchase Agreement (PPA) to which, OPWP has agreed. This agreement has saved the Company from the forced outage penalty for the relative period of outage and further, the PPA has been extended by 55.24 hours.

The following pictures reveal the extent and magnitude of the attacks that wrecked the plant's smooth operations:



BOARD OF DIRECTORS' REPORT

The Following chart brings out the excellent track record of the Plant's reliability and the Capacity revenue earned since the Commercial Operation Date:



The plant reliability during 2019 was 99.4%. The reliability and fuel efficiency of the plant continues to place it at the higher end of the merit order list for dispatch among the power plants in Oman and, as such, the plant was dispatched at a high plant load. The Company continues to experience thermal inefficiency at high generation levels and at also at plant operating configurations that are inherently unfavourable and lead to heat rate loss. Consequently, the Company was not able to fully recover the fuel gas cost expended to generate power. The Company employed a leading firm of experts to address this issue to find out a cost-efficient solution to eliminate the fuel inefficiency. In spite of an extensive plant's past performance scrutiny and study the firm could not find a solution. Presently, Siemens has installed Performance Advisor software at the plant, as a pilot project, to investigate and find a solution to the plant's operational deficiency. Results from this exercise will be communicated in 2020 and thereafter, corrective actions, if financially feasible, will be undertaken. In the meanwhile, the Company will make efforts to find ways to minimise the heat rate loss.

The Plant achieved a major milestone during the year upon reaching 3,000 days of plant operations without any lost time accident! This was achieved with a sustained focus on excellence in Health, Safety, Environment and Quality Management at the plant. For this excellent performance, we acknowledge the efforts of the dedicated and diligent team of STOMO, our Operation and Maintenance Contractor.

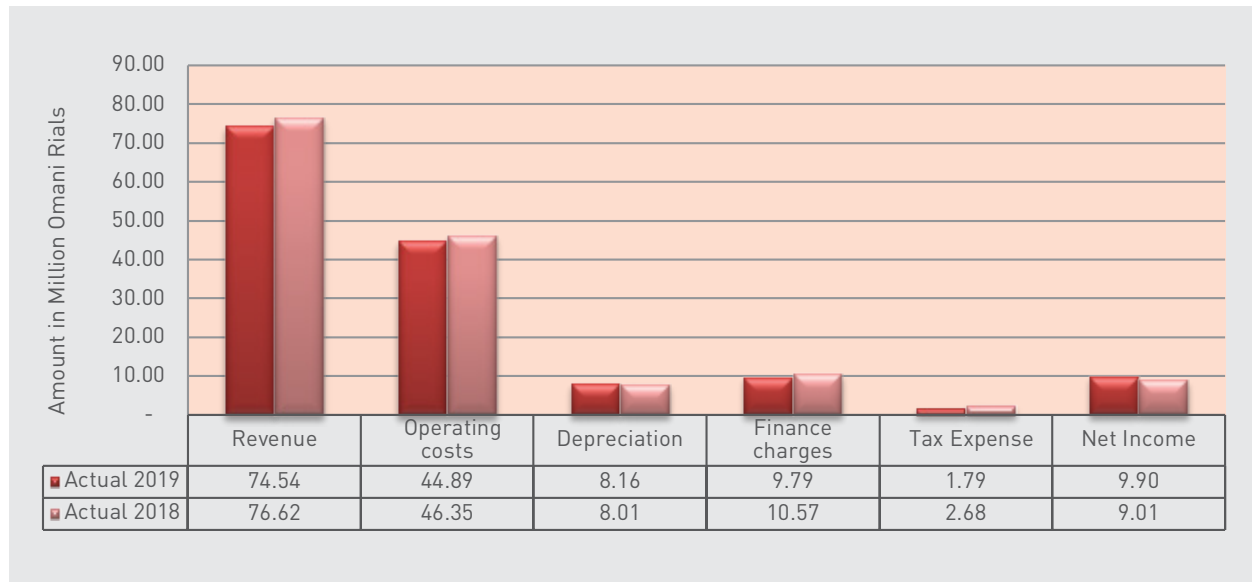
The Company duly met all the stringent environment permit conditions promulgated by Ministry of Environment and Climate. The cyber security for the plant has also been strengthened in association with STOMO. The Company has a plan in place to fully comply with the cyber security regulations issued by the Authority for Electricity Regulation.

Financial Results

The net financial results for 2019 were 9.90% higher than 2018 in spite of unfortunate loss arising from the three jelly fish attacks and the heat rate loss suffered by the plant. Lower revenue during 2019, as compared to 2018, was mainly due to lower power generation. This was primarily due to plant shutdown due to the jelly fish attacks and also, full/partial plant shut down during November and December 2019 on account of major planned plant maintenance activities - gas turbine and steam turbine periodical inspections.

BOARD OF DIRECTORS' REPORT

The Company controlled the operating costs. On a positive note, the reduced finance cost on account of scheduled repayment of project loans and lower deferred tax greatly contributed to the higher net profit.



The Company has duly met all its commitments under the term loan agreement. OPWP has not settled part of the monthly invoices relating to the gas consumption since May 2019. Other than this, OPWP has settled all monthly invoices for 2019. Incidentally, the gas consumption invoiced by the Company is a pass-through income and when received, is finally payable to the gas supplier, Ministry of Oil and Gas (MOG). The Company has withheld all gas invoice settlement to MOG since May 2019. Consequently, there has not been any financial or cash flow impact on the company.

Finally, the Company has declared and paid dividend of 7 Baizas per share in 2019.

The share price stood at 59 Baizas per share at the close of 2019.

Corporate Social Responsibility

The Company takes its role as a responsible corporate citizen seriously. Most of the Company's social responsibility programs are focused at the Wilayat of Barka. During the year the Company worked with three other companies in the power sector to install a solar power facility at the Government school at Liwa. Further, the Company also donated interactive Computer flat panels to 5 schools of Ministry of Education at Barka. The total amount spent on CSR activities during the year 2019 was RO 20,000.

As CSR initiative during 2020, it is proposed to install a solar power facility at another school in Al Kamil in the Wilayat of Al Kamil and Al Wafi, in active participation with three other power sector companies and undertake public utility projects in the Vilayat of Barka.

Medium Term Outlook

The Company continuously endeavours to identify and implement areas of improvement in plant operations. All reasonable measures were being taken by the management to maintain excellent operational performance during the year 2019. Any change in the power supply and demand landscape in the Sultanate has limited impact on the financial performance of the Company since its profitability is mainly derived from plant's availability and reliability.

BOARD OF DIRECTORS' REPORT



The Company and STOMO have strived to steadily increase the Omanisation in the staff members while ensuring smooth and reliable operation of the plant.

OPWP launched their Spot Market project in 2015. The spot market is expected to go live by the end of 2020 and will be fully operational in 2022. The Company has plans to put in place a robust internal process to fully comply with Spot Market Rules. The Company's Power Purchase Agreement with OPWP expires in 2028. Consequently, the spot market will have no impact on the revenue stream of our Company until the expiry of the Power Purchase Agreement.

On behalf of the Board of Directors, I wish to express gratitude to OPWP, the Authority for Electricity Regulation, the Capital Market Authority and other governmental and non-governmental bodies for their guidance and support. I would also like to thank all personnel associated with the operation of Al Suwadi Power plant and the staff of the Company for their hard work and dedication, and also to those others such as our contractors, whose expertise has assisted us in achieving these excellent results.

Finally, on behalf of the Board of Directors, I offer our deepest condolences to the citizens of Oman on the sad passing away of His Majesty Sultan Qaboos bin Said who steadfastly and admirably supported and encouraged the private sector. We express our deep appreciation and gratitude.

We heartily welcome and extend our best wishes to His Majesty Sultan Haitham bin Tarik bin Taimur Al Said. We thank the Government of Oman for creating an environment that allows us to participate effectively in the growth of the Sultanate's economy. We commit our efforts to the building of a strong Oman.

A handwritten signature in blue ink, consisting of several overlapping loops and a horizontal stroke, positioned above a thin horizontal line.

Charles Paul Dexter
Chairperson

PROFILE OF MAJOR SHAREHOLDERS

Kahrabel FZE

Kahrabel FZE oversees and manages the development, construction and operation of the electricity and water production business of ENGIE group in MENA region. It is an entity 100% owned by International Power S.A., which is ultimately owned indirectly by ENGIE group. Engie is a global reference in low-carbon energy and services, aiming to be the world leader in the zero carbon transition “as a service” for its customers. Engie has 160,000 employees, and turnover in 2018 of 60.6 billion Euros. The Group is listed on the Paris and Brussels stock exchanges (ENGI) and is represented in the main financial indices (CAC 40, DJ Euro Stoxx 50, Euronext 100, FTSE Eurotop 100, MSCI Europe) and non-financial indices (DJSI World, DJSI Europe and Euronext Vigeo Eiris - World 120, Eurozone 120, Europe 120, France 20, CAC 40 Governance).

Middle East Investment LLC

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

MEI is mainly engaged in investment & trading in quoted & un-quoted equity and debt securities.

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

Sojitz Global Investment B.V.

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)

SEP International Netherlands B.V. (SEPI)

SEPI is a wholly owned subsidiary of Shikoku Electric Power Co., Inc. (Yonden) for investing 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.

PROFILE OF MAJOR SHAREHOLDERS

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 through prudent, wise and long-term investment strategies. Currently, the scheme members exceed 203,000 active participants.

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 fixed income and equities) and alternative assets (such as private equity, infrastructure and real estate).

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

Civil Service Employees Pension Fund

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. It undertakes the responsibility for implementation of provisions of the law in addition to managing and investing the pensions and end of service funds. 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

Among the various social responsibility related initiatives pursued by the Company, it has a major focus in respect of community development in the Wilayat of Barka, the Wilayat in which the Company's Plant is located. The Company takes its role as a responsible corporate citizen seriously. Health, education, environment, sports and assisting other socially important initiatives are major spheres of our social responsibility programme.

Corporate Social Responsibility activities during 2019

Solar power initiative



Picture of roof-top PV solar project installed at the school at Liwa.

Al Suwadi Power Company SAOG in joint and active cooperation with SMN Power Holding Company SAOG, Al Batinah Power Company SAOG and Al Kamil Power Company SAOG successfully installed and commissioned PV solar system at Hafidh bin Saif School of Ministry of Education at Liwa.

This solar PV project was realized in the framework of our corporate social responsibility programs and had 3 main objectives:

1. To provide clean, renewable energy, free of charge to this school;
2. To create awareness for clean, renewable energy under the students and to teach them how solar energy works; &
3. To develop young, Omani SME's in the important sector of renewable energy production for the Sultanate.

We can proudly feel that these 3 objectives have been achieved. The solar PV system will generate more than 77 MWh per year, powering the school with a total installed capacity of 48 kWp, covering nearly 256m², making it a sustainable and green solution for power requirement of the school. The school has received solar training kits to educate all students about solar PV energy.

The share of the total project cost contributed by us amounted to RO 15,000.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Interactive Flat Panel donated to 5 Schools of Ministry of Education in the Barka region



The Company has donated totally 5 interactive flat white Board panels – three to girl’s schools and two to boy’s schools of Ministry of Education in Barka. The interactive displays are ideal long-term tools for school that personalize learning and enhance collaboration. Primarily interactive whiteboards deliver the highest level of performance, with features such as integrated Wi-Fi and Bluetooth with additional features, e.g., Android Oreo 8 system, integrated sound system, advanced lesson development software and user documentation facility. Finally, there is no annual licence fee and have low-maintenance cost.

The Company considers the exposure of students to modern technology as an important part of their educational development.

Total amount of RO 5,000 was incurred in this regard.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management of Al Suwadi Power Company SAOG (the “Company”) is pleased to present its report on the Company’s business structure, opportunities and challenges, 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 setting up of an independent regulatory agency, 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.

The Oman’s electricity and water sector is partly government-owned and partly privatized. OPWP’s portfolio of contracted power capacity comprises of long-term contracts with thirteen power plants out of which eleven are in operation.

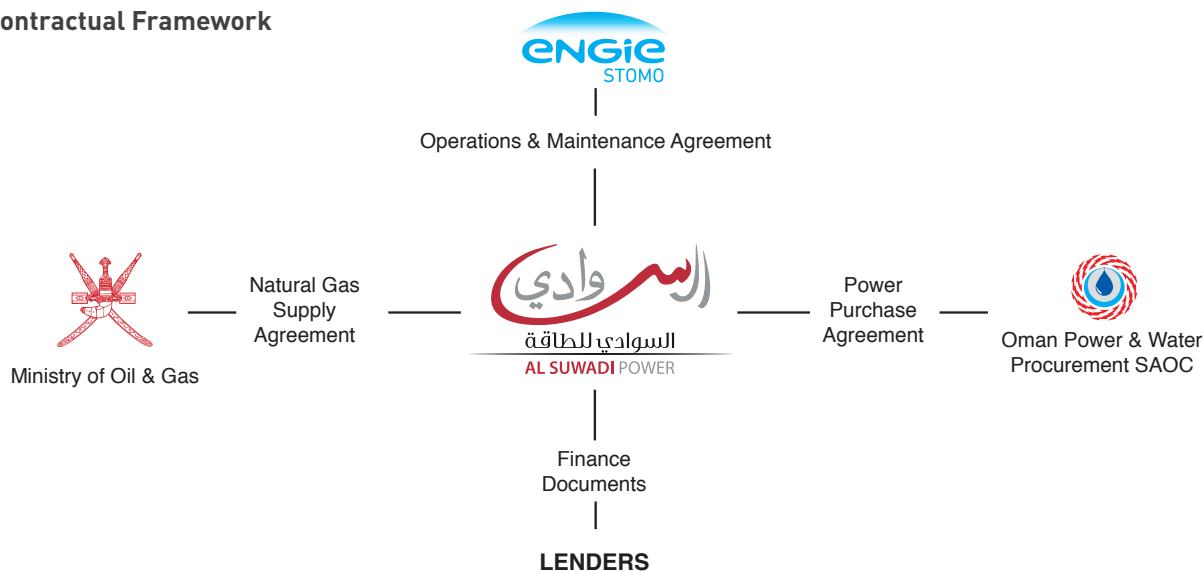
The Company is closely following OPWP’s “spot market” arrangements for the future procurement of power from independent power producers. The process of generation license modification by AER relating to the introduction of the spot market is progressing well and the Company has made every effort to ensure its duly compliance. These modifications include new license conditions concerning preparation for spot market implementation.

Although the Company has a Power Purchase Agreement (PPA) with OPWP which expires in 2028, the spot market regulations 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 is aiming 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 Challenges

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

Contractual Framework



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Power Purchase Agreement (PPA) with OPWP is resilient to potential increase 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. OPWP is an entity with good credit rating.

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. Effective January 2015, the gas price of US\$3/MMBtu with an annual escalation clause of 3% was notified by the MOG and for the year 2019 it was fixed at US\$3.38/MMBtu. However, as the gas cost is pass-through element under the PPA, the Company has no adverse financial impact from annual increase in the gas price.

The Company has entered into financing agreements with a consortium of international banks and export credit agencies. The future interest rates volatility is adequately hedged by 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 (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 thus largely mitigating the operational risk. 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 HSE performance in 2019 was excellent with no lost time accident (LTA) reported. The Company takes pride to inform that the Plant has completed 3103 days without an LTA.

The plant operation and maintenance is managed by STOMO. The Plant holds major certifications like ISO 14001:2015 (Environment Management System) and ISO 45001:2018 (Occupational Health & Safety) awarded by recognized external auditors. NEBOSH and IOSH training was imparted to the staff.

Many other proactive actions, as detailed below, undertaken by the Company and STOMO have led to such excellent accomplishment of HSE objectives:

- Frequent management reviews and safety walks
- Introduction of proactive key performance indicators (KPI)
- Introduction of the behavioral based program called "fresh eyes"
- Implementation of INTELEX – a safety incidents management system
- Behavioral Attitude Recommendation Standards (BARS) is a corporate initiative for enhancing behavioral safety introduced by Engie as part of wider loss control and risk management approach.

Every small incident or a near miss is taken very seriously, analyzed and actions are proactively implemented and shared internally and with the 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 the 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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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.

Capacity

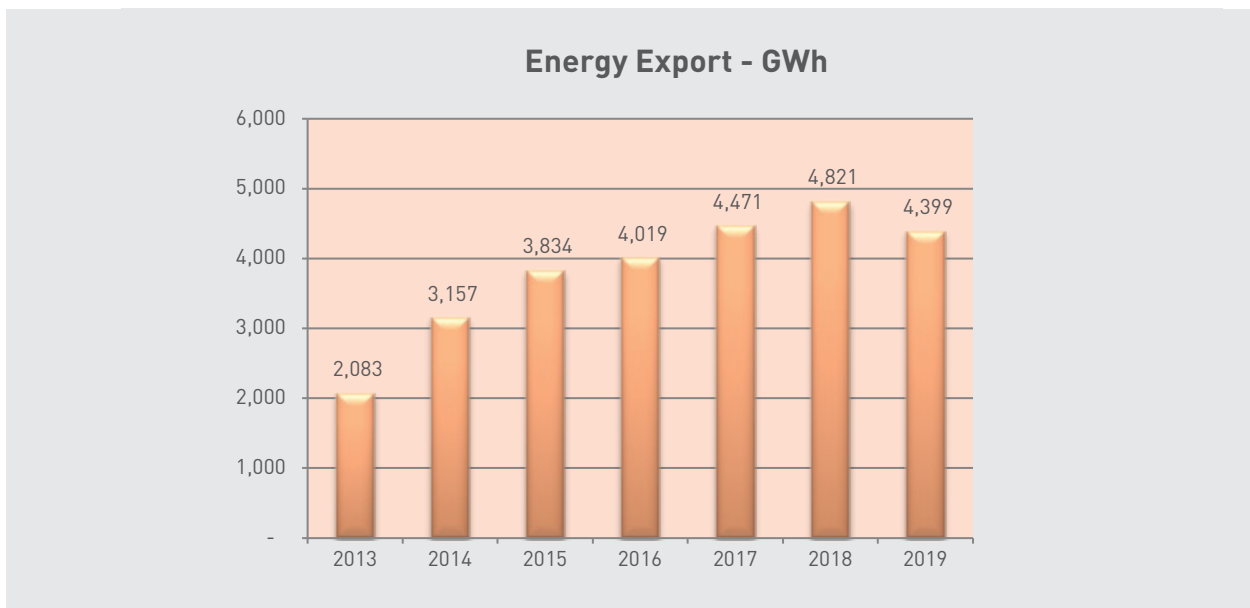
The capacity of a plant is defined as the total electrical power (MW), which can be delivered by the plant at reference site conditions (RSC). The tariff structure agreed within the PPA and the Operation and Maintenance Agreement (OMA) with STOMO focuses on a fundamental feature that the profitability of the Company is mainly derived from Plant's reliability. The reliability of the plant is its ability to deliver the declared capacity, as per the PPA. Increase in power generation has no impact on the Company's profits, except for the impact from thermal efficiency.

The Capacity revenue is closely associated with Plant's reliability, among other parameters like contracted capacity and indexation mechanism provided within the PPA.

Net energy export, capacity revenue, reliability and thermal efficiency

The level of plant's reliability over the years has been robust. The plant has seen consistent growth in energy export and consequent increase in capacity revenue.

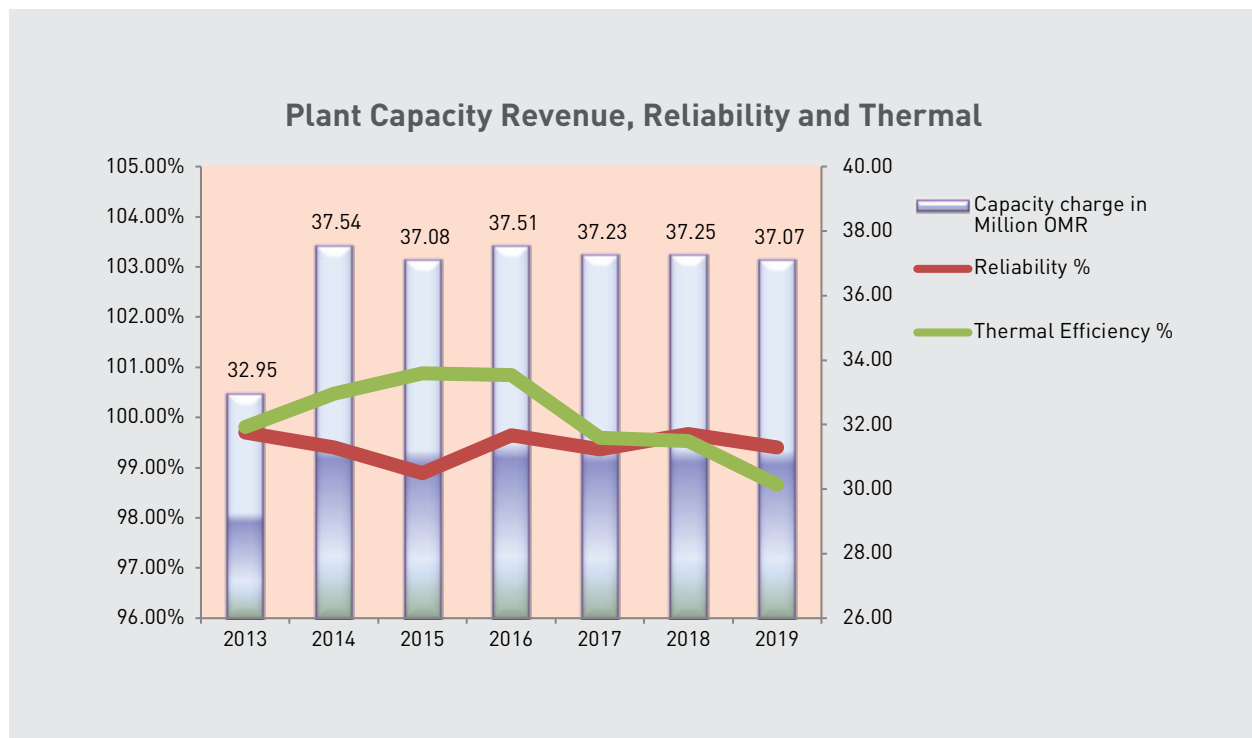
Net export of 4,399 GWh power was achieved during the year at a plant load of 68.2%. The following graph shows the Energy export since the plant's inception:



A minor dip in the power export during 2019 was on account of part/full plant shut down to undertake medium inspection of steam turbine and minor inspection of gas turbine during November and December 2019. The Plant's efficiency in power generation places it in a higher merit order listing for dispatch among the power plants in Oman which explains the continued high plant load enjoyed by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The following graph shows the excellent reliability that the plant has achieved and the consequent commendable capacity revenue that the plant has earned and further, compares the same with the thermal efficiency over the period since the plant's inception:



The thermal efficiency of the power plant is measured in terms of the amount of heat required to produce one unit of power. However, the decline in the thermal efficiency over the past three years is a matter of concern. The plant suffers thermal inefficiencies, i.e., heat rate loss, when it operates at very high plant load and at plant's unfavourable operating configurations. During 2019 the plant mainly operated at high load and in an unfavourable configurations and consequently suffered higher heat rate loss. A renowned firm of international consultants engaged by the Company during 2019 to find a solution to this situation has failed to come up with a sound solution. Continuous efforts are being made with the assistance of the equipment manufacturer, Siemens, to resolve this important factor in the Plant's operation. In this connection, Siemens has installed on a pilot basis, a Performance Advisor tool to evaluate and report the plant performance in real time. The benefit from this exercise, if any, will be known during the course of 2020.

Maintenance

Maintenance of the Plant by the O&M operator, STOMO, was undertaken in accordance with the standard operations and maintenance processes recommended by the Original Equipment Manufacturers (OEM) and on condition based monitoring as per best industry practices. Minor inspection work of GT 11 was completed in November 2019 by Siemens. Steam turbine medium inspection was undertaken by Siemens in November/December 2019, during which time the plant had a complete shut-down. All the programmed and scheduled works in this respect, as per Siemens' checklists, were duly performed.

Warranty Claims

During the year, substantial progress was seen in the EPC contractors attending to the outstanding work covered under the warranty bond. After a due assessment of all outstanding work EPC contractors' warranty bond, with a reduced value, was renewed with validity until end December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Discussion on financial performance

Financial Highlights

Figures in RO millions		2019	2018	% change
Revenues	1	74.54	76.62	-2.71%
Gross Profit		22.28	23.03	-3.26%
Finance Costs (net)		(9.79)	(10.57)	-7.38%
Net Profit	2	9.90	9.01	9.90%
Net Profit before Finance costs	3	19.69	19.58	0.56%
Total Assets	4	297.20	283.61	4.79%
Capital (Paid-up)	5	71.44	71.44	0.00%
Shareholders' Fund (Net Assets)	6	95.29	90.38	5.43%
Term Loans ^	7	152.66	168.63	-9.47%
Weighted average number of shares	8	714.41	714.41	0.00%
Ordinary Dividends	9	5.00	6.43	-22.24%

Key Financial Indicators:

Net Profit Margin	2/1	13.3%	11.8%	n/a
Return on Capital (Paid-up)	2/5	13.9%	12.6%	n/a
Return on Capital Employed	3/(6+7)	7.9%	7.6%	n/a
Debt Equity ratio	7:6	62:38	65:35	n/a
Net assets per share (Baizas)	6/8	133.38	126.51	5.43%
Basic earnings per share (Baizas)	2/8	13.86	12.61	9.88%
Dividends per share (Baizas)	9/8	7.00	9.00	-22.24%

^ Excluding unamortised transaction cost

Analysis of Profit & Loss

The net financial result for 2019 was approximately 10% higher than 2018. Lower revenue during 2019, as compared to 2018, was mainly due to plant outages from the three jelly fish attacks and also, full/partial plant shut down during November and December 2019 on account of medium inspection of steam turbine and minor inspection of gas turbine. The operating costs and the other general and administrative costs were well controlled leading to improvement in net profit margin from 11.8% in 2018 to 13.3% during the year.

Steady reduction in the finance cost due to scheduled loan repayments and lower deferred tax expense, as compared to 2018, has contributed to significant improvement in the net profit compared to 2018. Consequently, the return on capital employed and basic earnings per share have seen decent improvement as compared to last year.

Finally, the Company was able to declare and pay a dividend of 7 Baizas per share in 2019.

The share price stood at 59 Baizas per share at the close of year 2019.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Analysis of Balance Sheet

Total Assets of the Company stood at RO 297.20 million as at December 2019 as compared to RO 283.61 million last year mainly due to increase in Trade Receivables partly offset by depreciation charge for the year. Trade Receivables include unpaid invoices by OPWP relating to the gas consumption invoiced since May 2019. The Company has withheld all gas invoices from Ministry of Oil and Gas (MOG) since May 2019, as it is under pass-through mechanism and payable to MOG only upon the settlement of gas cost invoiced to OPWP. Other than this, OPWP has settled all monthly invoices for 2019.

The Company has received full re-imburement from OPWP for withholding tax paid on interest, under Change of Law clause as agreed within the PPA.

Cash and cash equivalents and short term deposit stood at RO 1.52 million as at December 2019, as compared to RO 2.73 million last year mainly due to timing difference in receivables and payables.

The Shareholders Funds (Net Assets) stood at RO 95.29 million as at December 2019 as compared to RO 90.38 million as at December 2018. Term Loans (including non-current and current balances) have reduced to RO 152.66 million as a result of scheduled loan repayments in accordance with the terms agreed within the Finance Documents. Consequently, the Debt-Equity ratio has seen decent improvement as compared to last year.

The Company maintains adequate provision for asset retirement obligation to enable it to fulfill its associated contractual obligation at the end of Plant's useful life.

During the year the Company has constructed an additional warehouse for better storage of its spare parts and tools.

Dividend Distribution

The Company's dividend policy of distributing available cash is conditional upon fulfillment 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 5 million (translating to 7 Baizas per share) during the year 2019 (paid out of the audited retained earnings for the year ended 31 December 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 policies, principles, directives and best practices in the industry and as per maintenance schedule 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 any property damage and loss of income arising from accidental damage.

OPWP Payments

As reported herein before, other than the gas portion of the monthly invoices since May 2019, OPWP has settled all monthly invoices for 2019. There has not been any financial or cash flow impact on the company as the Company has withheld gas invoices of MOG since May 2019.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Outlook

As per the Finance Documents, a cash sweep prepayment of the loan (commercial tranche only) will apply on 100% of the available cash flow starting from the twentieth repayment date until the loan is fully repaid. In case the Company is able to refinance/amend the loan conditions before the commencement of the cash sweep, dividend distributions during the Cash Sweep Period may be possible to the shareholders subject to free cash availability. The Company has engaged a reputed firm of financial consultants in 2019 to independently review and advise the financial projections of the Company until the end of the PPA and prepare a strategy document to address the cash sweep issue. Following this, the Company proposes to discuss and explore possibility of a commercial deal with its lenders that will delete/amend the cash sweep condition in the loan document thereby, permitting the Company to pay dividends during cash sweep period. The success of this exercise will mainly depend on the prevailing global financial market conditions.

The management is optimistic about the future of the Company. 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 Plant availability and improving fuel efficiency whilst closely controlling operational and overhead costs.

The Company conducts no other business in the Sultanate of Oman or outside and has no subsidiaries.

Internal control systems and their adequacy

The management is fully aware of the importance of a strong internal control system. The Company has a full time in-house internal auditor whose assignment includes analysis of the business risks and review of the internal controls under the supervision of the Audit Committee of the Board. 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.

The internal auditor executes all the functions as prescribed under the Code of Corporate Governance in a professional manner and submits regular reports to the Audit Committee as per the approved annual internal audit plan.

As required by the Article 27 of the CMA resolution no. 10/2018, a reputed international firm of auditors, Deloitte & Touche (M.E) & Co LLC, was engaged to perform External Quality Assessment of Internal Audit Unit of the Company. The auditors have conducted a thorough review and have concluded as follows:

"It is our conclusion that Internal Audit Department generally conforms with the 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."

Gratitude and Conclusion

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

CORPORATE GOVERNANCE REPORT





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C.R. No. 1224013
PR No. 4MM/15/2015: KMA/9/2015

REPORT OF FACTUAL FINDING

TO THE SHAREHOLDERS OF AL SUWADI POWER COMPANY SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) circular no. F/4/2015, dated 22 July 2015, with respect to the Board of Directors' corporate governance report of AL SUWADI 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 Suwadi Power Company SAOG, taken as a whole.



19 February 2020
Muscat

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Al Suwadi Power Company SAOG (the "Company") hereby presents its 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 Capital Market Authority (the "CMA") from time to time.

Company's philosophy

The Company follows the principles of good Corporate Governance and has implemented all 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.

An Audit Committee and a 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. During the Annual General Meeting (the "AGM") of the shareholders of the Company held on 20 March 2019, a new Board of Directors was elected for a term of 3 years.

a) Composition, category and attendance of Directors in the year 2019:

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

Subsequent to the election of the new members of the Board of Directors on 20 March 2019, Mr. Charles Paul Dexter was elected as Chairman and Mr. Ravinder Soin as Deputy Chairman. On 26 August 2019, Mr. Kazuichi Ikeda, nominee director representing SEP International Netherlands B.V., resigned. Subsequently, upon SEP International Netherlands B.V. nominating Mr. Yoshitetsu Fujisawa as his replacement, Mr. Yoshitetsu Fujisawa was appointed as director. There were no other changes in the composition of the new Board of Directors.

CORPORATE GOVERNANCE REPORT

Details of the Board of Directors meetings held during 2019 and the attendance of the members:

	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. Charles Paul Dexter (Chairperson)	Non-independent & Nominee Director	√	√	√	√	4	√
	Ravinder Soin (Deputy Chairperson)	Independent	√	√	√	√	4	√
	Mrs. Sameena Hasan Nagarwala	Independent & Nominee Director	n/a	√	√	√	3	n/a
	Mr. Ashok Kumar Saproo	Independent	√	√	√	√	4	√
	Mr. Ali Taqi Ibrahim Al-Lawati	Non-independent & Nominee Director	√	√	√	√	4	√
	Mr. Bipin Dharamsey Nensey	Independent	√	√	√	Proxy	4	X
	Mr. Jurgen De Vyt	Non-independent	n/a	√	√	√	3	n/a
	Mr. Yoshitetsu Fujisawa	Non-independent & Nominee Director	n/a	n/a	n/a	√	1	n/a
	Ms. Maria Del Carmen Vidal	Non-independent	n/a	Proxy	Proxy	√	3	n/a
	Mr. Muneer Al-Balushi	Non-independent & Nominee Director	n/a	√	√	√	3	n/a
Mr. Yasushi Asano	Non-independent & Nominee Director	√	√	Proxy	√	4	X	
Retired/Resigned	Mr. Kazuichi Ikeda	Non-independent & Nominee Director	x	Proxy	√	n/a	2	X
	Mr. Abdul Hakeem Amur Salim Al-Musalhi	Independent & Nominee Director	√	n/a	n/a	n/a	1	X
	Mr. Gillian Alexandre Huart	Independent	Proxy	n/a	n/a	n/a	1	X
	Mr. Shawn Madore	Non-independent	Proxy	n/a	n/a	n/a	1	X
	Mr. Yaqoub Harbi Salim Al Harthi	Non-independent	√	n/a	n/a	n/a	1	√

^ The category of incumbent directors is based on elections held during the AGMs of 20 March 2019.

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

All nominee directors are representatives of equity investors.

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

Name of Director	Name of Companies and Position Held
Mr. Ali Taqi Ibrahim Al-Lawati	<ul style="list-style-type: none"> The First Mazoon Fund - Director National Mass Housing SAOC - Director of the Board / Chairperson of Audit Committee Al Muzn Oman Commercial - Director of the Board / Member of Executive Committee
Mr. Bipin Dharamsey Nensey	<ul style="list-style-type: none"> Muscat Insurance Company SAOG - Deputy Chairman Sohar International Bank SAOG - Director
Mr. Ravinder Soin	<ul style="list-style-type: none"> Oman Ceramics Company SAOG- Director of the Board / Member of Audit Committee Myan Gulf Oman Desalination Company SAOC-Director

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

CORPORATE GOVERNANCE REPORT

Audit Committee

a) Brief description of terms of reference

The primary function of 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 the year 2019

The Audit Committee is comprised of majority of independent directors as required by the Code. Subsequent to the election of the new Board of Directors on 20 March 2019, the Board elected a new Audit Committee comprising of Mr. Bipin Dharamsey Nensey, Mr. Ravinder Soin and Mr. Kazuichi Ikeda. At the first newly elected Audit Committee meeting, Mr. Bipin Nensey was elected Chairman of the Audit Committee. On 26 August 2019, Mr. Kazuichi Ikeda resigned and was replaced by Mr. Yoshitetsu Fujisawa.

Details of the Audit Committee meetings held during 2019 and the attendance of the members.

Name of Committee Members		Position	Attendance				Total
			20 Feb	23 Apr	29 Jul	22 Oct	
Mr. Bipin Dharamsey Nensey		Chairperson	n/a	√	Proxy	√	3
Mr. Ravinder Soin		Member	√	√	√	√	4
Mr. Yoshitetsu Fujisawa		Member	n/a	n/a	n/a	√	1
Resigned / Retired	Mr. Kazuichi Ikeda	Member	√	√	√	n/a	3
	Mr. Gillian Alexandre Huart	Chairperson	√	n/a	n/a	n/a	1

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

CORPORATE GOVERNANCE REPORT

Nomination & Remuneration Committee

a) Brief description of terms of reference

The primary function of Nomination & Remuneration Committee of the Board 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.

The Committee meets at least twice a year.

b) Composition, position and attendance in 2019

Subsequent to the election of the new Board of Directors on 20 March 2019, the Board elected a new Nomination and Remuneration Committee comprising of Mr. Jurgen De Vyt, Mr. Kazuichi Ikeda and Mr. Ashok Sapruo. At the first newly elected Nomination and Remuneration Committee meeting, Mr. Jurgen De Vyt was elected Chairman of the Nomination and Remuneration Committee. On 26 August 2019, Mr. Kazuichi Ikeda resigned and was replaced by Mr. Yoshitetsu Fujisawa.

Details of the Nomination and Remuneration Committee meetings held during 2019 and the attendance of the members:

Name of NRC Members	Position	Attendance		
		20 Feb	22 Oct	Total
Mr. Jurgen De Vyt	Chairperson	n/a	√	1
Mr. Yoshitetsu Fujisawa	Member	n/a	√	1
Mr. Ashok Kumar Sapruo	Member	√	√	2
Resigned/ retired	Mr. Kazuichi Ikeda	√	n/a	1
	Mr. Yaqoub Harbi Salim Al-Harhi	√	n/a	1

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

Appraisal of the performance of the Board

During the Annual General Meeting of the Company held on 20 March 2019, the Shareholders agreed to conduct performance appraisal of the newly elected Board of Directors once during its 3 years' term.

The primary objective of the appraisal will be 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 of the performance of the current Board will be conducted in the year 2021.

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 election of the Board is held in accordance with the Commercial Companies Law as notified by Royal Decree no 18/2019 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;

CORPORATE GOVERNANCE REPORT

- (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 of Directors are elected from amongst the shareholders or non-shareholders.
- (v) The juristic person shall not be represented by more than one representative on the Board;
- (vi) No director shall be a member of the Board of more than four joint stock companies or chairperson of more than two joint stock companies. Pursuant to Article 203 of the Commercial Companies Law, a member of the board of directors shall not participate in the management of any other Company which carries out similar business.

Remuneration matters

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

As approved by the shareholders, the sitting fees of RO 400 for the members of the Board and RO 200 for the members of the Audit Committee and Nomination & Remuneration Committee is paid. The sitting fee is payable to the members of the Board, the Audit Committee and the Nomination & Remuneration Committee who attend the meeting either in person or by video conference. 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 Board, Audit Committee and Nomination & Remuneration Committee meetings amounted to RO 15,200 and RO 2,200 and RO 1,200 respectively.

b) Remuneration to Board members

Following approval by the shareholders in the AGM held on 20 March 2019, the Company paid total remuneration of RO 15,200 to the Board members in respect of the year 2018.

For the year 2019, the Board proposes to similarly pay remuneration to the Board members, equal to actual sitting fees paid during the year 2019, for their contribution in achieving excellent operational and financial results. The proposed remuneration of RO 15,200 has been accrued in the financial statements for year ended 31 December 2019, however, the same shall be paid provided it is approved by the shareholders in the AGM scheduled to be held on 18 March 2020.

c) Other payments to directors

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

d) Top 5 officers

The Company paid to its top 5 officers an aggregate amount of RO 301,075 which includes secondment fee, salaries, allowances, performance based bonuses and other benefits. The remuneration paid commensurate with their qualification, role, responsibility and performance.

The performance based bonus for staff members is based on the following criteria:

- a. At the beginning of the year, benchmark objectives, which include among other parameters, financial performance of the Company, Health, Safety and Environment targets, for each staff member are set.
 - b. At the end of the year, the performance and actual results against each of these objectives are evaluated and most importantly, any extraordinary contribution by the staff member leading to Company's improved performance is duly noted and acknowledged.
 - c. Based on the final score and a transparent process of evaluation, a bonus is worked out and disbursed.
- Employees' notice period and severance fees are specified in the standard employment contract entered into by the Company with the staff. Generally, the employment contract carries one month notice period. Severance fee is payable to an employee if the employee is terminated with less than agreed notice period.

CORPORATE GOVERNANCE REPORT

Details of non-compliance by the Company

There were no penalties imposed on the Company by the Capital Market Authority ("CMA"), Muscat Securities Market ("MSM") or any other statutory authority on any matter related to capital markets in the year 2019.

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.alsuwadipower.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. To comply with the requirements of MSM of appointing an Investors Relation Officer (IRO), the Company has appointed its CFO as the IRO.

Market price data

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

Month	Price (Baizas)				MSM Index (Service sector)	
	High	Low	Closing	Change from 1 January 2019	Closing	Change from 1 January 2019
January	97	95	96	-4.95%	2,142.44	-6.46%
February	93	90	91	-9.90%	2,079.39	-9.21%
March	88	87	87	-13.86%	1,979.61	-13.57%
April	80	78	80	-20.79%	2,034.26	-11.18%
May	80	80	81	-19.80%	1,975.07	-13.77%
June	78	76	76	-24.75%	1,915.80	-16.35%
July	70	69	69	-31.68%	1,838.60	-19.72%
August	70	70	70	-30.69%	1,873.58	-18.20%
September	72	72	72	-28.71%	1,950.53	-14.84%
October	70	69	70	-30.69%	1,909.84	-16.61%
November	71	70	71	-29.70%	1,954.94	-14.64%
December	59	58	59	-41.58%	1,896.58	-17.19%

b) Distribution of the shareholding as of December 31, 2019:

Category	Number of shareholders	Number of shares held	Share capital %
5% and above	7	586,744,439	82.1%
1% to 5%	2	25,071,321	3.5%
Less than 1 %	2,701	102,590,580	14.4%
Total	2,710	714,406,340	100.0%

There are no outstanding securities or any convertible instruments issued by the Company.

CORPORATE GOVERNANCE REPORT

Professional profile of the statutory auditor

The shareholders of the Company appointed Ernst and Young (EY) as the Company's auditors for the year 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, an amount of RO 10,150 was accrued in the financial statements for services rendered to the Company by EY (RO 9,400 for audit and RO 750 for other services).

External Quality Assessment of Internal Audit Function

In accordance with the terms of the engagement, Deloitte & Touche (M.E) & Co LLC, auditors, performed the External quality Assessment of Internal Audit Unit of the Company. The auditors have conducted a thorough review and have concluded that:

"It is our conclusion that Internal Audit Department generally conforms with the 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 that the financial statements for the year 2019 have been prepared in accordance with the applicable International Financial Reporting Standards.
- 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 and contractual framework as explained in detail in the financial statements 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

CORPORATE GOVERNANCE REPORT

Brief Profiles of Directors

Name	: Mr. Charles Paul Dexter
Year of Joining	: 2016
Education	: BSc (Hons) Architecture, Construction, Planning and Environmental Studies from University College London and a Chartered Management Accountant (ACMA CGMA)
Experience	: Mr. Dexter has experience in the power and steel industries in accountancy and financial management, risk control and risk management. He joined International Power plc in 1997, which became part of the ENGIE Group in 2011. Mr. Dexter has experience of coal, gas, and hydro generation, and district heating, and has worked in merchant, emerging merchant, and contracted electricity markets in the UK, Central Europe, and the Middle East. Mr. Dexter is currently Chief Finance and Administration Officer for Engie Power and Water Middle East.

Name	: Mr. Ravinder Soin
Year of Joining	: 2018
Education	: Fellow Member of the Institute of Chartered Accountants of India & Associate Member of the Institute of Cost Accountants of India
Experience	: Mr. Ravinder has 27 Years of professional experience in manufacturing, trading, fabrication, real estate & other service industries. He is presently the Head-Credit & Collection of Suhail Bahwan Group. During his 21 years with Suhail Bahwan Group, he has worked closely on various policy matters, establishing & strengthening controls, facilitating investment & business decisions. His areas of specialization are risk assessment & management, finance, costing, taxation, auditing, budgeting, management reporting & investment analysis.

Name	: Mr. Ali Taqi Ibrahim Al-Lawati
Year of Joining	: 2016
Education	: Bachelor degree in real estate and insurance and a diploma in capital markets with specialised focus on financial analysis.
Experience	: Mr. Ali has a total of 22 years of experience in the Investment Department with PASI. He possesses experience in the management of international and local investments for traditional and alternative asset classes, and currently is head of real estate Investment at PASI.

CORPORATE GOVERNANCE REPORT

Name	Mr. Ashok Kumar Saproo
Year of Joining	: 2018
Education	: Bachelor's Degree (Honours) in Civil Engineering from Birla Institute of Technology & Science, Pilani (India)
Experience	: Mr. Saproo has more than 38 years of experience in Construction Industry and Real Estate Development. He is very senior level professional and has successfully handled large size township real estate development projects; state of art Commercial building, Hotels and Mall projects; specialized projects like IT parks/ Warehouses/ Automated car parks; Interiors for Offices/ High end offices/ Villas etc from concept to completion. He has joined Suhail Bahwan Group in the year 2012 and is currently heading Projects & Interior Design Department. Prior to joining Suhail Bahwan Group, he has worked with reputed companies like Hyundai Engg and Construction company, Xansa India Limited, Reliance Industries Ltd, Unitech Ltd, Prestige estates Projects ltd at senior level for design development and project execution.
Name	Mr. Bipin Dharamsey Nensey
Year of Joining	: 2018
Education	: Bachelor's Degree in Commerce from Mumbai University (India) 1977. Management Executive Certification from Indian School of Business (ISB) Hyderabad (India) in the Year 2003
Experience	: Mr. Nensey is a Director of Sohar International Bank SAOG since 2018. He served as a Director of Oman International Bank from 1999 to 2002 and as Deputy Chairman of Oman International Bank (HSBC Bank Oman) from 2002-2012. Mr. Nensey serves as Deputy Chairman of Muscat Insurance Company SAOG since 2015 and as a Director of Dharamsey Nensey since 1977.
Name	Mr. Yasushi Asano
Year of Joining	: 2018
Education	: Bachelor's Degree in Economics from Keio University, Japan
Experience	: Mr. Asano has over 15 years of experience in the plant and infrastructure industry. He is currently Manager, Section 1, Power Project Department of Sojitz Corporation and responsible for IPP/IWP/IWPPs development and management of its overseas portfolios.
Name	Mr. Yoshitetsu Fujisawa
Year of Joining	: 2019
Education	: Bachelor degree in Engineering from Keio University, Japan
Experience	: Mr. Fujisawa is Deputy General Manager of SEP International Netherlands B.V. (DMCC Branch) – Dubai. In this position, he is responsible for new development and asset management of IPP/IWPP projects in Europe, the Middle East and Africa. Mr. Fujisawa started his career in Shikoku Electric Power Co. (YONDEN) parent company of SEP International Netherlands B.V.in 1999 as an electrical engineer of Power Distribution Department and has been involved in operation, maintenance, design, policy making and budget management, etc. related to distribution facilities in Japan for more than 4 years. He has been engaged in international activities of YONDEN for more than 15 years, out of which he worked for technical consultation of approx. 100 projects developed by YONDEN and asset management of IPP/IWPP projects in the world.

CORPORATE GOVERNANCE REPORT

Name	: Mr Jurgen De Vyt
Year of Joining	: 2019
Education	: Master's degree in Business Administration (Executive Management) from the Vlerick Leuven Ghent Management School and a Master's degree in Electrical Engineering.
Experience	: Mr. De Vyt joined Al Dur power and water and Al Ezzel power company in Bahrain as CEO in 2019. Since he joined the ENGIE group in 1991, he has been in charge of multicultural teams responsible for the realization of projects in Europe and Northern Africa. Between 2003 and 2006, Mr. De Vyt was Project Director for the Sonatrach Gazoduc renovation project in Algeria. From 2007 to 2008, he was in charge of business development for renewable energy projects in Belgium and from 2008 till 2013, Mr. De Vyt worked on a new 800MW power plant in northern Germany, responsible for organizational and technical matters. Moving to Oman in 2013, he was in charge of Al Batinah Power Company until 2017 and SMN Power Holding between 2017 and 2019.
Name	: Mrs. Maria del Carmen Vidal Martínez
Year of Joining	: 2019
Education	: Ms. Sc. Industrial Engineering, Escuela Técnica Superior de Ingenieros Industriales, Madrid, Spain.
Experience	: Mrs. Vidal has a diversified experience in automotive, construction and energy industries. On the later she has been with ENGIE in MESCAT since 2009, where she is the Chief Procurement Officer, responsible for the Procurement synergies and performance, working closely with technical and financial departments of all the entities. She leads the synergies of the Procurement community. Mrs. Vidal has worked in several countries in Europe and for the last 15 years in the Middle East.
Name	: Mr. Muneer Abdullah Khamis Al-Balushi
Year of Joining	: 2019
Education	: Bachelor degree (HONS) in Accounting
Experience	: Mr. Muneer has been working with Civil Service Employees Pension Fund for the last 12 years. Mr. Muneer is presently the department manager of Al Batinah South Governorate Fund
Name	: Ms. Sameena Hasan Nagarwala
Year of Joining	: 2019
Education	: B.Com MBA CFA
Experience	: Ms. Sameena is a senior risk professional with more than 20 years of experience in the region. She is well versed with different asset classes and investments due to her diverse experience of working with a family office, asset management company, bank and pension fund. She started her career as an equity analyst and is well versed with the regional and international markets. At the bank she was part of the asset management team doing buy side research and also led several corporate banking transactions. Currently at the pension fund she leads the risk performance and compliance function. She has a Master's of Business Administration from Institute of Technology and Management and is a Chartered Financial Analyst (CFA)

CORPORATE GOVERNANCE REPORT

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	: Mr. Navneet Kasbekar
Position	: Chief Executive Officer
Year of Joining	: 2015
Education	: Commerce Graduate and Member Institute of Chartered Accountants of India
Experience	: Mr. Kasbekar has been in the power industry for over 18 years having earlier worked in Al Kamil Power company SAOG since January 2001. He joined Al Kamil Power Company SAOG as Finance Director and was actively associated in the setting up of the power project and installing systems and procedures in the organisation. He was promoted to the position of CEO in the year 2006. He has over 41 years of work experience out of which over 28 years has been in general managerial position in varied fields like trading, real estate, hospitality and printing.

Name	: Mr. Preetam Saraf
Position	: Chief Financial Officer
Year of Joining	: 2019
Education	: Member of Institute of Chartered Accountants of India with postgraduate diploma (equivalent to MBA) in Finance and a Bachelor degree in Commerce.
Experience	: Mr Saraf has more than 21 years of professional experience including 12 years in power sector. He started his career with Indian Oil dealing in oil refinery sector where he spent 6 years. Before joining Al Suwadi Power Company, he was working for 11 years with Tata Power, the largest integrated power utility in India, and was actively associated in setting up of greenfield power projects and installing systems and procedures in the organisation. He worked in Tata Power in various capacities including site-finance head of their power plants, coal mines, and in the last assignment as Head Subsidiaries Finance and Performance analysis.



AUDITED FINANCIAL STATEMENTS





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PR No. HMR/15/2015, HMA/9/2015

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Al Suwadi 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.



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

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p>Allowance for impaired debts</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures for obtaining sufficient appropriate audit evidence over the carrying value of trade receivables, we:</p> <ul style="list-style-type: none"> • 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. <p>We assessed appropriateness of the Company's provisioning policy applied which included:</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p>Details regarding credit risk and the aging of trade receivables is set out in notes 10 and 19(b) to the financial statements.</p>



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

Key audit matters (continued)

<p>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.</p> <p>The accounting policy relating to revenue recognition is set out in note 3 to the financial statements.</p>	<p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none"> • 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 recalculations; • 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.
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Other information included in the Company's 2019 Annual Report

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL SUWADI 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.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL SUWADI 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.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL SUWADI 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



STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

		2019	2019	2018	2018
	Notes	RO'000	USD'000	RO'000	USD'000
Revenues		74,538	193,856	76,623	199,279
Direct costs	4	(52,254)	(135,904)	(53,597)	(139,394)
GROSS PROFIT		22,284	57,952	23,026	59,885
Other income		-	-	19	50
General and administrative expenses	5	(794)	(2,065)	(779)	(2,024)
PROFIT BEFORE INTEREST AND TAX		21,490	55,887	22,266	57,911
Finance costs - net	6	(9,793)	(25,467)	(10,574)	(27,501)
PROFIT BEFORE TAX		11,697	30,420	11,692	30,410
Tax expense	7	(1,793)	(4,663)	(2,683)	(6,979)
NET PROFIT FOR THE YEAR		9,904	25,757	9,009	23,431
Earnings per share					
Basic earnings per share (Baizas / cents)	23	13.86	36.05	12.61	32.80

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

Notes	2019	2019	2018	2018	
	RO'000	USD'000	RO'000	USD'000	
NET PROFIT FOR THE YEAR	9,904	25,757	9,009	23,431	
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 tax)	15	(3,863)	(10,048)	2,041	5,308
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	6,041	15,709	11,050	28,739	

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	265,151	689,600	273,016	710,056
Right-of-use assets	9 a)	1,229	3,195	-	-
Capital spares		594	1,544	413	1,074
		<u>266,974</u>	<u>694,339</u>	<u>273,429</u>	<u>711,130</u>
Current assets					
Inventory		1,854	4,822	1,812	4,714
Trade and other receivables	10	26,843	69,816	5,635	14,658
Short term deposit	11	1,233	3,206	1,461	3,800
Cash and cash equivalents	12	291	756	1,274	3,313
		<u>30,221</u>	<u>78,600</u>	<u>10,182</u>	<u>26,485</u>
TOTAL ASSETS		<u>297,195</u>	<u>772,939</u>	<u>283,611</u>	<u>737,615</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	14 a	71,441	185,801	71,441	185,801
Legal reserve	14 b	6,367	16,559	5,377	13,984
Retained earnings		17,477	45,455	13,564	35,278
Total equity		<u>95,285</u>	<u>247,815</u>	<u>90,382</u>	<u>235,063</u>
Hedging reserve	15	(7,153)	(18,604)	(3,290)	(8,556)
Net Equity		<u>88,132</u>	<u>229,211</u>	<u>87,092</u>	<u>226,507</u>
LIABILITIES					
Non-current liabilities					
Term loans	16	131,587	342,228	147,529	383,691
Lease liabilities	9 b)	1,221	3,176	-	-
Derivative instruments	15	8,415	21,887	3,871	10,066
Deferred tax liability	7	20,092	52,257	18,980	49,367
Asset retirement obligation	13	288	750	268	697
End of service benefits		8	22	7	19
		<u>161,611</u>	<u>420,320</u>	<u>170,655</u>	<u>443,840</u>
Current liabilities					
Trade and other payables	17	27,767	72,211	8,895	23,135
Lease liabilities	9 b)	118	308	-	-
Short term borrowing		2,550	6,632	1,000	2,601
Term loans	16	17,017	44,257	15,969	41,532
		<u>47,452</u>	<u>123,408</u>	<u>25,864</u>	<u>67,268</u>
Total liabilities		<u>209,063</u>	<u>543,728</u>	<u>196,519</u>	<u>511,108</u>
TOTAL EQUITY AND LIABILITIES		<u>297,195</u>	<u>772,939</u>	<u>283,611</u>	<u>737,615</u>
Net assets per share (Baizas / cents) - adjusted	22	<u>133.38</u>	<u>346.88</u>	<u>126.51</u>	<u>329.03</u>

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

Notes	2019	2019	2018	2018
	RO'000	USD'000	RO'000	USD'000
CASH FLOWS FROM OPERATING ACTIVITIES				
	11,697	30,420	11,692	30,410
Profit before tax				
Adjustments for:				
Depreciation	4 & 5	8,154	21,209	8,007
Finance costs (net)	6	9,793	25,467	10,574
Gain on disposals		-	-	(2)
Accrual for end of service benefits		1	3	1
Cash from operations before working capital changes		29,645	77,099	30,272
Changes in:				
Inventories		(42)	(108)	(67)
Trade and other receivables		(21,223)	(55,198)	(1,900)
Trade and other payables		18,916	49,191	2,339
Cash generated from operating activities		27,296	70,984	30,644
Lease payments	9 (a)	(108)	(278)	
Finance costs paid		(8,912)	(23,180)	(9,554)
Net cash flows generated from operating activities		18,276	47,526	21,090
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of property, plant and equipment	8	(145)	(376)	(80)
Proceeds from sale of property, plant and equipments		-	-	2
Net cash flows used in investing activities		(145)	(376)	(78)
CASH FLOW FROM FINANCING ACTIVITIES				
Repayment of term loans	16	(15,968)	(41,531)	(15,289)
Proceeds / (repayment) of short term borrowing - net	16	1,550	4,031	(1,000)
Short term deposit - net movement		228	594	309
Interest received		77	204	63
Dividends paid	14 (c)	(5,001)	(13,005)	(6,430)
Net cash flows used in financing activities		(19,114)	(49,707)	(22,347)
Net changes in cash and cash equivalents		(983)	(2,557)	(1,335)
Cash and cash equivalents at 1 January	12	1,274	3,313	2,609
Cash and cash equivalents at 31 December	12	291	756	1,274

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

Notes	Share capital R0'000	Legal reserve R0'000	Retained earnings R0'000	Hedging reserve R0'000	Total R0'000
<i>Balance at 1 January 2018</i>	71,441	4,476	11,886	(5,331)	82,472
Comprehensive income for the year					
Net profit for the year	-	-	9,009	-	9,009
<i>Other comprehensive income, net of income tax</i>					
Cash flow hedges - effective portion of changes in fair value	-	-	-	2,041	2,041
<i>Total comprehensive income</i>	-	-	9,009	2,041	11,050
Transfer to legal reserve	-	901	(901)	-	-
<i>Transaction with owners of the Company</i>					
Dividend	-	-	(6,430)	-	(6,430)
<i>Total transaction with owners of the Company</i>	-	-	(6,430)	-	(6,430)
Balance at 31 December 2018	71,441	5,377	13,564	(3,290)	87,092
<i>Comprehensive income for the year</i>					
Net profit for the year	-	-	9,904	-	9,904
<i>Other comprehensive income, net of income tax</i>					
Cash flow hedges - effective portion of changes in fair value	-	-	-	(3,863)	(3,863)
<i>Total comprehensive income</i>	-	-	9,904	(3,863)	6,041
Transfer to legal reserve	-	990	(990)	-	-
<i>Transaction with owners of the Company</i>					
Dividend	-	-	(5,001)	-	(5,001)
<i>Total transaction with owners of the Company</i>	-	-	(5,001)	-	(5,001)
Balance at 31 December 2019	71,441	6,367	17,477	(7,153)	88,132

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

Notes	Share capital USD'000	Legal reserve USD'000	Retained earnings USD'000	Hedging reserve USD'000	Total USD'000
Balance at 1 January 2018	185,801	11,641	30,912	(13,864)	214,490
<i>Comprehensive income for the year</i>					
Net profit for the year	-	-	23,431	-	23,431
<i>Other comprehensive income, net of income tax</i>					
Cash flow hedges - effective portion of changes in fair value	-	-	-	5,308	5,308
<i>Total comprehensive income</i>	-	-	23,431	5,308	28,739
Transfer to legal reserve	-	2,343	(2,343)	-	-
<i>Transaction with owners of the Company</i>					
Dividend	-	-	(16,722)	-	(16,722)
<i>Total transaction with owners of the Company</i>	-	-	(16,722)	-	(16,722)
Balance at 31 December 2018	185,801	13,984	35,278	(8,556)	226,507
<i>Comprehensive income for the year</i>					
Net profit for the year	-	-	25,757	-	25,757
<i>Other comprehensive income, net of income tax</i>					
Cash flow hedges - effective portion of changes in fair value	-	-	-	(10,048)	(10,048)
<i>Total comprehensive income</i>	-	-	25,757	(10,048)	15,709
Transfer to legal reserve	-	2,575	(2,575)	-	-
<i>Transaction with owners of the Company</i>					
Dividend	-	-	(13,005)	-	(13,005)
<i>Total transaction with owners of the Company</i>	-	-	(13,005)	-	(13,005)
Balance at 31 December 2019	185,801	16,559	45,455	(18,604)	229,211

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 Suwadi Power Company (the "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 Barka 3 Power Plant with a capacity of about 750MW), and associated gas interconnection facilities and other relevant infrastructure; to make available the demonstrated power capacity; and to sell the electrical energy generated to Oman Power and Water Procurement Company SAOC. Accordingly, the Plant is considered and managed as one reportable segment. Commercial Operation of the Plant was achieved by the Company on 4 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) Usufruct Agreement relating to the Barka site dated 15 August 2010 with the Government of the Sultanate of Oman represented by the Ministry of Housing for grant of Usufruct rights over the plant site for 25 years from its effective date.
- (iv) Turnkey Engineering, Procurement and Construction Contract ("EPC Contract") dated 15 September 2010 with Siemens AG and GS Engineering and Construction Corp. to perform the engineering, procurement and construction of the Plant.
- (v) Operation & Maintenance Agreement ("O&M Agreement") with Suez Tractebel Operation and Maintenance Oman LLC ("STOMO") dated 24 September 2010 for a period of 15 years from scheduled COD.
- (vi) Electrical Connection Agreement dated December 2011 with Oman Electricity Transmission Company SAOC for connection of the Company's equipment to the transmission system.

Finance documents

- (vii) Common Terms Agreement ("CTA") and Facility Agreements dated 16 September 2010 for long term loans with international and local banks.
- (viii) First Amendment Agreement to the Common Terms Agreement and Facility Agreements dated 29 September 2010.
- (ix) Hedging Agreements for interest rate swap with Credit Agricole Corporate & Investment Bank (dated 5 October 2010), KfW IPEX Bank GMBH (dated 6 October 2010), HSBC Bank Middle East Limited (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 8.84 million.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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 (as the "Global Facility Agent" and "Offshore Security Trustee"), Bank Muscat SAOG (as the "Onshore Account Bank") and Others.
- (xiii) Offshore Deed of Charge and Assignment dated 16 September 2010 with Credit Agricole Corporate & Investment Bank as "Offshore Security Trustee".
- (xiv) Deed of Assignment of Re-insurance dated 16 September 2010 with Credit Agricole Corporate and Investment Bank as "Offshore Security Trustee"; and Oman United Insurance Company SAOG as "Insurer".
- (xv) Sale and Purchase Agreement dated 16 September 2010 with Bank Muscat SAOG as the "Onshore Security Agent".
- (xvi) Agreement for Security over Omani Shares dated 16 September 2010 between the Company as "the Company", the Founder Shareholders as the "Chargors", Bank Muscat SAOG as the "Onshore Security Agent"; and Credit Agricole Corporate & Investment Bank as the "Global Facility Agent".
- (xvii) Commercial Mortgage over Company's Assets (including receipt) dated 21 September 2010 between the Company as "Mortgagor" and Bank Muscat SAOG as "Mortgagee".
- (xviii) Legal Mortgage dated 21 September 2010 between the Company as "Mortgagor" and Bank Muscat SAOG as "Mortgagee".
- (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 asset retirement obligation, deferred finance cost and operating leases 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 amounts have been rounded to the nearest thousand (RO '000 and USD '000) except where otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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

3.1 BASIS OF PREPARATION *(continued)*

d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRSs requires the management to make judgments, 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 and impairment of financial assets.

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 BASIS OF PREPARATION (continued)

d) Use of estimates and judgments (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 1.85 million (2018: RO 1.81 million) [USD 4.82 million (2018: USD 4.71 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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

3.1 BASIS OF PREPARATION *(continued)*

d) Use of estimates and judgments (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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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
 - o IFRS 3 Business Combinations - Previously held Interests in a joint operation
 - o IFRS 11 Joint Arrangements - Previously held Interests in a joint operation
 - o IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity.
 - o 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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 of RO 1.37 million (USD 3.57 million) and lease liabilities of RO 1.37 million (USD 3.57 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:

	RO'000	USD'000
Assets		
Operating lease commitments as at 31 December 2018	2,024	5,265
Discounted operating lease commitments as at 1 January 2019	1,361	3,557
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 (note 9)	<u>1,361</u>	<u>3,557</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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 remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. 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 RO 0.14 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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 based on 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, "FVTOI").

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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.

The Company has 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 asset 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 OCI, 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) *Financial Instruments (continued)*

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

- an asset in its entirety, or
- specifically identified cash flows from an asset (or a Company of similar financial assets), or
- a fully proportionate (pro rata) share of the cash flows from an asset (or a Company of similar financial assets), or
- a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a Company of similar financial assets)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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 future economic conditions when measuring expected credit losses:

- i) Financial assets measured at amortised cost,
- ii) Financial assets mandatorily measured at FVTOCI, and
- iii) 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:

- i) 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
- ii) full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) *Financial Instruments (continued)*

Derecognition 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial Instruments (continued)

Effectiveness testing, rebalancing 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.

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 (after 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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)

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.

e) Capital spares

Cost of capital Spares 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 the lower of cost and 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 depreciation 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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.

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 that 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) *Revenue*

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

The 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. The other components of tariff under the PPA are recognised as revenue. The fixed operation and maintenance charge is recognised overtime as OPWP benefits from the service as the Company performs over the PPA term. The electrical energy and fuel charges components are linked to the actual energy delivered and will be recognised at a point in time for each KWh delivered. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 takes 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.

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 future 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

4 DIRECT COSTS

	2019	2019	2018	2018
	RO'000	USD'000	RO'000	USD'000
Fuel gas	36,196	94,138	37,699	98,047
Depreciation (note 8)	8,143	21,180	8,000	20,807
Operation and maintenance ("O&M") fees (note 18)	6,824	17,749	6,905	17,957
Insurance	475	1,236	496	1,290
Fuel oil	44	115	52	135
Custom duties (note 18)	24	62	62	162
Grid connection fee	17	45	204	531
Other O&M expenses	531	1,379	179	465
	52,254	135,904	53,597	139,394

5 GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2019	2018	2018
	RO'000	USD'000	RO'000	USD'000
Secondment fees (note 18)	231	601	236	615
Employment costs	181	472	170	441
Public company related costs	99	258	101	264
Agency fees	52	135	51	133
Directors' remuneration and sitting fees (note 18)	34	88	34	88
Office rent	20	53	20	53
Corporate social responsibility	20	52	20	52
Depreciation (note 8)	11	29	7	17
Other general and administrative expenses	146	377	140	361
	794	2,065	779	2,024

6 FINANCE COSTS (NET)

	2019	2019	2018	2018
	RO'000	USD'000	RO'000	USD'000
Interest on term loans	7,689	19,998	7,956	20,691
Amortisation of deferred finance costs	1,074	2,793	1,175	3,057
Swap interest	677	1,761	1,210	3,148
Debt Service Reserve Account ("DSRA") LC cost (note 18)	187	487	188	488
Interest on short term borrowing	88	228	72	188
Interest on lease liabilities [note 9(b)]	86	223	-	-
Exchange loss	47	122	49	125
Asset retirement obligation - unwinding of discount (note 13)	20	53	19	49
Ineffective portion of interest rate hedge (note 15)	-	-	(31)	(77)
Interest income	(75)	(198)	(64)	(168)
	9,793	25,467	10,574	27,501

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

7 TAXATION

(a) Tax expense recognised in the income statement:

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Deferred tax expense relating to temporary differences	1,793	4,663	2,683	6,979

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.

(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	11,697	30,420	11,692	30,410
Income tax as per applicable tax rate	1,754	4,563	1,754	4,562
Deferred tax impact for prior period [note 7(e)]	-	-	801	2,084
Change in recognised temporary difference	37	96	127	329
Not allowable expense	2	4	1	4
Deferred tax expense for the year	1,793	4,663	2,683	6,979

No deferred tax has been recognised on tax losses of RO 35 million (2018: RO 34.8 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 there from.

The Company's effective tax rate for the year ended 31 December 2019 was 15.33% (31 December 2018: 22.9%).

(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)/asset recognised in income statement			
Depreciation for property, plant and equipment	(23,047)	(1,488)	(24,535)
Provision for right-of-use assets and lease liabilities	-	17	17
Provision for site restoration	40	3	43
Losses carried forward	3,446	(325)	3,121
	(19,561)	(1,793)	(21,354)
Deferred tax asset directly recognised in equity			
Fair value adjustment of interest rate and forex swap (note 15)	581	681	1,262
Net deferred tax liability	(18,980)	(1,112)	(20,092)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

7 TAXATION (Continued)

(c) Deferred tax liability (Continued)

	At 1 Jan 2019 USD'000	Recognised during the year USD'000	At 31 Dec 2019 USD'000
Deferred tax (liability)/asset recognised in income statement			
Depreciation for property, plant and equipment	(59,941)	(3,870)	(63,811)
Provision for right-of-use assets and lease liabilities	-	44	44
Provision for site restoration	104	8	112
Losses carried forward	8,960	(845)	8,115
	<u>(50,877)</u>	<u>(4,663)</u>	<u>(55,540)</u>
Deferred tax asset directly recognised in equity			
Fair value adjustment of interest rate and forex swap (note 15)	1,510	1,773	3,283
Net deferred tax liability	<u>(49,367)</u>	<u>(2,890)</u>	<u>(52,257)</u>
	As at 1 Jan 2018 RO'000	Recognised during the year RO'000	As at 31 Dec 2018 RO'000
Deferred tax (liability)/asset recognised in income statement			
Depreciation for property, plant and equipment	(20,143)	(2,904)	(23,047)
Provision for site restoration	37	3	40
Losses carried forward	3,228	218	3,446
	<u>(16,878)</u>	<u>(2,683)</u>	<u>(19,561)</u>
Deferred tax asset directly recognised in equity			
Fair value adjustment of interest rate and forex swap (note 15)	945	(364)	581
Net deferred tax liability	<u>(15,933)</u>	<u>(3,047)</u>	<u>(18,980)</u>
	As at 1 Jan 2018 USD'000	Recognised during the year USD'000	As at 31 Dec 2018 USD'000
Deferred tax (liability)/asset recognised in income statement			
Depreciation for property, plant and equipment	(52,387)	(7,554)	(59,941)
Provision for site restoration	97	7	104
Losses carried forward	8,392	568	8,960
	<u>(43,898)</u>	<u>(6,979)</u>	<u>(50,877)</u>
Deferred tax asset directly recognised in equity			
Fair value adjustment of interest rate and forex swap (note 15)	2,461	(951)	1,510
Net deferred tax liability	<u>(41,437)</u>	<u>(7,930)</u>	<u>(49,367)</u>

- (d) Deferred tax asset has been recognised directly in equity in respect of the changes in fair values of interest rate swaps and forward rate contracts (note 15).
- (e) In May 2018, the Secretariat General of Taxation ("SGT") has issued decision in respect of the objection filed by the Company in respect of the assessment orders for years 2012 and 2013. The SGT accepted the Company's tax return for year 2012. However, the SGT maintained original assessment order for year 2013 thereby allowing full year tax depreciation. Accordingly, the deferred tax provision based on the final decision by the SGT has been recorded in previous year financial statements.
- (f) The tax returns for 2014 to 2018 have not yet been assessed by the SGT. The management is of the opinion that the final tax liability once assessed for the open tax years would not be material to the Company's financial position as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

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	317,903	1,717	105	4	319,729
Additions during the year	135	-	4	6	145
Disposal / transfer during the year	4	-	(2)	(4)	(2)
31 December 2019	<u>318,042</u>	<u>1,717</u>	<u>107</u>	<u>6</u>	<u>319,872</u>
Depreciation					
1 January 2019	46,288	345	80	-	46,713
Charge for the year	7,931	67	11	-	8,009
Disposal / transfer during the year	-	-	(1)	-	(1)
31 December 2019	<u>54,219</u>	<u>412</u>	<u>90</u>	<u>-</u>	<u>54,721</u>
Carrying amount 31 December 2019	<u>263,823</u>	<u>1,305</u>	<u>17</u>	<u>6</u>	<u>265,151</u>
	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	317,897	1,717	93	-	319,707
Additions during the year	6	-	25	4	35
Disposal / transfer during the year	-	-	(13)	-	(13)
31 December 2018	<u>317,903</u>	<u>1,717</u>	<u>105</u>	<u>4</u>	<u>319,729</u>
Depreciation					
1 January 2018	38,357	276	86	-	38,719
Charge for the year	7,931	69	7	-	8,007
Disposal / transfer during the year	-	-	(13)	-	(13)
31 December 2018	<u>46,288</u>	<u>345</u>	<u>80</u>	<u>-</u>	<u>46,713</u>
Carrying amount 31 December 2018	<u>271,615</u>	<u>1,372</u>	<u>25</u>	<u>4</u>	<u>273,016</u>
	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	826,797	4,466	274	11	831,548
Additions during the year	350	-	10	16	376
Disposal/transfer during the year	11	-	(4)	(11)	(4)
31 December 2019	<u>827,158</u>	<u>4,466</u>	<u>280</u>	<u>16</u>	<u>831,920</u>
Depreciation					
1 January 2019	120,386	897	209	-	121,492
Charge for the year	20,627	174	29	-	20,830
Disposal during the year	-	-	(2)	-	(2)
31 December 2019	<u>141,013</u>	<u>1,071</u>	<u>236</u>	<u>-</u>	<u>142,320</u>
Carrying amount 31 December 2019	<u>686,145</u>	<u>3,395</u>	<u>44</u>	<u>16</u>	<u>689,600</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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
Cost					
At 1 January 2018	826,781	4,466	238	-	831,485
Additions during the year	16	-	65	11	92
Disposal during the year	-	-	(29)	-	(29)
31 December 2018	<u>826,797</u>	<u>4,466</u>	<u>274</u>	<u>11</u>	<u>831,548</u>
Depreciation					
1 January 2018	99,760	716	221	-	100,697
Charge for the year	20,626	181	17	-	20,824
Disposal during the year	-	-	(29)	-	(29)
31 December 2018	<u>120,386</u>	<u>897</u>	<u>209</u>	<u>-</u>	<u>121,492</u>
Carrying value					
31 December 2018	<u>706,411</u>	<u>3,569</u>	<u>65</u>	<u>11</u>	<u>710,056</u>

The term loan facilities are secured by comprehensive legal and commercial mortgages on all the assets of the Company (note 16).

9 a) RIGHT-OF-USE ASSETS

	Connection equipment RO'000	Site rent RO'000	Total RO'000
Cost			
1 January 2019	1,100	274	1,374
Additions during the year	-	-	-
31 December 2019	<u>1,100</u>	<u>274</u>	<u>1,374</u>
Depreciation			
1 January 2019	-	-	-
Charge for the year	137	8	145
31 December 2019	<u>137</u>	<u>8</u>	<u>145</u>
Carrying amount			
31 December 2019	<u>963</u>	<u>266</u>	<u>1,229</u>
Cost			
1 January 2019	2,861	713	3,574
Additions during the year	-	-	-
31 December 2019	<u>2,861</u>	<u>713</u>	<u>3,574</u>
Depreciation			
1 January 2019	-	-	-
Charge for the year	358	21	379
31 December 2019	<u>358</u>	<u>21</u>	<u>379</u>
Carrying amount			
31 December 2019	<u>2,503</u>	<u>692</u>	<u>3,195</u>

NOTES TO THE FINANCIAL STATEMENTS

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 (note 3.2)	1,361	3,539	-	-
Interest on lease liabilities (note 6)	86	223	-	-
Payments	(108)	(278)	-	-
31 December 2019	1,339	3,484	-	-

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Current Lease liabilities	118	308	-	-
Non-current lease liabilities	1,221	3,176	-	-
	1,339	3,484	-	-

	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
Amount payable under operating leases				
Within one year	196	118	511	308
In 2 to 5 years	786	558	2,045	1,452
More than 5 years	935	663	2,431	1,724
	1,917	1,339	4,987	3,484
Less: unpaid finance cost	(578)	-	(1,503)	-
Lease liabilities	1,339	1,339	3,484	3,484

The Company has leased land for plant premises. Land lease is generally based on the usufruct agreement between Ministry of Housing and the Company. The agreement starts on 15 August 2010 and having an expiry for the initial term of 25 years. The renewal of the agreement can be made for the further period of 25 years upon the written request of the Company. 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 following are the amounts recognised in statement of income:

	2019 RO'000	2019 USD'000	2018 RO'000	2018 USD'000
Depreciation of rights-of-use assets [note 9(a)]	145	379	-	-
Interest on lease liabilities (note 6)	86	223	-	-
Total amount recognised in profit or loss	231	602	-	-

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

10 TRADE AND OTHER RECEIVABLES

	2019		2018	
	RO'000	USD'000	RO'000	USD'000
Trade receivables	26,207	68,158	4,533	11,789
Prepayments	307	799	237	616
Other receivables	36	94	843	2,197
Accrued income	293	765	22	56
	26,843	69,816	5,635	14,658

Trade receivables includes an amount of USD 64.32 million (RO 24.73 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 receiving 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 Common Terms Agreement ("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 lying in the DSPA account has been placed into a short term deposit maturing on 29 April 2020.

12 CASH AND CASH EQUIVALENTS

	2019		2018	
	RO'000	USD'000	RO'000	USD'000
Cash in hand	1	3	1	3
Cash at bank	290	753	1,273	3,310
	291	756	1,274	3,313

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.

13 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		2018	
	RO'000	USD'000	RO'000	USD'000
At 1 January	268	697	249	648
Unwinding of discount during the year (note 6)	20	53	19	49
At 31 December	288	750	268	697

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

14 EQUITY

(a) Share Capital

The details of the shareholders are as follows:

	Nationality	No. of shares held of nominal value 100 Bzs. Each	% of total	Aggregate nominal value of shares held RO '000
31 December 2019				
Kahrabel FZE	UAE	213,607,492	29.90%	21,361
Middle East Investment LLC	Omani	102,160,110	14.30%	10,216
Civil Service Employees Pension Fund	Omani	76,534,074	10.71%	7,653
Sojitz Global Investment B.V.	Netherlands	51,080,055	7.15%	5,108
SEP International Netherlands B.V.	Netherlands	51,080,055	7.15%	5,108
Public Authority for Social Insurance	Omani	47,063,982	6.59%	4,706
Ministry of Defence Pension Fund	Omani	45,218,671	6.33%	4,522
Shareholders with less than 5% shareholding		127,661,901	17.87%	12,767
		714,406,340	100.00%	71,441
				185,801

Nominal value in USD '000

	Nationality	No. of shares held of nominal value 100 Bzs. Each	% of total	Aggregate nominal value of shares held RO '000
31 December 2018				
Kahrabel FZE	UAE	213,607,492	29.90%	21,361
Middle East Investment LLC	Omani	102,160,110	14.30%	10,216
Civil Service Employees Pension Fund	Omani	76,858,091	10.76%	7,686
SEP International Netherlands B.V.	Netherlands	51,080,055	7.15%	5,108
Blue Horizon Barka Power B.V.	Netherlands	51,080,055	7.15%	5,108
Public Authority for Social Insurance	Omani	47,560,197	6.66%	4,756
Ministry of Defence Pension Fund	Omani	45,753,564	6.40%	4,575
Shareholders with less than 5% shareholding		126,306,776	17.68%	12,631
		714,406,340	100.00%	71,441
				185,801

The Company has authorised, issued and paid-up share capital of RO 71,440,634 consisting of 714,406,340 shares of RO 0.1 each (2018: RO 71,440,634 consisting of 714,406,340 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.

(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 until such legal reserve amounts to at least one-third of the Company's share capital.

(c) 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 3.20 Baizas and 3.80 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 2 December 2019 respectively.

Unclaimed dividend relating to cut off date of 9 June 2019 amounting to of RO 3,318.621 has been deposited by Muscat Clearing & Depository Company SAOC with the Investors Trust Fund.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

15 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.

At 31 December, 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 16)				
KtW IPEX - Bank GmbH	(1,375)	(3,577)	(496)	(1,290)
Standard Chartered Bank	(2,565)	(6,671)	(877)	(2,282)
Credit Agricole Corporate & Investment Bank	(1,197)	(3,113)	(367)	(954)
HSBC Bank	(1,009)	(2,623)	(344)	(894)
Total fair value of interest rate swaps	(6,146)	(15,984)	(2,084)	(5,420)
Deferred tax asset	922	2,398	313	813
Fair value of interest rate swaps (net of tax)	(5,224)	(13,586)	(1,771)	(4,607)
Currency swaps:				
Standard Chartered Bank	(2,217)	(5,767)	(1,818)	(4,727)
Credit Agricole Corporate & Investment Bank	(52)	(136)	31	81
Total fair value of currency swaps	(2,269)	(5,903)	(1,787)	(4,646)
Deferred tax asset	340	885	268	697
Fair value of currency swaps net of tax	(1,929)	(5,018)	(1,519)	(3,949)
Total fair value of derivative instruments	(8,415)	(21,887)	(3,871)	(10,066)
Less: Deferred tax asset [note 7(c)]	1,262	3,283	581	1,510
Total fair value of derivative instruments (net of tax)	(7,153)	(18,604)	(3,290)	(8,556)
Hedging reserve net of tax at the end of the year	(7,153)	(18,604)	(3,290)	(8,556)
Less: Hedging reserve net of tax at the beginning of the year	(3,290)	(8,556)	(5,331)	(13,864)
Effective portion of change in fair value of cash flow hedge for the year	(3,863)	(10,048)	2,041	5,308

- (a) The long term facilities (referred in note 16) [total drawdown of USD 534.09 million (RO 205.36 million excluding Hermes Covered Fixed Facility of USD 120.00 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 HSBC Bank Middle East Limited, dated 6 October 2010, Standard Chartered Bank, dated 19 December 2011, KfW IPEX Bank GmbH, dated 6 October 2010 and Credit Agricole Corporate and Investment Bank dated 5 October 2010 respectively, for these facilities (excluding Hermes Covered Fixed Facility).

The facility hedged notional amounts stood at approximately USD 50.02 million (RO 19.23 million), USD 131.29 million (RO 50.48 million), USD 68.77 million (RO 26.44 million) and USD 62.52 million (RO 24.04 million) at fixed interest rates of 2.9613%, 2.935076%, 2.970094% and 2.938016% per annum respectively.

- (b) The O&M Agreement includes an outflow of approximately Euro 63 million, payable in Euro.

The Company has entered into Forward Rate Agreements ("FRA") with Standard Chartered Bank and two FRA with Credit Agricole Corporate and 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, 1.1797 and 1.2155 respectively and receive contractual Euro amounts at each maturity date.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

16 TERM LOANS

	2019	2019	2018	2018
	RO'000	USD'000	RO'000	USD'000
Term loans	152,658	397,029	168,626	438,560
Less: current portion	(17,017)	(44,257)	(15,969)	(41,532)
Non-current portion	135,641	352,772	152,657	397,028
Less: Unamortised transaction cost	(4,054)	(10,544)	(5,128)	(13,337)
	131,587	342,228	147,529	383,691

On 16 September 2010, the Company entered into a 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	2019	2018	2018
	RO'000	USD'000	RO'000	USD'000
Hermes Covered Variable Facility	40,720	105,905	46,449	120,803
Commercial Facility	42,654	110,934	43,148	112,219
KEXIM Direct Facility	29,021	75,476	33,103	86,093
Hermes Covered Fixed Facility	25,059	65,172	28,583	74,340
KEXIM Covered Facility	15,204	39,542	17,343	45,105
	152,658	397,029	168,626	438,560

Repayments

The aggregate amount of drawdown 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.

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

Particulars	Term loans		Short term borrowing	
	RO'000	USD'000	RO'000	USD'000
Balance at 1 January 2019	168,626	438,560	1,000	2,601
Proceeds from borrowing	-	-	61,290	159,402
Repayments of borrowing	(15,968)	(41,531)	(59,740)	(155,371)
Balance at 31 December 2019	152,658	397,029	2,550	6,632

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, 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

17 TRADE AND OTHER PAYABLES

	2019	2019	2018	2018
	RO'000	USD'000	RO'000	USD'000
Fuel gas payable and accrual	25,242	65,648	5,547	14,425
Accrued finance cost	1,319	3,430	1,454	3,782
Due to related parties (note 18)	959	2,491	536	1,394
Other payables and accruals	247	642	1,358	3,534
	<u>27,767</u>	<u>72,211</u>	<u>8,895</u>	<u>23,135</u>

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 into 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	2019	2018	2018
	RO'000	USD'000	RO'000	USD'000
Key Management benefits	<u>301</u>	<u>783</u>	<u>303</u>	<u>789</u>

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

	2019	2019	2018	2018
	RO'000	USD'000	RO'000	USD'000
Suez-Tractebel Operation & Maintenance Oman LLC	7,411	19,278	7,026	18,275
Al Batinah Power Company SAOG	217	565	230	598
Kahrabel Operations & Maintenance (Oman) LLC	172	447	279	726
Middle East Investment LLC	123	320	37	96
ENGIE SA	85	223	86	224
International Power SA Dubai Branch	39	102	38	98
Directors'	34	88	34	88
Sojitz Corporation	21	54	21	54
Shikoku Electric Power Co., Inc.	21	54	21	54
Public Authority for Social Insurance	19	49	19	49
Laborelec Middle East	-	-	15	38
Multitech LLC	-	-	4	11
	<u>8,142</u>	<u>21,180</u>	<u>7,810</u>	<u>20,311</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

18 RELATED PARTY TRANSACTIONS (continued)

The nature of the above transactions is as follows:

	2019	2019	2018	2018
	RO'000	USD'000	RO'000	USD'000
Operation and maintenance ("O&M") fees (note 4)	6,824	17,749	6,905	17,957
Other O&M expenses	379	986	53	139
Secondment fees (note 5)	231	601	236	615
Sharing of costs	217	565	230	598
DSRA LC cost (note 6)	187	487	188	488
Capital spares	178	464	-	-
Professional fees	39	102	38	98
Directors' remuneration and sitting fees (note 5)	34	88	34	88
Backcharge of expenses	29	76	49	128
Custom duties (note 4)	24	62	62	162
Technical services	-	-	15	38
	8,142	21,180	7,810	20,311

Balances due to related parties (note 17) comprised:

	2019	2019	2018	2018
	RO'000	USD'000	RO'000	USD'000
Suez-Tractebel Operation & Maintenance Oman LLC	882	2,295	395	1,027
Al Batinah Power Company SAOG	19	50	-	-
Directors'	15	40	15	39
Middle East Investment LLC	12	31	5	14
Kahrabel Operations & Maintenance (Oman) LLC	10	25	16	42
ENGIE SA	7	17	93	243
Laborelec Middle East	4	10	4	10
Tractebel Engineering S.A.	2	6	3	7
International Power SA Dubai Branch	2	5	-	-
Shikoku Electric Power Co., Inc.	2	4	2	4
Sojitz Corporation	2	4	2	4
Public Authority for Social Insurance	2	4	1	4
	959	2,491	536	1,394

At 31 December 2019, there was no amounts due from related parties. (2018: nil)

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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 bearing and exposed to changes in US LIBOR rates. The Company has entered into interest rate swaps to hedge its US LIBOR risk exposure on 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	2019	2018	2018
		RO'000	USD'000	RO'000	USD'000
Financial liabilities					
Term loans					
- USD variable rate loans	Libor + margins	127,599	331,857	140,042	364,220
- USD fixed rate loan	3.60%	25,059	65,172	28,584	74,340
		<u>152,658</u>	<u>397,029</u>	<u>168,626</u>	<u>438,560</u>

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 153,263 (RO 58,930) [2018: USD 220,091 (RO 84,625)]. 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 63 million, payable in Euro. The Company has entered into FRAs' to hedge against fluctuations in Euro/USD exchange rate (note 15(b)). The Euro amounts hedged cover 78% of the expected outflows for the period from January 2020 to August 2021, 64% for the period from September 2021 to March 2023 and 47% for the period from April 2023 to March 2028. Apart from above, 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) of the Euro by 10% against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and decreased / (increased) equity and the statement of profit or loss and other comprehensive income by the amounts of USD 590,363 (RO 226,995) [2018: USD 464,567 (RO 178,626)]. 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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		2018	
	RO'000	USD'000	RO'000	USD'000
Cash at bank	290	753	1,273	3,310
Trade receivables	26,207	68,158	4,533	11,789
Short term deposit	1,233	3,206	1,461	3,800
Other receivables	36	94	843	2,197
Accrued income	293	765	22	56
	28,059	72,976	8,132	21,152

At 31 December, the age analysis of trade receivables is as follows:

	2019		2018	
	RO'000	USD'000	RO'000	USD'000
	Trade Receivable	Allowance for impairment	Trade Receivable	Allowance for impairment
Not past due	2,052	-	4,533	-
Past due 0 <3 months	8,783	-	-	-
Past due > 3 months	15,372	-	-	-
	26,207	-	4,533	-
Nominal value in USD '000	68,158	-	11,789	-

	Rating	2019		2018	
		RO'000	USD'000	RO'000	USD'000
Bank balances:					
Bank Muscat SAOG	P-3	42	109	974	2,531
Credit Agricole Corporate & Investment Bank	P-1	248	644	299	779
		290	753	1,273	3,310
Short term deposit					
Credit Agricole Corporate & Investment Bank	P-1	1,233	3,206	1,461	3,800

NOTES TO THE FINANCIAL STATEMENTS

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:

	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
31 December 2019					
Derivatives					
Derivative instruments	8,415	8,932	-	7,682	1,250
Non-derivatives financial liabilities					
Term loan	148,604	184,819	24,169	94,509	66,141
Short term borrowing	2,550	2,550	2,550	-	-
Trade and other payables	27,767	27,767	27,767	-	-
	187,336	224,068	54,486	102,191	67,391
	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
31 December 2019					
Derivatives					
Derivative instruments	21,887	23,231	-	19,979	3,252
Non-derivatives financial liabilities					
Term loan	386,485	480,672	62,859	245,796	172,017
Short term borrowing	6,632	6,632	6,632	-	-
Trade and other payables	72,211	72,211	72,211	-	-
	487,215	582,746	141,702	265,775	175,269
	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
31 December 2018					
Derivatives					
Derivative instruments	3,871	4,196	-	3,523	673
Non-derivatives financial liabilities					
Term loan	163,498	214,514	24,114	99,185	91,215
Short term borrowing	1,000	1,000	1,000	-	-
Trade and other payables	8,895	8,895	8,895	-	-
	177,264	228,605	34,009	102,708	91,888

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

19 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

	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
<i>31 December 2018</i>					
<i>Derivatives</i>					
Derivative instruments	10,066	10,913	-	9,162	1,751
<i>Non-derivatives financial liabilities</i>					
Term loan	425,223	557,902	62,714	257,958	237,230
Short term borrowing	2,601	2,601	2,601	-	-
Trade and other payables	23,135	23,135	23,135	-	-
	<u>461,025</u>	<u>594,551</u>	<u>88,450</u>	<u>267,120</u>	<u>238,981</u>

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:

- The PPA between the Company and OPWP contains embedded derivatives in the pricing formula 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.
- The O&M Agreement contains embedded derivatives in the pricing formula that adjust the payments to reflect changes in the relevant inflation indices.

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

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 minimum future payments under the O&M Agreement (excluding indexation) are as follows:

	2019		2018	
	RO'000	USD'000	RO'000	USD'000
Within one year	5,682	14,777	5,534	14,393
Between two and five years	22,211	57,767	22,140	57,580
After five years	17,737	46,130	23,444	60,973
	45,630	118,674	51,118	132,946

Euro/USD rate for converting Euro denominated O&M payments as at 31 December 2019 was 1.14 (31 December 2018: 1.16)

(b) As at 31 December 2019, the Company has outstanding purchase orders for USD 72,292 (RO 27,796) [2018: USD 188,577 (RO 72,508)].

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		2018	
	RO'000	USD'000	RO'000	USD'000
Within one year	30,242	78,652	30,204	78,553
Between two and five years	120,814	314,210	120,852	314,309
After five years	94,076	244,670	124,241	323,124
	245,132	637,532	275,297	715,986

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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	2019	2018	2018
	RO'000	USD'000	RO'000	USD'000
Net assets - shareholder funds	95,285	247,815	90,382	235,063
Weighted average number of shares outstanding during the year	714,406	714,406	714,406	714,406
Net assets per share (Baizas / cents) - adjusted	133.38	346.88	126.51	329.03

The management believes that the hedging deficit of USD 18.60 million (RO 7.15 million) [2018: USD 8.56 million (RO 3.29 million)] at the end of the reporting period 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 agreements, 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	2019	2018	2018
	RO'000	USD'000	RO'000	USD'000
Net profit for the year	9,904	25,757	9,009	23,431
Weighted average number of shares outstanding during the year	714,406	714,406	714,406	714,406
Basic earnings per share (Baizas / cents)	13.86	36.05	12.61	32.80



