His Majesty

(Late) **SULTAN QABOOS BIN SAID**

Contents

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UNITED POWER COMPANY (SAOG)

ANNUAL REPORT 2019

DIRECTORS	TITLE	REPRESENTING
Mr. Murtadha Ahmed Sultan	Chairman	-
Mr. Grahame Farquhar	Vice Chairman	Khaled Ahmed Juffali Energy & Utilities Ltd. Co.
Mr. Mohamed Al Wahaibi *	Director	Ministry of Defence Pension Fund (MODPF)
Mr. Yaseen Abdullatif	Director	-
Mr. Hamad Lal Baksh Al Balushi	Director	-
Mr. Sami Yahya Al Dugaishi	Director	Civil Service Employees Pension Fund
Mr. Hussain Abdulhussain	Director	-
Mr. Bandar Allaf ***	Vice Chairman	-
Mr. Haider Al Hertani **	Director	-

MANAGEMENT	TITLE
Mr. Zoher Karachiwala	Chief Executive Officer
Mr. Yaqoub Harbi Al Harthi *	Company Secretary
Mr. Sreenath Hebbar	Chief Technical Officer
Mr. Salah Al Farsi	Administration Manager
Mr. Guillaume Baudet **	Company Secretary
Mr. Mirdas Al Rawahi **	Chief Financial Officer

* | Appointed during the year
** | Resigned during the year
*** | Replaced during the year

Dear Shareholders,

On behalf of the Board of Directors of United Power Company SAOG ("UPC" or the "Company"), I am glad to present you with the Twenty Fifth Annual Report of the Company for the year ended 31 December 2019.

The Company owns the Power Generating Station of Manah under a BOOT (build, own, operate and transfer) scheme. The transfer to the Government, as per Power Purchase Agreement was scheduled for 19 May l 2020. All power produced is sold to Oman Power and Water Procurement Company SAOC under long term Power Purchase Agreements, with guaranteed off-take. As such, the Company is not subject to market competition or fluctuation.

It gives me immense pleasure to inform you that Oman Power and Water Procurement Co. (OPWP), our power purchase procurer has sought an offer from the Company for providing Ancillary Services from 2 frame 9 gas turbine units for period up to 31 December 2022 with discretionary option to extend the term up to 31 December 2024.

Accordingly, the transfer of assets contemplated under the current Power Purchase Agreement would not happen on 19 May 2020.

We expect that the new arrangements will be finalized before the current transfer date.

The Manah Power Plant has been running smoothly and efficiently. The 5 generator sets of the project showed an exceptional reliability, and the performance expected for such high-technology machines.

Safety in all aspects of operation is the top priority of the Company. The Company is actively involved in the safety activities of its Operator and participates regularly in their safety walks and safety committee meetings. It also gives me a great pleasure to announce that the Manah Power Plant achieved 8,614 LTI free days, which translates to 23 years since starting of commercial operations of the plant in 1996. Not only is this a unique achievement in the energy sector in Oman, but this record stands out among few companies in the world.

The Company recorded in 2019, a net loss of OMR 0.78 million. The detailed explanations of the variations are contained in the section "Management Discussion and Analysis Report" of the Annual Report. The Directors of the Company is now recommending a final ordinary dividend of OMR 2.2 million, for the year 2019.

The current capital is OMR 2,000,000 (OMR Two million). This will be distributed to the shareholders, based on the nominal value of the share OMR 1 (OMR One) at the time of liquidation as a consequence of handing over the Plant to the Government. Further, the Company is expected to continue distributing dividends from the audited retained earnings till the time the plant is eventually handed over to the Government.

Due to the definitive life of the project and its purpose, it has been the policy of the Company to maximize distributing its available profits to the shareholders. Past five years' distribution to shareholders, are disclosed separately under 'Management Discussion and Analysis Report'.

UPC complies and maintains high standards to the Code of Corporate Governance implemented by the Capital Market Authority as described in the related attached section of this report. In this respect, the Company complies with the guidelines on dividend policy and we are committed to the objectives underlying such guidelines.

Besides, resignation of the Company Secretary, Mr. Guillaume Baudet and the CFO, Mr. Mirdas Al Rawahi, there has been no change in the personnel of the Company during the year.
Mr. Yaqoub Harbi Al Harthi has taken over the position of the Company Secretary on honorary basis.

The Company is a responsible corporate citizen and supports wide range of Manah community matters with greater emphasis on education and health issues of school going children.

I would like to thank all the personnel associated with the operation of our Manah Power Plant and staff of the Company for their dedication and hard work.

On behalf of the Board of Directors, we would like to express our sincere condolences for the demise of His Majesty Sultan Qaboos bin Said bin Taimoor - May Allah rest his soul in peace - and His Government for their continued support and encouragement to the private sector. I, together with the Board of Directors would also like to take this opportunity to express our best greetings and sincere wishes and pray to Allah the Almighty to grant success to His Majesty Sultan Haitham bin Tarik and His Government for his country and his people.

May Allah protect them for all of us.

Murtadha Ahmed Sultan
Chairman of the Board

POWER GENERATION

The total power exported by the plant in 2019 (Phases I and II) amounts to 776 GWh. The cumulative energy exported by the plant from initial commissioning is 25,444 GWh.

The aggregate average plant guaranteed net output (PGNO) for the reporting period was 92.7 MW for Phase I, and 204.4 MW for Phase II at an average ambient temperature of 29.5°C. The use factor (No. of fired hours as a percentage of the hours that the units were made available) was 0.38% for Phase I and 47.45% for Phase II.

Manah recorded 99.6% Reliability of the total Plant (phase I & phase II units) with 147.5 hours of Forced Outages in 2019.

Evolution of these figures from commercial operation date is as under:

Year	Available Energy (GWh)	Availability Factor (%)	Energy Exported (GWh)	Use Factor (%)	Reliability Factor (%)
1996(*)	209.5	93.3	105.5	50.2	99.9
1997	811.2	94.8	675.0	83.7	99.8
1998	800.2	96.5	661.1	83.0	99.9
1999	760.3	92.3	611.1	81.1	99.9
2000(**)	1,783.5	81.9	1,047.8	62.3	92.4
2001	2,541.6	94.2	1,269.3	49.8	99.7
2002	2,525.5	95.4	1,436.1	57.0	99.5
2003	2,502.0	94.9	1,219.1	48.8	99.9
2004	2,469.2	93.9	1,125.5	45.5	99.9
2005	2,502.4	95.3	1,046.0	41.9	99.9
2006	2,536.1	96.6	1,187.9	47.0	99.9
2007	2,476.1	94.8	981.8	40.0	100.0
2008	2,557.9	97.4	1,012.8	40.4	99.9
2009	2,371.6	90.9	1,045.1	44.0	98.2
2010	2,335.1	89.7	1,320.8	54.9	99.9
2011	2,259.1	86.6	1,407.6	60.1	96.6
2012	2,493.0	95.3	1,473.5	59.1	99.9
2013	2,404.4	91.9	1,194.1	49.2	99.5
2014	2,160.0	82.6	1,102.0	50.0	90.0
2015	2,429.7	93.5	1,293.9	53.2	98.8
2016	2,274.7	87.2	1,142.0	48.8	96.9
2017	2,342.7	92.8	1,125.5	47.6	99.4
2018	2,355.4	91.0	1,185.6	50.2	99.1
2019	**2,452.1**	**94.0**	**776.4**	**32.3**	**99.6**

(*) COD Phase 1: 15th October 1996
(**) COD Phase 2: 19th May 2000

MAINTENANCE AND OPERATION METHODOLOGY

The PPA and its additional agreements lay down norms for operation and maintenance of the station and expect certain minimum levels of performance. However, in formulating the strategy for operation and maintenance, UPC strives to meet the highest industry standards.

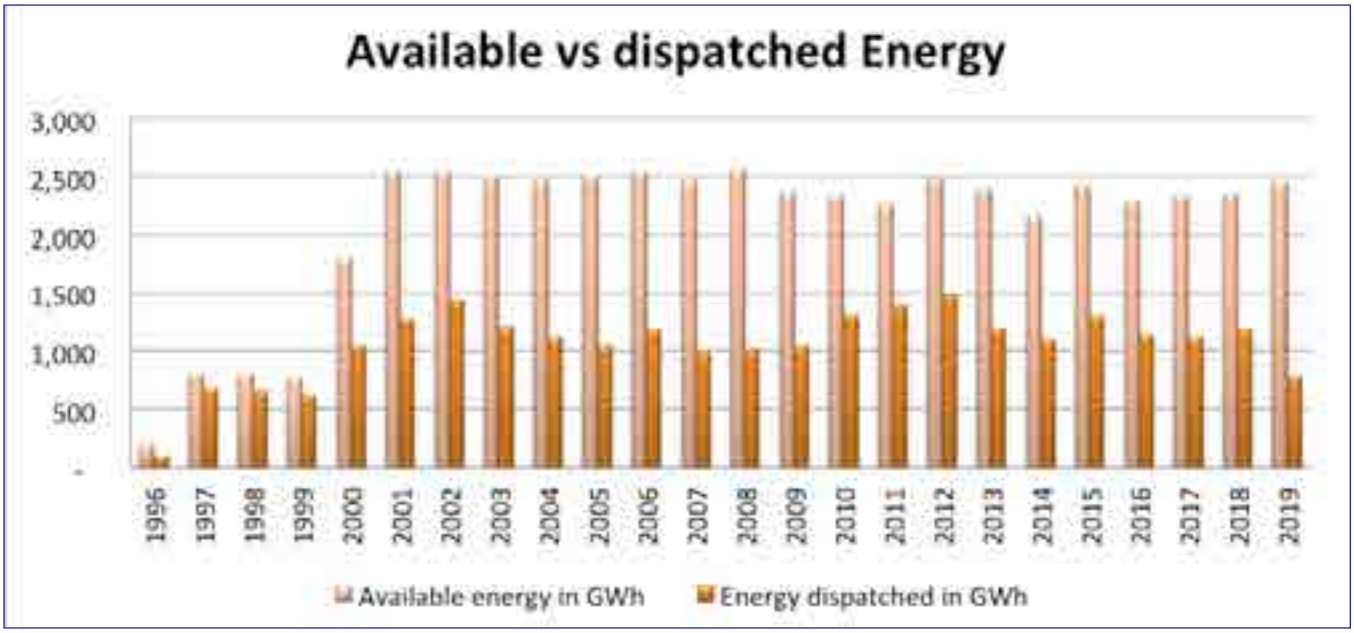
Gas turbines are highly reliable power generating machines, provided they are operated and maintained under certain norms. Efforts have been constantly put in to further improve reliability.

During the initial years of service of the gas turbines in Manah, valuable experience has been gained and used to establish unique signature for each machine. This experience is used in evolving better operations and maintenance methodologies.

For Phase I, UPC entered in November 1997 into a Spare Parts Supply & Repair Contract with EGT (now GE) the term of this contract ended on 31st December 2005. Following a competitive bidding process, UPC entered in September 2005 into a Long Term Parts and Repair Agreement (LTPRA) with GE the term of this new contract is 15 years.

For Phase II, UPC entered in December 2000 into a Long Term Service Agreement (LTSA) with GE. This agreement secures the procurement of the spares needed for the whole commercial life of the 2 new Frame 9 units (20 years).

In 2009, UPC changed the structure of its O&M Contracts and entered into an agreement with Suez-Tractebel Operation & Maintenance Oman (STOMO). With this agreement in place, UPC has a single point of contact for O&M services as opposed to multiple contractors in the earlier structure. STOMO now co-ordinates all the O&M activities (including the LTSA with GE) and procurement of parts through the LTPRA Contract.



According to the terms of these contracts, a suitable and sufficient stock of spares is maintained in order to avoid unplanned outage of the gas turbines.

The combined efforts of UPC and its contractors – GE and STOMO – have produced best results in terms of reliability, efficiency and best value for resources used.

MAINTENANCE ACTIVITIES

Phase I Scheduled Maintenance:

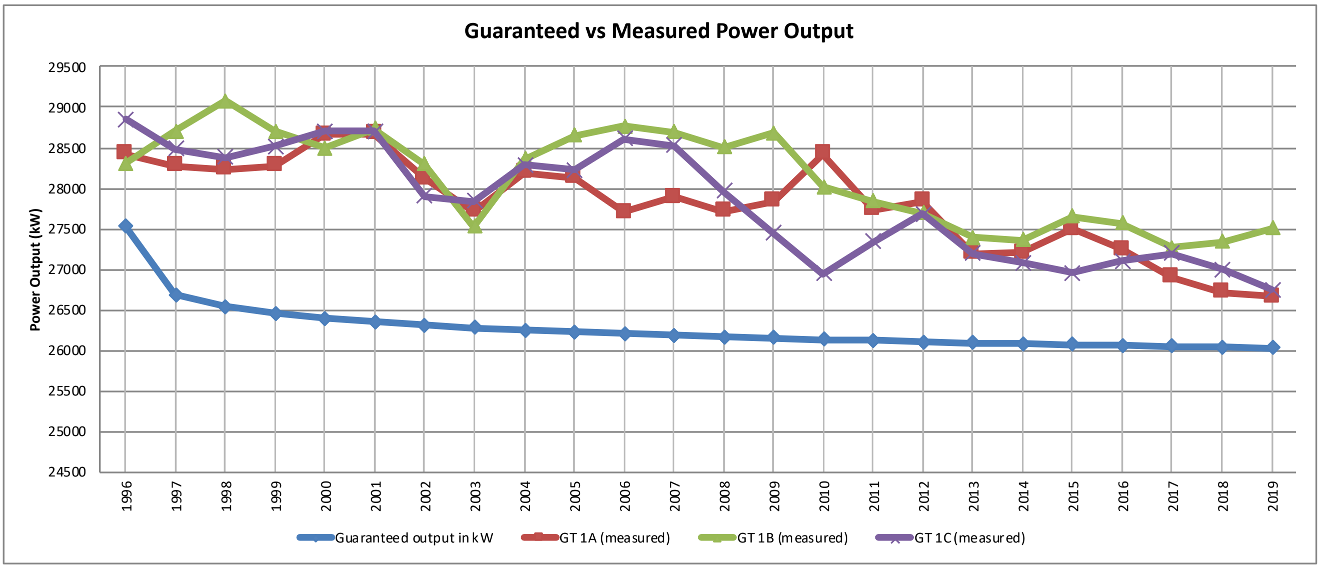
The total maintenance time consumed for the year was 1,111.0 hours, i.e. 4.2% of total calendar hours Annual maintenance carried out on all GTs.

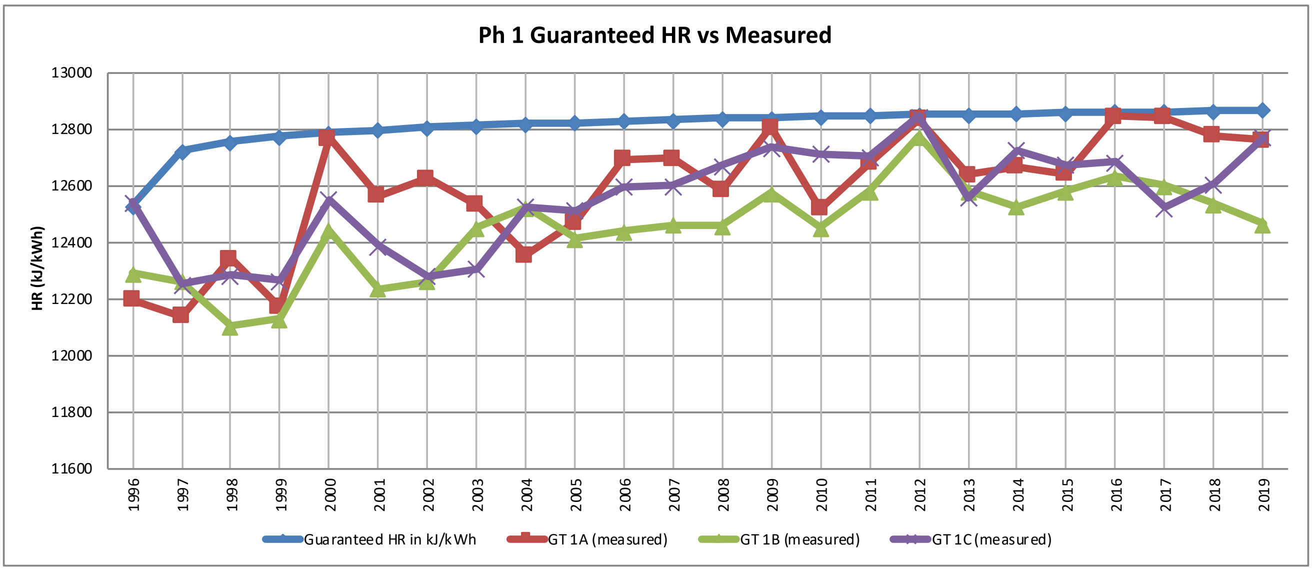
Phase II Scheduled Maintenance:

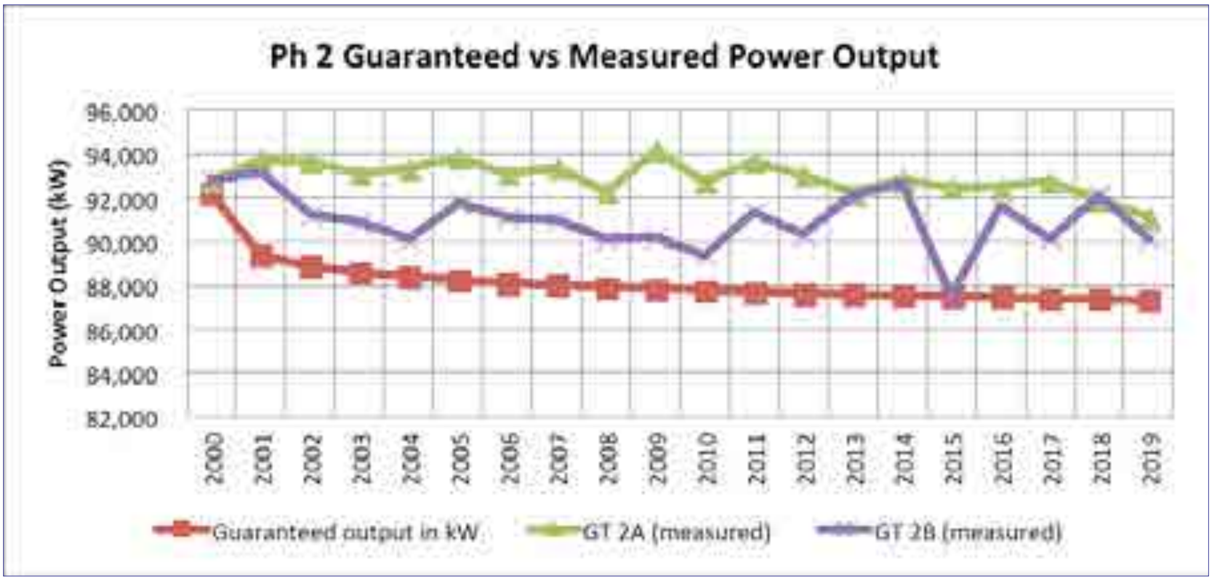
The total time consumed for maintenance was 904.0 hours in the reporting period, i.e. 5.16% of total calendar hours during reporting period.

Performance Tests:

Performance tests were conducted during December 2019 for Phase I and Phase II in the presence of OPWP. The test results were satisfactory, all machines have higher electrical output capacity and lower heat rate values (gas consumption) when compared to the guaranteed values as per contract.







OMANIZATION

UPC and its O&M contractor STOMO pay the greatest attention to respect the requirements of the Power Purchase Agreement in matters of Omanization: at the end of the year 2019, Omani employees comprised 89.7% of the plant staff of STOMO.

As can be seen from the above, the training programs put in place by STOMO since 2009 for young graduates from Oman Universities has paid rich dividends.

HEALTH & SAFETY

Health and Safety is accorded the highest priority by the Company. While the statistics show a consistent record of excellence, the Company is mindful of complacency that can set in with these results. As a consequence, steps have been taken that shall ensure a more proactive approach towards the issue of Health & Safety.

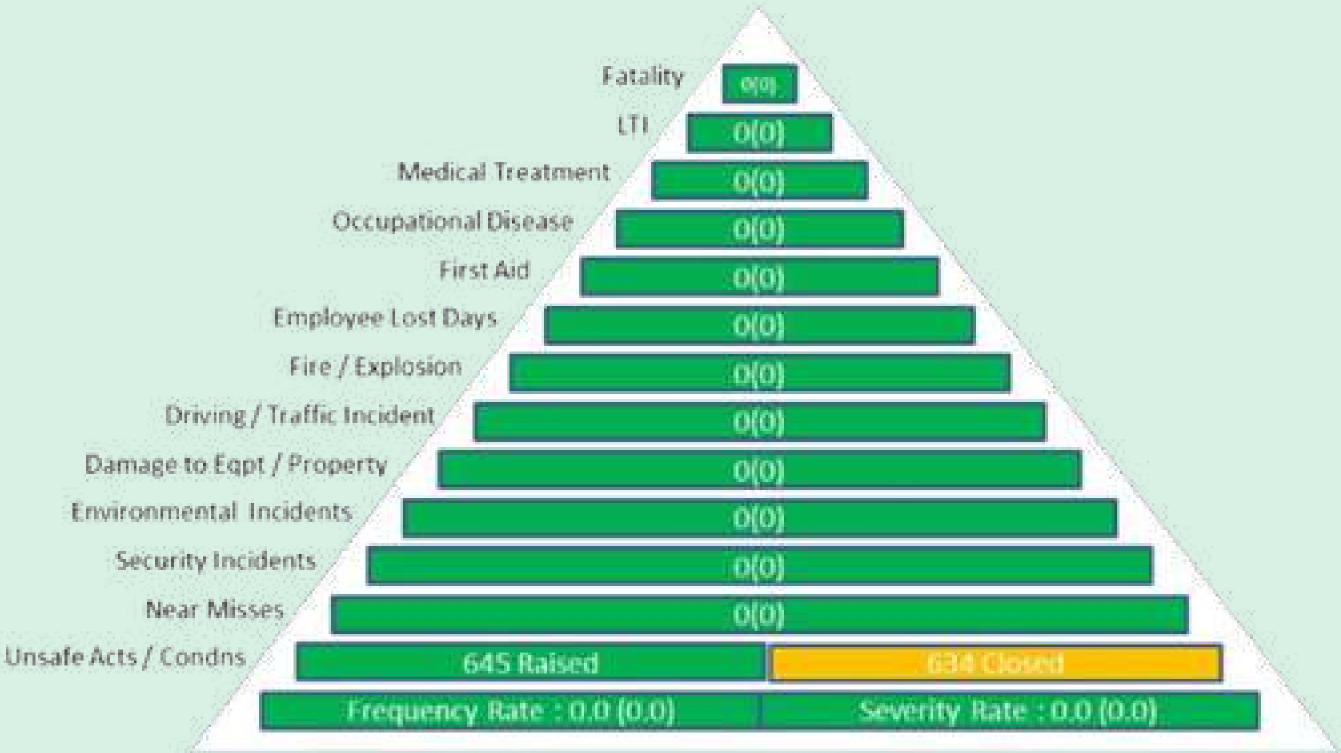
Loss Time Incident (LTI) of Manah Power Plant remains ZERO during the O&M regime following COD of both phases. As of December 2019, the Plant has clocked 8,614 LTI free days since the commencement of operations.

The Company Management regularly takes part in safety walks with its Operator and attends their Safety Committee Meetings. Our Customer, OPWP, as part of their commitment to HSE also conducted an audit during the year.

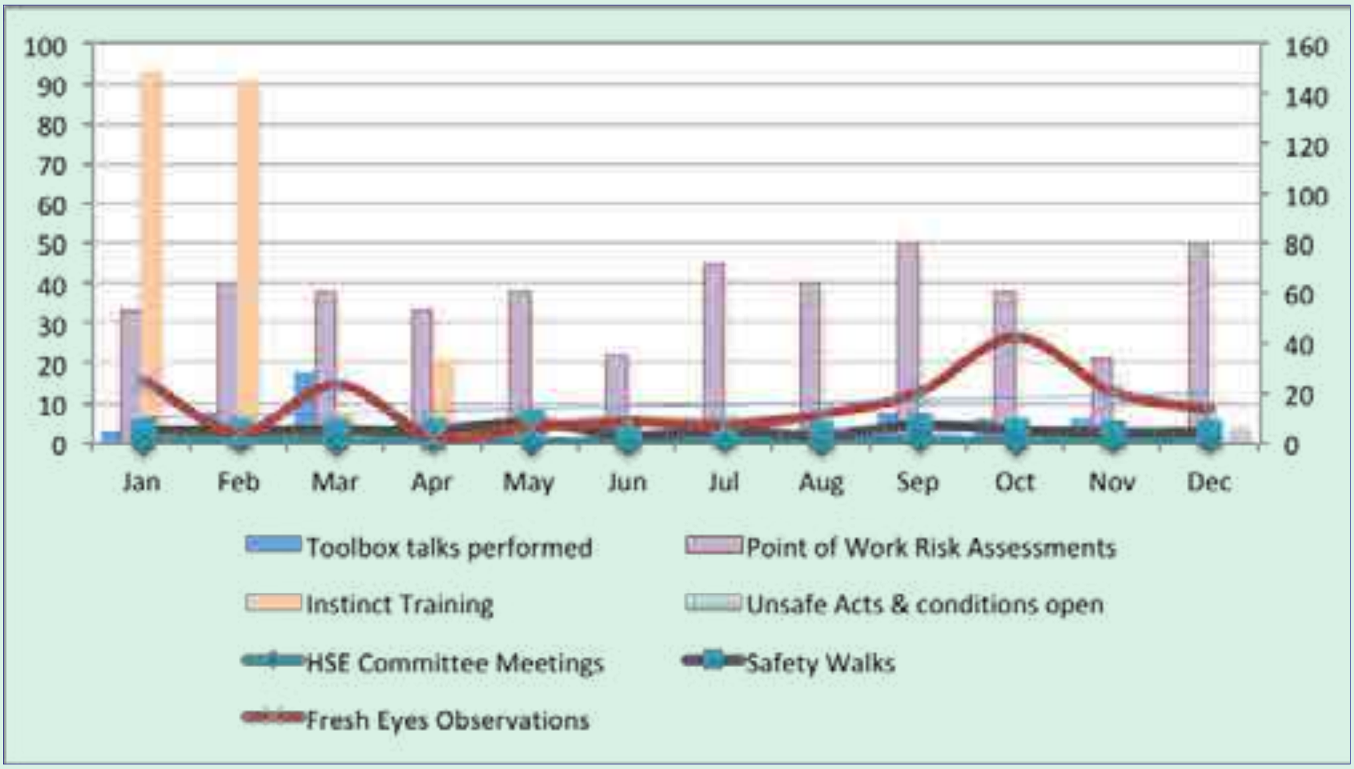
The Plant Operator (STOMO) is certified for ISO 45001 for Health & Safety Management. STOMO is also been certified for ISO 14001 Environmental Management. In order to further the culture of safety through all levels, STOMO is encouraging its key personnel to qualify for NEBOSH.

The on-line safety management system "Intelex" – a dynamic system that enables reporting of incidents, assigns actions to concerned persons, monitors close follow-up of actions being taken and ensures that adequate closure is achieved – is in place and is actively used by all employees.

During 2019, as shown in the Safety Triangle below, the plant has been operating in most efficient way towards achieving No Lost Time Incident. All observations are logged onto the system and appropriate tool box talks and training provided to staff and contractors.



OTHER PROACTIVE INDICATORS FOR SAFETY ONITORING:



(Use scale on left hand for bar graphs)

ENVIRONMENT MONITORING

Since 2013, UPC has a permanent station for monitoring of ambient air quality within its plant premises.

The equipment continuously monitors the ambient air for gaseous effluents such as carbon monoxide, non-methane hydro-carbons, oxides of nitrogen (NO, NO2, NOx) and sulphur dioxide.

Reports from this station are submitted to MECA on a quarterly basis.

We believe this also helps MECA in establishing base line ground level concentrations for gaseous effluents by feeding into the larger environment data being monitored by MECA. In this way, it can be considered that the Company is one of the contributors to the mapping of Oman's environment.

In line with the directives by His Majesty Late Sultan Qaboos bin Said on the responsibilities of the private sector in respect of their contribution to the social development of communities; United Power Company takes its role as a responsible corporate citizen seriously. Over the years, the Company has actively supported local community bodies, schools and charity organizations. Valuing the importance of the youth of Oman in future progress of the country, the Company considers education as a cornerstone and accordingly takes special interests in the sponsorship and support of education and sports; two foundations for the all-round development of a young mind.

In 2019, the Company focused its efforts on education projects, youth & sports activities, society support and municipal activities. The Company carried out the following projects during the year:

- Distribution of stationary items to all students of low income families: The supervision of this activity was managed by Manah Charity Team who keeps updated registers of the needy students (552 students in total) in all schools located in Manah. The financial support was used to purchase stationery items (viz. writing books, pens, pencils, colour pencils, drawing books, etc.)

- Sponsoring the Open Day for Al Arabi Team in Manah: The club is under the umbrella of Al Bashaier Club of Manah. Participants, totalling 450 persons from different ages, were divided into four groups to carry out, among other activities: cleaning of falajes, cemetery, pathways, mosques, neighbourhoods, trees trimming and general cleaning activities in Manah. It was a full day event which concluded with sports activities and cultural competitions.

- Financial donation provided to Al Thana School, in Manah to supporting the school in purchasing of educational equipment.

HISTORY OF THE PROJECT

United Power Company (SAOG) (the "Company") was formed and registered as a joint stock Company on January 9th, 1995.

The original duration of the Company was for a period of twenty-five years commencing from 9 January 1995 being the date of its registration in the Commercial Register of the Ministry of Commerce and Industry ('MOCI'). At an Extra-ordinary General Meeting held on 17 January 2000, the duration of the Company was increased by five years thereby revising the duration of the Company to thirty years commencing from 9 January 1995. The MOCI approved the extension to the Company's life on 11 October 2000.

All the property, plant and equipment of the Company is to be transferred at RO 1 to the Government automatically at the end of the Project Life, which, in accordance with Supplemental Agreements for the Expansion Project, expires on 30 April 2020. (At the end of the Project Life, the value of the shares of the Company will become nil.)

The founder shareholders were Tractebel S.A., International Finance Corporation (part of the World Bank Group), National Trading Company LLC, W.J. Towell & Co. LLC, The Zubair Corporation LLC, and Tawoos LLC.

A brief timeline on the transfer of shares of UPC:

2003	- Shares of Tawoos LLC were transferred to the Ministry of Defence Pension Fund of Oman.
2009	- Shares of Tractebel SA (now ENGIE) and International Finance Corporation transferred to MENA Infrastructure Investment Limited.
2010	- Shares of National Trading Company LLC. W.J. Towell & Co. LLC and The Zubair Corporation LLC transferred their shares to MGEC (Oman) Holdings Limited.
2016	- Shares of MENA Infrastructure transferred their shares to Manaah Power Co., A group company of Khaled Juffali Holding Co.
2017	- Shares os MGEC (Oman) Holdings Limited were transferred to Manah Power Co. a group company of Khaleed Juffali Holding Co. - Shares of Mannah Power Co were transferred to its parent company, Khalid Ahmed Juffali Energy & Utilities Ltd. Co. a group company of Khaled Jaffali Holding Co.

Prior to formation of the Company and following a competitive bidding process, the founder shareholders were awarded, the concession for a project consisting of a 90 MW gas-fired power station comprising 3 open cycle gas turbines (the "Units") near Manah, to be developed on a build, own, operate and transfer ("BOOT") basis, and a related network of electrical interconnection and transmission facilities (the "ITF"), on build, own, transfer ("BOT") basis on land leased by the Government.

Construction of the Manah Power Station began in March 1995 and the Company began delivering electricity on May 31, 1996 upon completion of two Units and approximately 58 kilometers of overhead transmission lines to Nizwa and Bahla replacing the supply by the obsolete local diesel engine power plants.

Full supply to Dakhliya region from Manah (3rd Unit and Izki line) was achieved in early August 1996 and project completion occurred in October 1996 with the interconnection of network fed by the Manah Power Station to Muscat network at Al Rusayl. The lines owned by UPC have a total of about 170 kilometers in 132KV. Responsibility for the operation and maintenance of the ITF was transferred in stages to the Government during construction, with the final transfer occurring on October 15, 1996.

During 1999, the Company was awarded a contract for an extension of its generation facilities consisting of two 90 MW open cycle gas turbines and the necessary auxiliary facilities (GIS, firefighting system, liquid fuel storage, etc.).

The construction and installation of the turbines were completed in May 2000, and thereafter the electricity was delivered to the grid. The official commercial operation was notified as 19 May 2000. The total installed capacity of the plant, therefore, reached 270 MW. Consequent to the extension of the facilities, the life of the project has been extended to 30 April 2020.

The Manah Power Station operates on Dispatch Orders from the Load Dispatch Centre of the Oman Electricity Transmission Company. All of the net energy dispatched from the Manah Power Station is sold to Oman Power and Water Procurement Company ("OPWP"), which is responsible for all power purchase in Oman.

UPC maintains an administrative office in Muscat.

The Project constitutes the first privately developed and owned power plant in Sultanate of Oman and the first interconnection of privately constructed transmission facilities with the country's national grid.

BRIEF TECHNICAL DESCRIPTION OF THE PROJECT

Manah Power Station

The Manah Power Station is located on 200 acres of land, approximately 180 kilometers South-West of Muscat, and 20 kilometers south of Nizwa at an elevation of 378 meters above sea level.

Phase I – Power generation facilities

Originally, the Manah Power Station consisted of three open cycle dual fuel Gas Turbine Units, each having a capacity of approximately 28,076 kW at 50° C, complete with 11/132 kV step-up transformers, a GIS sub-station interconnecting the Manah Power Station with the two 132 kV overhead line feeders to the Nizwa substation, natural gas pipeline facilities, back-up diesel oil facilities, water storage tanks, a control and administration building, a work shop and storage facilities for spare parts, staff housing and access roads.

Phase II – Power generation facilities

The Manah Power Station Phase II consists of two GE Frame 9E dual fuel Gas Turbines, with 15/132 kV step-up transformers, two GIS identical to the existing ones. These cells are connected with the two existing 132 kV circuits, each of them being originally sized to carry the whole expanded capacity of the Manah Power Station. The Phase II includes extension of auxiliary facilities: firefighting system, lightning protection system and additional 4000 m3 back-up diesel oil storage. The nominal capacity of each gas turbine is 92,160 kW (at 50° C).

Interconnection and Transmission Facilities

The ITF includes the following substations: 132 kV GIS substation at Manah; 132 kV outdoor substation at Nizwa; 132 kV outdoor substation at Izki; 132/33 kV substation at Bahla; 33/11 kV substation at Nizwa town; and 132 kV GIS substation extension at the Al-Rusayl Power Station.

In addition, the ITF includes approximately 168.7 kilometers of 132 kV double circuit (i.e. two circuits on one tower) overhead transmission lines, constructed with steel lattice towers running between the Manah and Nizwa substations (18.8 km; 63 towers), between the Nizwa and Bahla sub stations (32.2 km; 92 towers), between the Nizwa and Izki substations (30.7 km; 94 towers) and over very mountainous terrain, between the Izki and Al-Rusayl substations (87 km; 287 towers).

The ITF includes one 33 kV double circuit overhead transmission line comprised of two single circuits (i.e. two parallel single lines on wooden poles) between Nizwa and Nizwa Town substations (7.25 km, 140 wood poles) and one 11 kV overhead distribution network comprising three single circuit 11 kV wood pole lines between the Izki substation and the Izki power station (2 km).

These lines and the related switching facilities of the ITF enable the power generated at the Manah Power Station to supply the local electricity demands in the town of Manah, Nizwa, Bahla and Izki.

Excess electrical power can also be transmitted to the Muscat grid to help support the demand in the coastal region of Oman through an interconnection at the Al-Rusayl power station.

Effective 1st December 2016, the Interconnection and Transmission Facilities were handed over to government in accordance with the conditions of the PPA.

Fuel Supply

The Manah Power Station has been designed to use natural gas as its primary fuel with diesel oil as a back-up fuel. Natural gas is supplied to the power station through a 36-inch pipeline delivering gas at 70 Bar from the Yibal gas collecting station, which is located 198 kilometers from the Manah Power Station, to a pressure reducing station, including metering equipment, located outside the northeast corner of the Site. The pipeline is owned and controlled by PDO.

Environmental Aspect

The Manah Power Station represents an environmentally benign source of power for the local market and although the gas fired has small traces of sulphur, impact on air quality are monitored on a monthly basis by UPC using the Ambient Air Quality Monitoring System at the Plant.

Khaled Ahmed Juffali Energy & Utilities Limited Co.

Khaled Ahmed Juffali Energy & Utilities Limited Co. a subsidiary of Khaled Juffali Holding Company ('Khaled Juffali Group') established in the Kingdom of Saudi Arabia. Khaled Juffali Group ('KJC') is having an underlying focus on investing in Middle East based business ventures. KJC is involved in various industries that include automotive, insurance, healthcare, construction and energy.

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 Corporate in Oman.

INDUSTRY STRUCTURE AND DEVELOPMENT

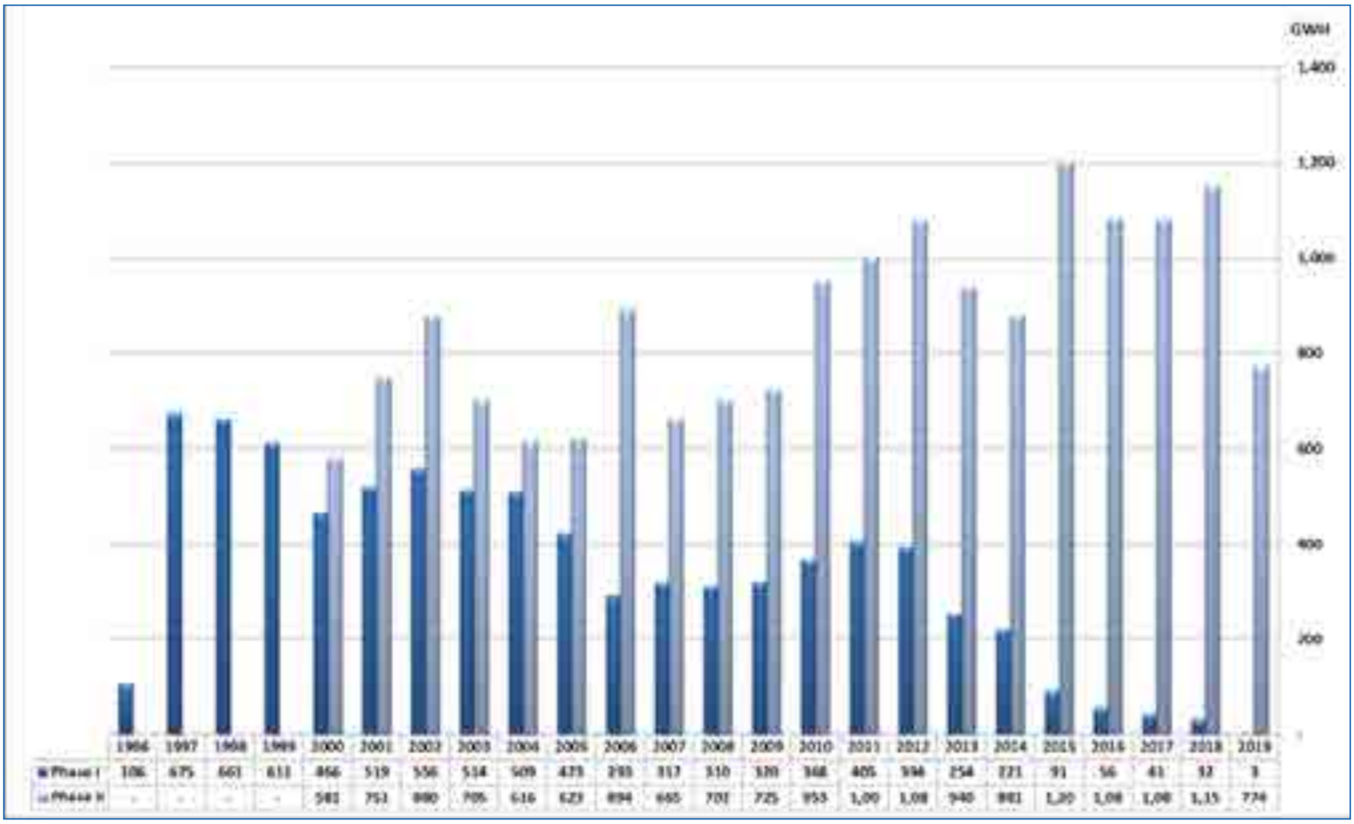
The Company is the first privately owned power project in the country.

The Government regulates the development of this sector under a well-formulated program on long-term basis. The new sector law is in existence.

OPPORTUNITIES AND THREATS

The Company was formed specifically to build, own, operate and (at the end of the Term of the PPA) transfer the Plant located at Manah. The Company cannot undertake new ventures. The Long term Power Purchase Agreements with Government protects the Company from market forces.

In terms of Energy delivered to the grid, the following trend has been observed:



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Phase I	106	675	661	611	466	519	556	514	509	423	293	317	310	320	368	405	396	254	221	91	56	41	32	3
Phase II	-	-	-	-	581	751	880	705	616	623	894	665	701	725	953	1,00	1,08	940	881	1,20	1,08	1,08	1,15	774

As can be noted, there is a decreasing trend in the dispatch of Phase – I. This is expected to continue to be dispatched at low levels.

Phase – 2 shows a slight increasing trend in energy delivered, making up for the lost amounts in Phase – I. However, this may not continue after the commissioning of the new Power Plant being built at Ibri.

Since UPC's revenues are mainly driven by Plant Availability, revenues from Energy delivered would not have a significant impact on profitability. However, non-operation of the Plant would result in some power being imported to keep essential systems in operation. This would lead to some additional expense.

See Outlook for 2020 below for updates.

ANALYSIS OF RESULTS

The net loss after tax for the year was OMR 78, against net profit after tax for the year 2018 amounting to OMR 309K. This was mainly on account of a number of factors, explained in the following paragraphs.

Revenue	OMR' 000
– Tax rate claim from OPWP & other Income – net variance	32
– Lower energy and indexation revenue, etc.	(300)
– Higher 'additional starts'	124
– Variable capacity tariff – Indexation (including 2018)	5
– Winter maintenance allowance effect	(31)
– No failure to start deductions	17
– Lower Financial income – as per IFRIC 12 model	(460)
– ***Total revenue variance***	**(613)**

Expenses

1. Operation & administration expenses decreased by OMR 164K. The net decrease was on account of the following:

Negative Variances	
– Miscellaneous	(19)
– Higher additional starts to STOMO	(106)
– Higher Customs duty	(39)
– Management fee indexation	(2)
Positive Variances	
– Lower fee & cost of operators	269
– Lower R&M plant	43
– Lower staff costs sharing	18
Total costs variance including finance and taxation	**(164)**

2. Taxation – net	62

ANALYSIS OF BALANCE SHEET

The significant variations in balance sheet section can be explained as follows:	OMR' 000
• Decrease in financial asset due to cash collection	(3,802)
• Increase in Bank balances and cash	759
• Increase in Deferred tax asset	167
• Provision for tax – net	(194)
• Decrease in Inventory- amortization	(111)
• Increase in Trade payable	139
• Debtor & Prepayments – net increase	240
• Decrease in Retained earnings (mainly due to 2018 dividend payout)	(2,692)

FINANCIAL HIGHLIGHTS

The Company's performance for the past five years:

	2019	2018	2017	2016	2015
	OMR'000	OMR'000	OMR'000	OMR'000	OMR'000
Net (Loss)/Profit after Tax	(78)	309	391	1,232	2,322
Total Assets	6,361	9,108	12,086	12,559	16,482
Total Revenue	5,098	4,421	4,172	4,603	5,381
Total Shareholders' Fund	4,973	7,665	10,506	10,115	9,938
Paid up Capital (Original)	34,869	34,869	34,869	34,869	34,869
Capital reduction-accumulated to date	32,869	32,869	32,869	32,869	32,869
Current Paid up Capital	2,000	2,000	2,000	2,000	2,000
Weighted average number of Shares	2,000	2,000	2,000	2,000	2,000

	2019	2018	2017	2016	2016 (Opening)
(Loss)/Return on total assets	(1.226)%	3.39%	3.24%	9.81%	14.09%
(Loss)/Return on Current paid up Capital	(3.90)%	15.45%	19.55%	61.60%	116.10%
Long Term Debt: Capital ratio	0.100	0.100	0.100	0.100	0.100
Ordinary Dividend (Interim) *	-	-	-	-	50%
Ordinary Dividend (Final) **	110%	125%	150%	-	50%
Book value per share on weighted average shares - OMR	2.487	3.833	5.253	5.058	4.969
Reduction of original paid up capital during the year	-	-	-	-	8.6%

* | Based on paid up capital at the time of distribution

** | Based on paid up capital at 31 December.

The above trend should also be seen in the light of the fact that the value of the Company's shares shall become nil at the end of the project life.

OUTLOOK FOR 2020

Due to nature of its activities and the fixed contractual framework within which the Company operates we foresee no major change in the Company's activities.

UPC has been engaging with various authorities in the sector including with OPWP to enunciate on the future of Manah Power Plant. Towards the end of December, 2019, UPC received a communication from OPWP to quote for Ancillary Services in order to support the Grid until December 2022 (with a possible further extension until December 2024). The communication requires UPC to operate only the Phase – 2 Units, while the Phase -1 Units are expected to be kept under long term preservation.

UPC is currently working closely with OPWP and STOMO towards a successful closure to this Amendment Agreement.

OPWP is also going ahead with the implementation of the Spot Market, which is expected to go live in 2020. Since the nature of the proposed extended contract for UPC is of supply of Ancillary Services to the Grid, UPC believes that we would not be required to participate in the Spot Market. A communication has been sent to AER in this regard.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company believes in strong internal control systems as a tool to contribute high performance in operation and management of the Company.

As required under CMA regulations an internal auditor was appointed in 2010 and is actively engaged to renew the processes and transactions. United Power Company has implemented a critical review of all unique processes of the Company, and that the appropriate control and segregation of duties has been applied.

Furthermore, the internal auditor also reviews Company's compliance with applicable laws and CMA regulations.

TRANSFERS TO INVESTORS TRUST FUND

On behalf of the Company, Muscat Clearing & Depository Company SAOC transferred to Investor's Trust Fund Account amount of RO 8,713.500 in respect of unclaimed dividend for the year 2018.

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Sultanate of Oman

REPORT OF FACTUAL FINDING
TO THE SHAREHOLDERS OF UNITED POWER COMPANY SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority ("CMA") circular no. E/4/2015 dated 22 July 2015, with respect to the Board of Directors' Corporate Governance Report of United 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 4400 *Engagements to Perform Agreed- Upon Procedures Regarding Financial Information*. 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 includes, as a minimum, all items suggested by the CMA to be covered by the Report as detailed in Annexure 3 of the Code by comparing the Report with such suggested content in Annexure 3; and

2) We obtained the details regarding the areas of non-compliance with the Code identified by the Company's Board of Directors, included in the Report together with the reasons for such non-compliance as identified for the year ended 31 December 2019. The areas of the non-compliance with the Code, as identified by the Company's Board of Directors, are disclosed in points (a), (b) and (c) under the section of "Non-Compliance Penalties or Non-Compliance of Corporate Governance and Reasons" of the Report.

We have no exceptions to report in respect of the procedures performed, other than those mentioned in point 2 above.

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 a review 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 other areas of the annual report or to the financial statements of the Company, taken as a whole.

BDO
Muscat
27 January 2020

BDO LLC
P.O Box 1176
PC 112 Ruwi
Sultanate of Oman

Bipin Kapur
Partner

PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

A new Code of Corporate Governance ("the Code") circular E/4/2015 dated 22 July 2015 for Public Listed companies was issued which was applicable from 22nd July 2016.

United Power Company SAOG ("the Company") believes that the Code is an effective tool to improve operational and financial performance of listed companies. The Code ensures accountability, which leads to transparency and ensuring impartial treatment to all investors. This ultimately increases the confidence of the shareholders and prospective investors in the results.

We confirm to comply and maintain high standards of the Code and enhance our image as a good corporate citizen.

In compliance with Article 26 of Circular No. 11/2002, the Company is including this separate chapter on the Code in its annual audited financial statements for the year ended 31 December 2019.

BOARD OF DIRECTORS

(A) Composition of the Board of Directors, category of Directors, and their attendance record and number of Board meetings held during the year.

Name of Directors	ABR	Meetings held and attended during 2019					
		20 JAN	25 APR	31 JUL	27 OCT	TOTAL	AGM
Mr. Murtadha A. Sultan (Chairman)	NEI	✓	✓	✓	✓	4	✓
Mr. Grahame Farquhar (Vice-Chairman)	NENNI	✓	✓	✓	✓	4	-
Mr. Yaseen Abdullatif	NEI	✓	✓	✓	✓	4	✓
Mr. Hamad Lal Baksh Al Balushi	NEI	-	✓	✓	✓	3	-
Mr. Sami Yahya Al Daghaishi	NEI	✓	✓	✓	✓	4	✓
Mr. Hussain Abdulhussain	NEI	✓	✓	✓	✓	4	-
Mr. Mohamed Mahfoodh Al Wahaibi *	NENNI	-	✓	✓	✓	3	-
Mr. Bander Allaf **	NENNI	✓	✓	-	-	2	-
Mr. Abdullah Mohammed Al-Mamari **	NENNI	✓	-	-	-	1	✓
Mr. Haider Al Hertani ***	NEI	✓	✓	-	-	2	-

* | *Appointed during the year*
** | *Replaced during the year*
*** | *Resigned during the year.*

NENNI | *Non-Executive Nominee & Non-Independent*
NEI | *Non-Executive & Independent*

(B) Directorship / membership of the Company's directors in other SAOG companies in Oman held during the year.

Name of Directors	Position held	Name of the Category
Mr. Murtadha A. Sultan	Chairman	Gulf International Chemicals
Mr. Graham Farquhar	None	-
Mr. Yaseen Abdullatif	Director & Chairman Audit committee	Sahara Hospitality Co.
Mr. Hamad Lal Baksh Al Balushi	None	-
Mr. Sami Yahya Al Daghaishi	Director	Ubar Hotels and Resorts
Mr. Hussain Abdulhussain	None	-
Mr. Mohamed Mahfoodh Al Wahaibi	None	-

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

AUDIT COMMITTEE

(A) Brief description of terms of reference.

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to any governmental body or the public; the Company's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; and the Company's auditing, accounting and financial reporting processes generally.

Consistent with this function, the Audit Committee encourages continuous improvement of, and fosters adherence to, the Company's policies, procedures and practices at all levels.

The Audit Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company's financial reporting process and internal control system;
- Review and appraise the audit efforts of the Company's statutory and internal auditors;
- Provide an open avenue of communication among the statutory and internal auditors, financial and senior management and the Board of Directors.
- Validate and verify the overall efficiency of the executive management in implementing the operational directives and guidelines set up by the board.
- Evaluate and monitor the adequacy of internal control systems and their efficiency.
- Create policies for safeguarding the Company's human, material and intellectual resources and assets.

(B) Composition of Audit Committee and attendance record of Committee Members.

Name of Committee Members	Position	Meetings held and attended during 2019				
		20 JAN	25 APR	31 JUL	27 OCT	TOTAL
Mr. Yaseen Abdullatif	Chairman	✓	✓	✓	✓	4
Mr. Sami Yahya Al Daghaishi	Member	✓	✓	✓	✓	4
Mr. Hamad Lal Baksh Al Balushi *	Member	-	-	-	✓	1
Mr. Grahame Farquhar **	Member	✓	✓	✓	-	3

* | *Appointed during the year*
** | *Resigned during the year.*

(C) Sitting fee of RO 200 per meeting is paid to the attendee members.

(D) Activities during the year are as follows:

The Audit Committee has reviewed, on behalf of the Board, the effectiveness of internal controls by meeting the internal auditor of the Company, reviewed the internal audit reports and the recommendations, met the external auditor, and reviewed the audit findings.

(E) In 2019, the Board of Directors, through the Audit Committee, reviewed and assessed the Company's system of internal controls based on the audit report submitted by the Internal Auditors. The Board also reviewed the operational reports generated by the Management of the Company, which compares the budget with the actuals. The Audit Committee and the Board are pleased to inform the shareholders that, in their opinion, an adequate and effective system of internal control is in place.

NOMINATION AND REMUNERATION COMMITTEE

A) Brief description of terms of reference,

The primary function of the NRC is to assist the Board of Directors in fulfilling its responsibilities set out in the Code issued in July 2015.

The above is summarized as follows:

- Determining the required skills for smooth functioning of the Board and the Company's executive management, its continuous development and selecting appropriate person to recommend and fill the seat in the Board. Assist the Board in determining Directors remuneration and sitting fees.
- Develop succession plan for the executive management and develop remuneration package including performance based incentive plan.
- Investigate ethics, regulatory & compliance matters.
- Assist the Board in setting up criteria in respect of evaluation of the Board and its directors, including appointment of the independent consultants and advisors to carry out the evaluation.

(B) Composition of NRC and attendance record of Committee members

Name of Committee Members	Position	Meetings held and attended during 2019		
		20 JAN	25 JUNE	TOTAL
Mr. Grahame Farquhar *	Chairman	-	-	-
Mr. Mohamed Mahfoodh Al Wahaibi	Member	-	✓	✓
Mr. Hussain Abdulhussain *	Member	-	-	0
Mr. Abdullah Mohammed Al Mamari **	Member	✓	-	✓
Mr. Bander Allaf **	Chairman	✓	✓	2
Mr. Haider Al Hertani **	Member	-	✓	✓

* *Nominated by the Board in the meeting of 27 Oct 2019*
** *Resigned during the year.*

C) Sitting fee of OMR 200 per meeting is paid to the attendee members

D) Activities during the year

The NRC met two times during the year to review recommendation of the independent evaluation regarding evaluator of the Board and its directors, develop the KPI's and remuneration package of the Chief Executive Officer & Executive Management and reviewed in detail staff appraisal and increment process.

PROCESS OF NOMINATION OF DIRECTORS

The election of the Board is governed by the Company's Articles of Association (Article 24 to 27). The current Board of Directors was elected on 19 March 2017 for the term of three years ending March 2020. Further, as required by CMA circulars, the Company obtained "Nomination Form" from all directors. The forms were verified to its compliance and authenticity by the Company's Secretary, Legal Counsel and the NRC, before being sent to the CMA.

REMUNERATION

A) Directors – Remuneration and Attendance Fee

In accordance with the Articles of Association, the Company was entitled to pay directors' remuneration equivalent to 10% of calculated net profit. However, due to CMA's administrative decision 11/2005, the Directors' remuneration including sitting fees are restricted to 5% and is also subject to limits prescribed.

The remuneration to be approved by the shareholders in the up – coming AGM is set out below:

	OMR
Director's remuneration	34,200
Sitting fee (excluding fees to Audit Committee and NRC members)	15,800
Total	50,000

The Board sitting fees paid to individual directors for meetings of the Board attended during the year are given below. The Company does not pay sitting fees for participation in Board sub-committee meetings, except for the Audit Committee and NRC meetings. The Directors' remuneration is paid pro-rata for each Directors' participation in the Board meetings. Attendance at Board meetings, Audit Committee and NRC meetings by video – or teleconference is deemed to be attendance in person; attendance by proxy is not considered attendance for purposes of remuneration.

Sl. No.	Name of Director	No. of meetings attended for sitting fees	Total sitting fees paid in OMR	Total remuneration in OMR
1	Mr. Murtadha Ahmed Sultan	4	1,600	4,413
2	Mr. Bander Allaf	2	1,200	2,206
3	Mr. Abdullah Mohd Al Maámari	1	600	1,103
4	Mr. Graham Farquhar	4	2,200	4,413
5	Mr. Yaseen Abdullatif	4	2,400	4,413
6	Mr. Hamad Lal Baksh Al Balushi	3	1,400	3,310
7	Mr. Sami Yahya Al Daghaishi	4	2,400	4,413
8	Mr. Hussain Abdulhussain	4	1,600	4,413
9	Mr. Haider Al Hertani	2	1,000	2,206
10	Mr. Mohamed Mahfoodh Al Wahaibi	3	1,400	3,310
TOTAL			**15,800**	**34,200**

- Sitting fee includes fees for the Committees.

The Company will continue to pay sitting fees per Director per meeting in the year 2020, up to a maximum of RO 10,000 per year to any individual Director as per CMA regulations.

(B) Top Five Officers

The aggregate remuneration charged by Power Development Company under the Amended and Restated Management Company Agreement for the top five officers of the Company was RO 250,520.

NON-COMPLIANCE PENALTIES OR NON-COMPLIANCE OF CORPORATE GOVERNANCE AND REASON

- Nomination and Remuneration Committee comprised of only two directors up till 31 July 2019 due to resignation of a member in 2018. The third member was appointed in the aforesaid Board meeting.
- During the year, the Company had in-house Internal Auditor which was shared with another SAOG up to 27 October 2019. The Company does not have an in-house Internal Auditor thereafter, as a full time in-house Internal Auditor is not required in a Public Company having a share capital of less than RO 5 Million.
- The Company has not carried out comprehensive external assessment of the Internal Audit Function during the year 2019, as there is no internal audit department in the Company. The Company intends to hire a third party firm to carry out internal audit review from 2020.
- No penalties or strictures were imposed on the Company by Muscat Securities Market / Capital Market Authority or any other statutory authority on any matter related to Capital Market during the last three years.
- There were no other instances of non-compliance with Corporate Governance.

MEANS OF COMMUNICATION WITH THE SHAREHOLDERS AND INVESTORS

Annual accounts and quarterly accounts are put on official website of MSM in accordance with the guidelines by the market regulators. Notice to the Annual General Meeting is sent by post to the registered shareholders.

The Company has launched its own web-site, www.upcmanah.com. The Chairman gives press releases in case of important news and development that arises. Such press releases are posted on the web-site of the MSM in accordance with the guidelines issued by the market regulators.

The Company is available to meet its shareholders and their analysts on as and when need basis.

MARKET PRICE DATA

High / Low during each month in the last financial year and performance in comparison to broad based index of MSM (service sector).

Month	Low Price	High Price	Average Price	MSM Index (Service Sector)
	OMR	OMR	OMR	OMR
Jan	3.235	3.235	3.235	2,142.935
Feb	3.195	3.195	3.195	2,083.120
Mar	2.970	2.970	2.970	1,988.805
Apr	2.675	2.675	2.675	2,034.375
May	2.625	2.625	2.625	1,975.510
Jun	2.670	2.670	2.670	1,915.505
Jul	2.450	2.450	2.450	1,840.130
Aug	2.350	2.350	2.350	1,876.550
Sep	2.400	2.400	2.400	1,961.135
Oct	-	-	-	1,910.140
Nov	2.400	2.400	2.400	1,957.730
Dec	-	-	-	1,889.710

DISTRIBUTION OF SHAREHOLDING

The Shareholding pattern as on 31 December 2019 is as follows:

Category of Shareholders	Number of Shareholders	Total Shares	Share Capital %
Preference Shareholders (Local)	1	109,360	5.47
Preference Shareholders (Foreign)	1	1,090,635	54.53
Fractions from capital reduction	-	5	0
Ordinary Shareholders above 5%	1	129,062	6.45
Ordinary shareholders below 5% but above 1%	8	401,072	20.05
Ordinary Shareholders below 1%	770	269,866	13.50
TOTAL	781	2,000,000	100.00

PROFESSIONAL PROFILE OF THE STATUTORY AUDITORS

BDO LLC, the statutory auditors of the Company, have been operating in the Sultanate of Oman since 1976. BDO LLC is an independent and legally distinct member firm of BDO International Limited. BDO, globally the fifth largest professional services firm, providing industry focused Assurance, Tax and Advisory services, has over 88,000 employees working in a global network of over 1,800 offices situated in 167 countries and territories.

BDO LLC billed an amount of RO 9,250 towards professional services rendered to the Company for audit of the year 2019.

ACKNOWLEDGEMENT BY THE BOARD OF DIRECTORS

The Board of Directors' confirm the following:

- Its responsibility for the preparation of the financial statements in accordance with the applicable standards and rules.
- Review of the efficiency and adequacy of internal control systems of the Company and that it complies with internal rules and regulations.
- That there is no material that affect the continuation of the Company and its ability to continue its operations during the next financial year, except as fully explained in the Outlook for 2020 in the MD&AR section.

Name	**Murtadha Ahmed SULTAN – Chairman**
Year of Joining	1994
Education	Graduate - Sales and Marketing Management
Experience	Director of W. J. Towell Group of Companies Well known in the business community, Mr. Sultan has more than 43 years' experience in different commercial fields; holding or held various positions in public, private and government organizations. Mr. Murtadha Sultan is also the Chairman of Gulf International Chemicals SAOG.

Name	**Grahame FARQUHAR - Vice Chairman**
Year of Joining	2016
Education	UK FCCA accountant, MBA Strathclyde University, Scotland.
Experience	Worked in corporate finance roles in UK, Europe, Asia-Pacific (based out of Hong Kong) and USA and for past last nine years spent in the Middle East. Primary roles taken in company financial management, usually as CFO and with responsibilities for merger & acquisitions and consequent business integration.

Name	**Sami Yahya AL DUGAISHI**
Year of Joining	2015
Education	Master of financial risk management from University of Glasgow – United kingdom Bachelor degree of finance and banking from Applied Science University - Jordan
Experience	Mr. Sami Yahya Al Dugaishi has been with the civil service employees' pension fund since 1997; he is a director of pension benefits department. He is on the Board of Directors at Ubar Hotels & Resorts SAOG and was on the board of directors at Oman Housing Bank SAOG.

Name	**Yaseen ABDULLATIF**
Year of Joining	2009
Education	Bachelor of Science in Business Administration (major – Finance) from the American University in December 1996.
Experience	Before his retirement in December 2017, Mr. Abdullatif had worked with the Bank Muscat since March 1987, and he had handled different functions from being branch manager to managing credit assessment and credit controls. In 1998, he was promoted to the position of assistant general manager to handle the Risk Management function of the bank and later on finance function was an added responsibility. Before his retirement (recently), Mr. Abdullatif, as deputy general manager, was responsible for managing support services functions at the bank.

Name	**Hamad Lal Baksh AL BALUSHI**
Year of Joining	2009
Education	Master of Business Administration (MBA), University of Strathclyde.
Experience	Mr. Hamed Al Balushi is a Director on the Board of Directors of the company since 2009, and a member of Board's Audit Committee. Mr. Al Balushi is a financial professional with over 23 years' experience in financial sector, with specializing in corporate & wholesale banking. Mr. Al Balushi, commenced his career with HSBC Bank (Oman) in the year 1996, whereby he has held various positions within the Wholesale Banking division. Mr. Al Balushi is currently holding the position of Head Corporate & Transaction Banking in Meethaq Islamic Banking Group (Bank Muscat SAOG). Mr. Al Balushi has a Master of Business Administration from the University of Strathclyde, Glasgow - Scotland.

Name	**Hussain Hassan Ali ABDULHUSSAIN**
Year of Joining	2018
Education	BSc and MSc in Mechanical Engineering. University of Arizona, 1987
Experience	Hussain Hassan Ali AbdulHussain joined Haya Water in 2012 as the Chief Executive Officer. He has 30 years of experience in oil, gas, petrochemicals & refineries projects and operations, business operation and commercial developments. Mr. Hussain was also a Board member of some Government owned Companies, such as Oman Gas Company and OMIFCO. Mr. AbdulHussain spent 14 years working for Petroleum Development Oman (PDO) before moving to the Oman Oil Company and then helping with the creation of Oman Petrochemical Industries Company (OPIC). He subsequently moved to work at Oman Refineries and Petrochemicals Company (ORPC) as Business Development and Marketing General Manager before leaving to establish his own Engineering Support and Services business.

Name	**Mohamed Mahfoodh AL-WAHAIBI**
Year of Joining	2019
Education	Bachelor's degree, College of Commerce and Political Science, SQU
Experience	Senior financial analyst in the Ministry of Defence pension fund, he as over seven years of experience in the private equity and real assets. He is also a Board Member in several companies such as Gulf Custody, Al Muzen Mall and an Executive committee in the Oman Aviation Academy. Prior to the Private Equity, he spent three years in the real estate participating in developing one of iconic buildings in Oman (AL Anantara Al Jabal al Akdhar, Nizwa Grand Mall, other mix-use buildings) Prior to that, he spent two years at risk and compliance department.

Name	**Zoher KARACHIWALA**
Year of Joining	1995
Education	Chartered Accountant
Experience	Currently CEO of the Company, Mr. Karachiwala was a CFO until June 2009. He also acts as Company Secretary for some of the ENGIE group of companies in Oman. He has 43 years of experience in field of Statutory Audit & Accounting and Finance. He was KPMG Audit Partner in Pakistan before joining United Power Company in 1995. Acted as Honorary Chairman of Audit Committee and the Board of Directors for a public company in Oman.

Name	**Mr. Ya'qoub Harbi Salim AL HARTHI**
Year of Joining	2019
Education	Bachelor's degree in Mechanical Engineering from the Sultan Qaboos University.
Experience	Mr. Al Harthi has been associated with power plant operations and management in various power plants of ENGIE for over 17 years. He currently holds the position of Chief Executive Officer of Sohar Power Company SAOG, prior to this he was the CEO of Al Batinah Power Company SAOG. In 2015 he was appointed as CEO of Al Kamil Power Company SAOG. Prior to that he was the General Manager of Al Kamil Construction and Services LLC from early 2014. He has also worked in Rusail Power Station and Sohar 1 Power and Water Plant as Operations Manager for several years.

Name	**Sreenath HEBBAR**
Year of Joining	2009
Education	Bachelor of Engineering (Mechanical), VJTI, Mumbai University
Experience	34 years of work experience, primarily in Business Development of Engineer Procure Construct (EPC) Contracts in Gas Turbine based Cogeneration & Combined Cycle Power Plants. In his current position as Technical Manager, and Safety Officer, he is responsible for monitoring Contractors' compliance to safety norms, technical liaison with the client, statutory authorities, and contractors and provides technical support to the CEO. He has been a member of the Grid Code Review Panel of Oman.

Name	**Salah AL FARSI**
Year of Joining	1995
Education	General Education Diploma
Experience	Salah Al Farsi is the Administration Manager since 2017, replacing Mr. Jamal Al Balushi who retired. Salah Al Farsi is with the Company since 1995 and was the Assistant Administration Manager. He has experience in administration functions including managing spare parts logistics, liaisons with government organizations, licenses, translation and supervising local insurance programs.

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Independent auditor's report to the shareholders of
United Power Company SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Power Company SAOG ("the Company"), which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 (ii) in the financial statements which states that the Company's Power Purchase Agreement (PPA) and Supplemental Agreement for the Expansion Project with Oman Power and Water Procurement Co. SAOG (OPWPC) expires on 19 May 2020. The Company is currently actively seeking an extension of the PPA and OPWPC has requested the Company to submit their bid for provision of ancillary services only for Phase 2 units and mothballing of Phase 1 units which is due on 20 February 2020. Further, as stated in Note 3(ii), these events or conditions along-with other matters as set forth in Notes 1 and 2 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue to operate as a going concern. However, these financial statements have been prepared on the going concern assumption as, based on the budgets prepared by the management, the Company is expected to be able to operate and meet its financial liabilities for the foreseeable future. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report:

Independent auditor's report to the shareholders of
United Power Company SAOG (continued)

Key audit matters (continued)

Contingent liability relating to a Court case

The Court case relates to a legal claim filed by the owner of land against the Company over which the Interconnection and Transmission Facilities (ITF) lines were passing. The Court case was filed for an amount of RO 513,367 and any further amounts until the Court passes its judgement. There are three defendants to the case - the Company, Oman Electricity Transmission Company and Mazoon Electricity Company (both as co-defendants). Since there is an inherent uncertainity regarding the outcome of the case, it is considered as a key audit matter.

Our audit procedures in this area included among others:

- Made enquiries with the management and Those Charged With Governance to seek their assessment of this significant legal matter;
- Issued requests for confirmations of all significant outstanding litigation from the Company's external lawyers and assessed the correspondence received from the external lawyers by comparing this with our understanding of views expressed by the management and Those Charged With Governance, and the consistency to facts and information gathered from our work;
- Evaluated the information available with the Company and assessed the impact of this evidence on the appropriateness of the contingent liability in relation to the measurement criteria in the accounting standards; and
- Evaluated the appropriateness of the Company's quantitative and qualitative disclosures in relation to the contingent liability.

Other information included in the Company's 2019 Annual Report

Those Charged With Governance and the management of the Company are responsible for the other information. The other information comprises the Chairman's Report, Corporate Governance Report and Management Discussion and Analysis Report but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Those Charged With Governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report to the shareholders of
United Power Company SAOG (continued)

Responsibilities of Management and Those Charged With Governance for the financial statements (continued)

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or have 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 the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

Independent auditor's report to the shareholders of
United Power Company SAOG (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

Report on Other Legal and Regulatory Requirements

We report that the financial statements of the Company as at, and for the year ended, 31 December 2019, in all material respects, comply with the relevant disclosure requirements of the Capital Market Authority and applicable provisions of the Commercial Companies Law of 2019.

BDO

Muscat
27 January 2020

Bipin Kapur
Partner

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	31 December 2019 RO'000	31 December 2018 RO'000
ASSETS			
Non-current assets			
Non-current portion of trade and other receivables	7	-	1,320
Deferred tax asset	12	207	40
Total non-current assets		207	1,360
Current assets			
Inventories	6	37	148
Current portion of trade and other receivables	7	2,411	4,653
Cash and bank balances	8	3,706	2,947
Total current assets		6,154	7,748
Total assets		6,361	9,108
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	2,000	2,000
Legal reserve	10	667	667
Retained earnings		2,306	4,998
Total capital and reserves		4,973	7,665
Current liabilities			
Trade and other payables	13	849	710
Income tax payable	12	539	733
Total current liabilities		1,388	1,443
Total equity and liabilities		6,361	9,108
Net assets per share (RO)	19	2.487	3.833

These financial statements, as set out on pages 37 to 61, were approved and authorised for issue by the Board of Directors on 27 January 2020 and signed on their behalf by:

Chairman **Vice-chairman**

The accompanying notes form an integral part of the financial statement.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 RO'000	Year ended 31 December 2018 RO'000
Income			
Revenue from contracts with customers	15	4,236	4,421
Financial income	16	708	1,168
Other income	18	154	122
		5,098	5,711
Expenses			
General and administrative expenses	17	(4,996)	(5,160)
		(4,996)	(5,160)
Profit before tax for the year		102	551
Income tax expense	12	(180)	(242)
Net (loss) / profit after tax and total comprehensive (loss) / income for the year		(78)	309
Basic (loss) / earnings per share (RO)	20	(0.039)	0.155

The accompanying notes form an integral part of the financial statement.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital RO'000	Legal reserve RO'000	Retained earnings RO'000	Total RO'000
At 31 December 2017		2,000	667	7,839	10,506
Net profit after tax and total comprehensive income for the year		-	-	309	309
Dividend paid for the year 2017		-	-	(3,150)	(3,150)
At 31 December 2018		2,000	667	4,998	7,665
Net loss after tax and total comprehensive loss for the year		-	-	(78)	(78)
Dividend paid for the year 2018	11	-	-	(2,614)	(2,614)
At 31 December 2019		2,000	667	2,306	4,973

The accompanying notes form an integral part of the financial statement.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 RO'000	Year ended 31 December 2018 RO'000
Operating activities			
Cash receipts from customers		8,635	8,816
Cash paid to suppliers and employees		(4,722)	(5,005)
Cash generated from operating activities		3,913	3,811
Taxation		(540)	(440)
Net cash generated from operating activities		3,373	3,371
Financing activities			
Dividends paid	11	(2,614)	(3,150)
Net cash used in financing activities		(2,614)	(3,150)
Net increase in cash and cash equivalents		759	221
Cash and cash equivalents, beginning of the year		2,947	2,726
Cash and cash equivalents, end of the year	8	3,706	2,947

Disclosure as required by IAS 7, "Statement of Cash Flows" has been shown in Note 29 to the financial statements.

The accompanying notes form an integral part of the financial statement.

1 Legal status and activities

United Power Company SAOG (‘the Company’ or 'UPC') was registered as a public joint stock company in the Sultanate of Oman on 9 January 1995. The Company has been established to undertake a project primarily to Build, Own, Operate and Transfer (“BOOT”) to the Government of the Sultanate of Oman (‘the Government’) a power station at Manah, and to Build, Own and Transfer (“BOT”) to the Government, interconnection and transmission facilities. The Company is also permitted to undertake activities related to the expansion of its primary objective. Accordingly, the Company implemented the Phase II-Expansion Project (‘the Expansion Project’) during the year ended 31 December 2000.

The original duration of the Company was for a period of twenty-five years commencing from 9 January 1995 being the date of its registration in the Commercial Register of the Ministry of Commerce and Industry (‘MOCI’). At an Extra-ordinary General Meeting held on 17 January 2000, the duration of the Company was increased by five years thereby revising the duration of the Company to thirty years ("the Project Life") commencing from 9 January 1995. The MOCI approved the extension to the Company’s life on 11 October 2000.

All the property, plant and equipment of the Company is to be transferred at RO 1 to the Government automatically at the end of the Power Purchase Agreement (PPA), which, in accordance with Supplemental Agreements for the Expansion Project, expires on 19 May 2020. At the end of the Project Life and at the time of the liquidation of the Company, the value of the shares will become nil.

The Company's principal place of operation of the plant is at Manah, whereas the registered office is in Muscat, both in the Sultanate of Oman.

The financial statements were approved for issue by the Board of Directors on 27 January 2020.

2 Significant agreements

(i) The Company has entered into the following significant agreements:
Agreements with the Government for project implementation, power purchase and land lease for Phase 1 (‘Project Agreements’) were entered into on 27 June 1994 by the United Power Group (‘the Group’) comprising some of the Founder Shareholders. Under a Novation Agreement entered into by the Company with the Group, the Company assumed all rights, duties, liabilities and obligations of the Group pursuant to the Project Agreements.

(ii) Effective 1 May 2005, the rights and obligations of the Ministry of Housing, Electricity and Water ("MHEW") under the Power Purchase Agreement (‘PPA’) was novated to the Oman Power and Water Procurement Company SAOC (‘OPWPC') in accordance with the arrangements described in the Master Novation Agreement signed on 8 October 2005. All the financial obligations of the OPWPC under the Project Agreements are secured under the guarantee issued by the Ministry of Finance, Government of Oman, which has come into force on execution of the Novation Agreements. The PPA contains embedded derivatives in the pricing formulae that compute the variable capacity charge rate and energy charge rate for Phase 1 and Phase 2. The percentages of the variable capacity charge rate and energy charge rate for Phase 1 and Phase 2 is adjusted to reflect changes in United States Consumer Price Index (CPI) and the Omani Consumer Price Index assuming an exchange rate pegged to the United States Dollar (‘USD’). In case of non-performance, the operator would be required to pay penalty to OPWPC in accordance with the terms of the PPA and the Implementation Agreement.

(iii) The Company has entered into a Management Agreement (‘the Management Agreement’) with Power Development Company LLC (‘PDC’), a related party, to provide full management and administrative services to the Company. From 1 January 2009, the base fee has been fixed at RO 601,842 (USD 1.561 million, being the indexed base fee for 2008 converted to Omani Rials at the exchange rate prevailing on 31 December 2008) and is indexed annually based on the Sultanate of Oman CPI published by the National Centre for Statistics and Information. The Company is also liable to pay a management fee of USD 400,000 (RO 154,200) for each calendar year in respect of Phase II of the plant (‘the Expansion Project’). No indexation is applicable on the Expansion Project fee. In addition to the management fee, the Company also pays to PDC, all proper costs and expenses which are incurred by PDC in rendering the above services.

(iv) The Company has entered into an Operations and Maintenance Agreement with Suez Tractebel Operation and Maintenance Oman (“STOMO”), a company owned by Kahrabel FZE (Engie) (70%) and Sogex LLC (30%).

(v) Pursuant to the Project Agreements, the Company had, on 19 December 1999, entered into Supplemental and Addendum Agreements with the Government for the expansion of the power generation facilities. The above agreements have been amended and the duration of all the agreements has now been extended up to 19 May 2020.

2 Significant agreements (continued)

(vi) Following the Sultan Decree No. 78/2004 promulgating the law for the regulation and privatisation of the electricity and water sector (as amended), a Novation Agreement dated 8 October 2005 was signed between the former MEW and UPC and OPWPC whereby the rights and obligation of the MEW under the Manah Project Agreement were novated to OPWPC.

3 Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), the relevant requirements of the Commercial Companies Law of 2019 of the Sultanate of Oman, and the relevant Rules and Guidelines on Disclosure requirements applicable for licensed companies as issued by the Capital Market Authority (CMA).

Functional currencies

The financial statements are presented in Omani Rials (RO), rounded off to the nearest thousand, which is the functional and reporting currency for the financial statements.

Basis of presentation

(i) The financial statements are prepared under the historical cost convention and going concern assumption (also refer Note 3 (ii)). The preparation of financial statements is in conformity with IFRS that requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies.

(ii) The Company has been formally conveyed by its off taker, OPWPC, to submit a bid for provision of Ancillary Services from phase 2 units (2 x frame 9 gas turbines) of the Company for a maximum period of 4 years and 8 months beyond the expiry date of the existing PPA (i.e. 31 December 2024). The Company has also been requested to provide an offer to mothball (and propose any other economical form of preservation) of the phase 1 units (3 x frame gas turbines).

The Company has provided a formal commitment to participate in this procurement process on 19 January 2020 and expects a favourable outcome. However, in case the proposed offer is not finalised, the Company will transfer the assets to OPWPC on the due date.

As a result of the above, although material uncertainty currently exists on the going concern assumption of the Company, based on the budgets prepared by the management, the Company is of the view that the Company is expected to be able operate and meet its financial liabilities for the foreseeable future as and when they fall due.

(iii) These financial statements have been prepared on the basis that the Company commenced full generation and distribution of electricity on 15 October 1996. The Company commenced partial generation of electricity on 31 May 1996. On 15 October 1996, the entire construction of the power station and transmission facilities was completed and, from that date, the Company commenced full generation of electricity. MEW had initially determined 1 January 1997 as the "Commercial Operation Date' and had issued the Commercial Completion Certificate on that date.

(iv) During 2004, the Company reached settlement with the MEW (subsequently 'OPWPC') regarding the commencement of Phase 1 term life of twenty years effective 14 September 1996 instead of 15 October 1996. The effect of this change and resolution of other matters was taken into account in the financial year ended 31 December 2004.

(v) Under the Supplemental and Addendum Agreement to the PPA ('Supplemental Agreement'), the operation date for the Expansion Project was 1 May 2000. The MEW (subsequently 'OPWPC') issued an interim completion certificate for the first unit of the Expansion Project on 29 April 2000. The interim completion certificate for the second unit of the Expansion Project as well as the commercial operations certificate for the Expansion Project was issued by the OPWPC on 19 May 2000. Accordingly, 19 May 2000 has been determined as the "Commercial Operation Date' for the Expansion Project. All costs incurred during the construction period of the project were capitalised on 29 April 2000. The Company has billed the MEW (subsequently 'OPWPC') from the respective completion dates for the two units of the Expansion Project in accordance with the Supplemental Agreement.

(vi) In accordance with the PPA signed in 1994 between the Company and the Government, the Company was given the right to Build, Own, Operate and Transfer a power station and Build, Own and Transfer interconnection and transmission facilities, to the Government.

3 Basis of preparation (continued)

(vii) The tariff for electricity generated and supplied to OPWPC was structured in the Project Agreements in such a way that the tariff rates were significantly higher during the initial years as compared to the later period of the Project Life. The tariff for electricity to be generated and supplied from the Expansion Project under the Supplemental Agreement was structured so that the tariff is more uniformly received over the Project Life.

(viii) In accordance with IFRIC 12, a service concession arrangement is an arrangement whereby a Government or other public sector body contracts with a private operator to develop (or upgrade), operate and maintain the OPWPC's infrastructure assets. The OPWPC controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the term of the arrangement.

Further, a financial asset has been recognised where the operator constructs or upgrades the infrastructure, and is permitted to operate it for a fixed period of time for an agreed revenue stream to be received during the period of operation.

(ix) The repairs and maintenance expenses is treated in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

(x) Management has evaluated the applicability of IFRIC 12 and concluded that the project falls within the purview of the 'financial asset model' as defined in IFRIC 12, which requires the Company to recognise revenue for the construction and operation phases in accordance with IFRS 15, which was effective from 1 January 2018.

4 Adoption of new and revised IFRS

Improvements / amendments to IFRS / IAS 2015-2017 cycle

Improvements/amendments to IFRS/IAS contained numerous amendments to IFRS/IAS that the IASB considers non-urgent but necessary. ‘Improvements to IFRS’ comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Company’s future accounting periods with early adoption permitted.

Standards, amendments and interpretations effective and adopted in the year 2019

The following new standards, amendment to existing standards or interpretations to published standards are mandatory for the first-time for the financial year beginning 1 January 2019 and have been adopted in the preparation of the financial statements:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019

IFRS 16 - Leases

IAS 17 "Leases" has been replaced by IFRS 16 - "Leases" with effect from 1 January 2019.

Until the financial year 2018, leases were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, the lessee is required to recognise a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the lease liability and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company has evaluated the impact of IFRS 16 as at 1 January 2019 and concluded that as the Company has low-value leases, the right-of-use asset and corresponding lease liability need not be recognised on 1 January 2019. Accordingly, first-time adoption of IFRS 16 does not have any impact on the financial statements of the Company for the year ended 31 December 2019.

4 Adoption of new and revised IFRS (continued)

Standards, amendments and interpretations effective and adopted in the year 2019 (continued)

IFRS 16 - Leases (continued)

Standards, amendments and interpretations issued and effective in the year 2019 but not relevant

The following new amendments to existing standards and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2019 or subsequent periods, but are not relevant to the Company's operations:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 12	Income Taxes	1 January 2019
IAS 19	Employee Benefits	1 January 2019
IAS 23	Borrowing Costs	1 January 2019
IAS 28	Investments in Associates and Joint Ventures	1 January 2019
IFRS 9	Financial Instruments	1 January 2019
IFRS 3	Business Combinations	1 January 2019
IFRS 11	Joint Arrangements	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

IAS 12 "Income Taxes"

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, Company recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

The Company applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the Company first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

IAS 19 "Employee Benefits"

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, Company is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. Company is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments did not have any impact on the financial statements of the Company, as it did not have any planned amendments, curtailments, or settlements during the period.

IAS 23 "Borrowing Costs"

The amendments clarify that Company treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The Company applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the Company first applies those amendments. Company applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Company's current practice is in line with these amendments, they did not have any impact on the financial statements of the Company.

4 Adoption of new and revised IFRS (continued)

Standards, amendments and interpretations issued and effective in the year 2019 but not relevant (continued)

IAS 28 "Investments in Associates and Joint Ventures"

The amendments clarify that Company applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, Company does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments did not have any impact on the financial statements as the Company does not have long-term interests either in associates or joint ventures.

IFRS 9 "Financial instruments "

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments did not have any impact on the financial statements of the Company.

IFRS 3 "Business Combinations"

The amendments clarify that, when Company obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

The Company applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments did not have any impact on the financial statements of the Company as there were no transaction where a joint control is obtained.

IFRS 11 "Joint Arrangements"

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

The Company applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there were no transactions where joint control was obtained.

IFRIC 23 "Uncertainty over Income Tax Treatments"

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 "Income Taxes". It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether the Company considers uncertain tax treatments separately;
- the assumptions the Company makes about the examination of tax treatments by taxation authorities;
- how Company determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how the Company considers changes in facts and circumstances.

4 Adoption of new and revised IFRS (continued)

Standards, amendments and interpretations issued and effective in the year 2019 but not relevant (continued)

The Company has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Company applies significant judgment in identifying uncertainties over income tax treatments. Since the Company operates in a complex multinational environment, it assesses whether the Interpretation had any impact on its financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have any impact on the financial statements of the Company.

Standards, amendments and interpretations issued but not yet effective in the year 2019

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for the financial year ended 31 December 2019. They have not been adopted in preparing the financial statements for the year ended 31 December 2019 and will or may have an effect on the Company's future financial statements. In all cases, the Company intends to apply these standards from the application date as indicated in the table below:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 17	Insurance contracts	1 January 2022

IFRS 17, "Insurance Contracts" requires entities to identify portfolios of insurance contracts, which comprises contracts that are subject to similar risks and are managed together. Each portfolio of insurance contracts issued shall be divided into a minimum of three groups:

- a group of contracts that are onerous at initial recognition, if any;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- a group of the remaining contracts in the portfolio, if any.

The Company is not permitted to include contracts issued more than one year apart in the same group. Furthermore, if a portfolio would fall into different groups only because law or regulation constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics, the Company may include those contracts in the same group.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted if both IFRS 15 "Revenue from Contracts with Customers" and IFRS 9: Financial Instruments" have also been applied.

The Company shall apply the standard retrospectively unless impracticable, in which case the Company has the option of using either the modified retrospective approach or the fair value approach.

At the date of initial application of the standard, those entities already applying IFRS 9 may retrospectively re-designate and reclassify financial assets held in respect of activities connected with contracts within the scope of the Standard

There would have been no change in the operational results of the Company for the year ended 31 December 2019 had the Company early adopted any of the above standards applicable to the Company.

Early adoption of amendments or standards in the year 2019

The Company did not early-adopt any new or amended standards in the year ended 31 December 2019.

5 Summary of significant accounting policies

A summary of the significant accounting policies adopted in the preparation of these financial statements is set out below. These policies have been adopted for all the years presented, unless stated otherwise.

(a) Financial instruments

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Company determines the classification of its financial assets at initial recognition. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

(i) Classification

The financial assets are classified in the following measurement categories:

a) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

b) those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in the Company's statement of profit and loss or other comprehensive income. For investments in equity instruments, the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss and other comprehensive income as incurred.

The Company has classified fair value measurements on a recurring basis using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Debt instruments

Subsequent measurementof debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies debt instruments at amortised cost based on the below:

a) the asset is held within a business model with the objective of collecting the contractual cash flows, and

b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

(iii) De-recognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of the transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

5 Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

(iv) Impairment of financial assets

The Company applies the ECL model for measurement and recognition of impairment losses on the financial assets.

ECL are the probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that the Company expects to receive. The ECL considers the amount and timing of payments and, hence, a credit loss arises even if the Company expects to receive the payment in full but later than when contractually due. The ECL method requires assessing credit risk, default and timing of collection since initial recognition. This requires recognising allowance for ECL in the statement of profit or loss and other comprehensive income even for receivables that are newly originated or acquired.

Impairment of financial assets is measured as either 12 month ECL or life time ECL, depending on whether there has been a significant increase in credit risk since initial recognition. '12 month ECL' represent the expected credit losses resulting from default events that are possible within 12 months after the reporting date. 'Lifetime ECL' represent the ECL that result from all possible default events over the expected life of the financial asset.

Trade receivables are of a short duration, normally less than 12 months and hence the loss allowance measured as lifetime ECL does not differ from that measured as 12 month ECL. The Company uses the practical expedient in IFRS 9 for measuring ECL for trade receivables using a provisioning matrix based on ageing of the trade receivables.

The Company uses historical loss experience and derived loss rates based on the past twelve months and adjusts the historical loss rates to reflect the information about current conditions and reasonable and supportable forecasts of future economic conditions. The loss rates differ based on the ageing of the amounts that are past due and are generally higher for those with the higher ageing.

(v) Income recognition

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets, interest income is recognised using the effective interest rate (EIR), which is the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

When a loan or receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original EIR of the instrument, and continues unwinding the discount as interest income. Interest income on impaired financial assets is recognised using the original EIR.

Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. The classification depends on the business model for managing the financial liabilities and the contractual terms of the cash flows.

(i) Classification

The financial liabilities are classified in the following measurement categories:

a) those to be measured as financial liabilities at fair value through profit or loss; and

b) those to be measured at amortised cost.

(ii) Measurement

All financial liabilities are recognised initially at fair value. Financial liabilities accounted at amortised cost like borrowings are accounted at the fair value determined based on the EIR method after considering the directly attributable transaction costs.

The Company classifies all its financial liabilities subsequently at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

The EIR method calculates the amortised cost of a debt instrument by allocating interest charged over the relevant EIR period. The EIR is the rate that exactly discounts estimated future cash outflows (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. This category generally applies to borrowings, trade payables, etc.

5 Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

(a) Financial liabilities (continued)

The Company's financial liabilities include trade and other payables. The Company measures financial liabilities at amortised cost.

(iii) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

(b) Impairment of non-financial assets

The carrying amount of the Company's assets or its cash generating unit, other than financial assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other asset and groups. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset or a cash generating unit is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

(c) Dividends

Dividends are recognised as a liability in the period in which they are declared. The Board of Directors recommends to the shareholders the dividend to be paid-out of the Company's profits. The Directors take into account appropriate parameters, including the requirements of the Commercial Companies Law of 2019 while recommending dividend.

(d) Inventories

Inventories comprise of fuel oil and other spares and are stated at the lower of cost and net realisable value. The cost of inventories is based on first-in first-out basis and comprises expenditure incurred in the normal course of business in bringing inventories to their present location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business. Where necessary, provision is made for obsolete, slow-moving and defective inventories.

(e) Trade and other receivables

Trade and other receivables originated by the Company are measured at amortised cost. An allowance for ECL of trade receivables is established based on the provisioning matrix using an ECL model as required by IFRS 9.

(f) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of bank balances, call deposits and cash on hand.

(g) Trade payables

Trade payables are recognised for amounts to be paid for goods and services received, whether or not billed to the Company. Trade payables are initially measured at their fair values and subsequently measured at amortised cost, using the EIR method.

(h) Provisions

A provision is recognised in the statement of financial position 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.

5 Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

(a) Financial liabilities (continued)

(i) Employees' benefits

In respect of Omani employees, contributions are made in accordance with the Oman Social Insurance Law and recognised as an expense in the statement of profit or loss and other comprehensive income as incurred.

For non-Omani employees, provision is made for amounts payable under the Oman Labour Law, based on the employees' accumulated periods of service at the statement of financial position date. This provision is classified as a non-current liability.

Employee entitlements to annual leave and air passage are recognised when they accrue to the employees and an accrual is made for the estimated liability for annual leave and air passage as a result of services up to the reporting date. The accruals relating to annual leave and air passage is disclosed as a part of current liabilities.

(j) Revenue from contract with customers

Revenue comprises tariffs for fixed capacity charges for transmission facilities and turbines, variable capacity charges and energy charges. Revenue is measured based on the consideration specified in a contract with a customer. Tariffs are calculated in accordance with the Project Agreements. Revenue is recognised when control has transferred, being when the services are delivered to the customers, the recovery of the consideration is probable and there is no unfulfilled performance obligation that could affect the customer's acceptance. Tariff revenue has been accounted, net of gas fuel costs, which are borne by the Government of the Sultanate of Oman.

(k) Other income

Other income earned by the Company is recognised on the accruals basis, or when the Company's right to receive payment is established, unless recovery is doubtful.

(l) Financial income

Financial income is generated as a result of unwinding of the discount on the financial asset and is recognised on the accruals basis.

(m) Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

(n) Foreign currencies

Foreign currency transactions are accounted for at the rates of exchange prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation, at the year-end rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of profit or loss and other comprehensive income. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the end of the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date when the carrying value was determined.

(o) Directors' remuneration

The Company follows the Commercial Companies Law of 2019 and other latest relevant directives issued by the CMA, with regards to determining the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the statement of profit or loss and other comprehensive income in the year to which they relate.

(p) Income tax

Taxation is provided in accordance with Omani fiscal regulations. Taxation for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax-rates enacted or substantially enacted at the end of the reporting period.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax laws that have been enacted at the reporting date. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

5 Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

(a) Financial liabilities (continued)

(p) Income tax (continued)

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

(q) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources allocated to the segment and assess its performance, and for which discreet financial information is available. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(s) Critical accounting judgments and key source of estimation uncertainty

Preparation of financial statements in accordance with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of managementestimates and assumptions in the financial statements relate to:

Impairment of inventories

The Company creates an impairment provision for obsolete and slow-moving inventories. Estimates of net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the statement of financial position date to the extent that such events confirm conditions existing at the end of the reporting period.

Impairment losses on trade receivables

Loss allowances for trade receivables are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past experience and historical data, existing market conditions as well as forward looking estimates at the end of each reporting period.

Going concern

The management of the Company reviews the financial position of the Company on a periodical basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due. In addition, the shareholders of the Company ensure that they provide adequate financial support, whenever necessary, to funding the requirements to the Company to ensure the going concern status of the Company.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Legal proceedings

The Company reviews outstanding legal cases following developments in the legal proceedings at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigations, claims or assessments, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before these financial statements are issued), the opinions or views of the legal advisers, experience on similar cases and any decision of the managementas to how it will respond to the litigation, claim or assessment.

5 Summary of significant accounting policies (continued)

(s) Critical accounting judgments and key source of estimation uncertainty (continued)

Taxation

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 the existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to the assumptions, could necessitate future adjustments to taxable income and expenses already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Company. 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 taxation authority.

6 Inventories

	31 December 2019 RO'000	31 December 2018 RO'000
Liquid fuel	259	259
Spares	71	63
	330	322
Provision for obsolescence	(293)	(174)
	37	148

The movement in provision for obsolescence of inventories is as follows:

Opening balance	174	63
Provision for the year (Note 17)	111	111
Closing balance	285	174

The Company, in accordance with the Project Agreements, is required to maintain a base stock of liquid fuel to be used in case of interruption of gas fuel. Spares inventory is maintained for the gas turbines and is held for emergencies. These inventories will be transferred to the OPWPC on expiry of the PPA. Also refer Note 3 (ii).

7 Trade and other receivables

	31 December 2019 RO'000	31 December 2018 RO'000
Trade receivables (gross)	771	702
Less: provision for expected credit losses	(93)	(93)
Trade receivables (net)	678	609
Current portion of financial asset	1,318	3,800
Prepayments and other receivables	415	244
	2,411	4,653
Non-current portion of financial assets	-	1,320
	2,411	5,973

(a) The carrying amounts of the Company's trade receivables are primarily denominated in RO.

(b) The Company applies the IFRS 9 simplified approach to measure ECL using a lifetime ECL provision for trade receivables. To measure ECL on a collective basis, trade receivables are grouped based on similar credit risk and aging. The ECL rates are based on the Company's historical credit losses experienced over the two years period prior to the year end. The historical losses are then adjusted for the current and forward-looking information on macro-economic factors affecting the Company's customers. The Company has identified the country risk and unemploymentrate as the key macro-economic factors.

Trade receivables are from OPWPC, the only customer of the Company. Trade receivables from OPWPC amounting to RO 0.736 million (2018 – RO 0.609 million) are neither past due nor impaired.

The provision for ECL is determined based on the ECL model and is reviewed periodically. As at 31 December 2019, trade receivables with an initial carrying value of RO 93 (in '000) [2018: RO 93 (in '000)]were impaired and fully provided for.

7 Trade and other receivables (continued)

(c) At 31 December 2019, the lifetime ECL provision for trade receivables is as follows:

	Current	More than 30 days past due	More than 90 days past due	More than 365 days past due	Total RO'000
Expected loss rate	0%	0%	0%	100%	-
Gross carrying amount	-	736	-	93	829
Loss provision	-	-	-	93	93

(d) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The trade receivables are secured by a guarantee from the Ministry of Finance. Accordingly, the expected credit loss under IFRS 9 is not expected to be material on trade receivables which are more than 30 days past due of RO 736,000 and hence not provided for.

(e) The Company has recognised a financial asset, attracting interest, in its statement of financial position, in consideration for the services it provides (design and construction). This financial asset corresponds to the fair value of the infrastructure assets on initial recognition, which is subsequently measured at amortised cost. The financial asset is settled by means of OPWPC's payments received whereas the income is recognised based on the EIR under operating income.

(f) That portion of the financial assets which is receivable within 12 months of the statement of financial position date is disclosed as current portion of financial assets.

8 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:	31 December 2019 RO'000	31 December 2018 RO'000
Cash on hand	4	3
Current account balances with banks	887	1,329
Call deposit account	2,815	1,615
	3,706	2,947

The current account balances with banks are non-interest bearing.

The call deposit which has been placed with a commercial bank in the Sultanate of Oman is unsecured and earns interest of 1.50% per annum (2018: 1.50% per annum).

9 Share capital

Authorised share capital

At 31 December 2019 and 31 December 2018, the Company's authorised share capital comprised of 15,965,760 ordinary shares and 23,948,640 preference shares of RO 1 each.

Issued and fully paid-up share capital

At 31 December 2019, the Company's issued and fully paid-up share capital consists of 2,000,000 shares of RO 1 each (2018: 2,000,000 shares of RO 1 each) analysed as follows:

	Total		Paid in-cash	Paid in-kind
	RO '000	%	RO '000	RO '000
Preference shares	1,200	60	162	1,038
Ordinary shares	800	40	800	-
	2,000	100	962	1,038

Preference shareholders have the right to two votes per share at any general meeting of the Company and are entitled to a dividend of up to 5% of the net profit of the Company prior to and in addition to any dividend to the holders of ordinary shares. The holders of ordinary shares have the right to one vote per share at any general meeting of the Company.

9 Share capital (continued)

At the end of the reporting period, the details of the significant preference shareholders and the percentage of their shareholding in the Company is as follows:

31 December 2019	Number of preference shares	% to preference shares
Khaled Ahmed Juffali Energy & Utilities Ltd. Co.	1,090,635	90.89
Ministry of Defence, Pension Fund	109,360	9.11
Fractions from capital reduction	5	-
	1,200,000	100
31 December 2018		
Khaled Ahmed Juffali Energy & Utilities Ltd. Co.	1,090,635	90.89
Ministry of Defence, Pension Fund	109,360	9.11
Fractions from capital reduction	5	-
	1,200,000	100

None of the ordinary shareholders own more than 10% of the Company's share capital (2018 – none).

10 Legal reserve

In accordance with Article 132 of the Commercial Companies Law of 2019, of the Sultanate of Oman, 10% of the Company's net profit for the year is to be transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to one-third of the Company's issued and fully paid-up share capital. During the year ended 31 December 2019, no transfer has been made as the legal reserve has already reached the statutory minimum limit of one-third of the share capital (2018: RO Nil).

11 Dividends paid and proposed

Dividend for the year 2018 of RO 1.25 per ordinary share amounting to RO 1 million and RO 1.3545 per preference share amounting to RO 1.5 million was paid in the year 2019.

Dividend for the year 2019 of RO 1.10 per ordinary share and RO 1.183 per preference share has been proposed by the Board of Directors which is subject to the approval of the Capital Market Authority (CMA) and the shareholders in the Annual General Meeting.

12 Income tax

(a) Current tax

Provision for income tax has been made after giving due consideration to adjustments for potential allowances and disallowances.

Statement of profit or loss and other comprehensive income	Year ended 31 December 2019 RO'000	Year ended 31 December 2018 RO'000
Tax charge (net)		
Current tax	535	102
Prior year	(188)	157
Deferred tax reversal / (credit)	(167)	(17)
	180	242
Statement of financial position	**RO'000**	**RO'000**
Current year	535	102
Prior years	4	631
	539	733
Deferred tax asset	(207)	(40)

12 Income tax (continued)

Since the PPA with OPWPC expires in April 2020 and the assets of the Company will cease to be used for the business of the Company, based on the provisions of Article 94 of the Tax Law, in absence of any disposal value, the written-down value (WDV) of the property, plant and equipment (PPE) would be allowed as balancing allowance to the Company. On this basis, deferred tax asset amounting to RO 208K on the WDV of the PPE has been recognised as at 31 December 2019 which is expected to be reversed, based on the management estimations, as a balancing allowance in the year of cessation.

The reconciliation of taxation on the accounting profit with the current taxation charge for the year is as follows:

	Year ended 31 December 2019 RO'000	Year ended 31 December 2018 RO'000
Net profit before tax for the year	102	551
Taxation on accounting profit at applicable rates	15	82
Add tax effect of:	-	
Other expenses disallowed for tax purposes	373	3
Prior year tax	(208)	157
Tax charge for the year	180	242

(b) Status of tax assessments

The Company is subject to income tax in accordance with the income tax laws of the Sultanate of Oman at the tax rate of 15% on taxable profits. The tax assessments for the years 2015 to 2018 have not been finalised by the National Tax Authority (NTA). The management believes that the tax assessed, if any, for the unassessed tax years would not be material to the Company's financial position as at 31 December 2019.

(c) Deferred tax

The deferred tax liability and the deferred tax charge (net) in the statement of profit or loss and other comprehensive income are attributable to the following items:

	Property, plant and eqipment RO '000	Provision for obsolete inventories and impaired trade receivables RO '000	Total RO '000
31 December 2019			
At 31 December 2018		(40)	(40)
Recognised in the statement of profit or loss and other comprehensive income	(150)	(17)	(167)
At 31 December 2019	(150)	(57)	(207)
31 December 2018			
At 31 December 2017	-	(23)	(23)
Recognised in the statement of profit or loss and other comprehensive income	-	(17)	(17)
At 31 December 2018	-	(40)	(40)

13 Trade and other payables

	31 December 2019 RO'000	31 December 2018 RO'000
Trade payables	243	243
Accruals and other payables	572	467
Directors remuneration payable	34	
	849	710

13 Trade and other payables (continued)

Trade payables are generally settled within 60 to 90 days of the suppliers' invoice date.

The contractual maturity date for trade payables is due within 12 months from the statement of financial position date.

14 Related party transactions and balances

The Company, in the ordinary course of business, deals with parties, which fall within the definition of 'related parties' as contained in International Accounting Standard Number 24. The management believes that such transactions are not materially different from those that could be obtained from unrelated parties.

Significant transactions during the year with related parties are as follows:

	Relationship	**Year ended 31 December 2019 RO'000**	**Year ended 31 December 2018 RO'000**
Management fees (Note 17)			
Related party			
Power Development Company LLC	*Common control*	920	918
Shared office overheads (Note 17)			
Related party			
Power Development Company LLC	*Common control*	416	417
Key management compensation (Note 17)			
Directors' remuneration and meeting attendance fees	Directors	50	18

15 Revenue from contracts with customers	**Year ended 31 December 2019 RO'000**	**Year ended 31 December 2018 RO'000**
Revenue from Phase 1	2,587	2,755
Revenue from Phase 2	1,649	1,666
	4,236	4,421

16 Financial income	**Year ended 31 December 2019 RO'000**	**Year ended 31 December 2018 RO'000**
Financial income on financial asset	708	1,168
	708	1,168

17 General and administrative expenses

	Year ended 31 December 2019 RO'000	Year ended 31 December 2018 RO'000
Operation and maintenance fees - STOMO	2,923	3,084
Repairs and maintenance expenses - plant	164	165
	3,087	3,249
Management fees (Note 14)	920	918
Shared office overheads (Note 14)	416	417
Insurance	321	319
Provision for obsolescence of inventories (Note 6)	111	111
Directors' remuneration and meeting attendance fees (Note 14)	50	18
Salaries and employee related costs	16	26
Legal and professional fees	29	44
Meetings and other related expenses	29	34
Low value lease expenses	1	
Office expenses	16	24
	4,996	5,160

18 Other income

	Year ended 31 December 2019 RO'000	Year ended 31 December 2018 RO'000
Interest income	-	8
Other income	154	114
	154	122

19 Net assets per share

Net assets per share is calculated by dividing the shareholders' equity at the end of the reporting period by the number of shares outstanding as follows:

	31 December 2019 RO'000	31 December 2018 RO'000
Shareholders' equity	4,973	7,665
Number of issued and fully paid-up preference and ordinary shares outstanding at the reporting date ('000)	2,000	2,000
Net assets per share (RO)	2.487	3.833

20 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the year with the weighted average number of shares issued and outstanding during the year.

	Year ended 31 December 2019 RO'000	Year ended 31 December 2018 RO'000
Net (loss)/ profit for the year	(78)	309
Weighted average number of preference and ordinary shares outstanding during the year ('000)	2,000	2,000
Basic (loss)/ earnings per share (RO)	(0.039)	0.155

20 Basic earnings per share (continued)

No figure for diluted earnings per share has been presented because the Company has not issued any instruments which would have an impact on the earnings per share when exercised.

21 Operating segments

The Company has a single reportable business segment and the revenue earned from this reportable business segment is only in the Sultanate of Oman. Therefore, business and geographical segments have not been disclosed separately in these financial statements.

22 Contingent liabilities

There were no contingent liabilities outstanding as at 31 December 2018, except for the following:

(a) A case number 9/2018 was registered in the Primary Court, Sumail, against the Company (the defendant), Oman Electricity Transmission Company (the co-defendant) and Mazoon Electricity Company (the co-defendant) by Abdullah Mohsin Hamdan Al Jabri (the claimant) relating to over-head lines of Interconnection and Transmission Facilities (ITF) passing through his land. The claimant has lodged a claim for a compensation of RO 513,367. The first hearing was held at the Primary Court, Sumail, on 18 March 2018 and after several hearings, the Sumail Court, on 4 December 2018, ruled that it had no jurisdiction to hear the case and referred the case to the Primary Court in Nizwa. Legal proceedings currently going on in the Primary Court in Nizwa. Primary Court in Nizwa, during the hearing on 1 January 2020, transferred the case from circuit hearing the cases on Wednesdays to the new circuit in Nizwa which holds hearing the cases on Sundays. The new circuit has not yet fixed a date of hearing for the case.

The management is of the view that the case will be awarded in the Company's favour as necessary approvals have been received by the Company prior to the claimant receiving his land deeds.

(b) On applicability of IFRIC 12, the Company has restated the prior years financial statements from the years 2008 to 2016 in the year 2017. The interest on income tax, if any, arising due to the restatement of these financial statements as a result of adoption of IFRIC 12 has not been accrued, as the Company currently does not have any present legal or constructive obligation to do so.

(c) Based on the Operation and Maintenance agreement with STOMO, at the time of transfer of the plant to the Government in the year 2020, the Company may have to incur a demobilisation cost of USD 700,000, including indexing.

However, the management is of the view that, as there is no certainty whether the costs will actually need to be incurred and, if so, the expected amount, accordingly no provision has been made for this amount in these financial statements.

23 Lease commitments

Land on which the power station, buildings and ancillaries are constructed has been leased from the Government for the duration of the Project Life. At the end of the reporting period, the future outstanding minimum lease commitments under non-cancellable operating leases are as follows:

	31 December 2019 RO'000	31 December 2018 RO'000
Less than 1 year	1	1
Between 2 and 5 years	-	1
	1	2

24 Capital risk management

The capital is managed by the Company in a way that it is able to continue to operate as a going concern while maximising returns to the shareholders.

The capital structure of the Company consists of share capital, reserves and retained earnings. The Company manages its capital by making adjustments in dividend payments and bringing in additional capital in light of changes in business conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2019 and 31 December 2018.

25 Financial assets and liabilities and risk management

(a) Financial assets and liabilities

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, trade and other receivables and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(b) Risk management

Risk management is carried out by the Finance Department of the Company under the guidance of the senior management and Board of Directors. The senior management and Board of Directors provide significant guidance for overall risk management covering specific areas such as credit risk, interest rate risk, foreign exchange risk and investment of excess liquidity.

(c) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, trade and other payables less cash and bank balances. Capital includes share capital, reserves and retained earnings.

	31 December 2019 RO'000	31 December 2018 RO'000
Trade and other payables	849	710
Less: cash and bank balances	(3,706)	(2,947)
Net debt	(2,857)	(2,237)
Share capital	2,000	2,000
Legal reserve	667	667
Retained earnings	2,306	4,998
Total capital	4,973	7,665
Total capital and net debt	2,116	5,428
Gearing ratio	-	-

As the Company has a negative net debt as at 31 December 2019 and 2018, gearing ratio has not been calculated.

In addition, the Company's activities expose it to a variety of financial risks: market risk (including currency rate risk, interest rate risk and price risk), credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign exchange risk arising from various currency exposures. Significant portion of revenues and major operating costs are denominated in RO and indexed to the USD / RO exchange rates. The balance operating costs denominated in USD are covered by the fact that RO is pegged to the USD and has remained unchanged since 1986. As these currencies are pegged against the RO, the management does not believe that the Company is exposed to any material foreign exchange risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

As the Company has no significant interest-bearing assets and liabilities, the Company's income and operating cash flows are substantially independent of changes in market interest rates. Management considers that sensitivity analysis is not necessary due to the Company's limited exposure to interest rate risk.

25 Financial assets and liabilities and risk management (continued)

(a) Market risk (continued)

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As the Company has no exposure to investments, it does not have the risk of fluctuation in prices.

(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 trade receivables. At the end of the year, the entire trade receivables was from a Government owned company, OPWPC. The managementconsiders the credit risk associated with the trade receivables to be very low because the receivables are from the Government. Furthermore, the cash is placed in reputable banks, which minimises the credit risk. The carrying value of trade receivables approximate their fair values due to the short-term nature of these trade receivables.

Age analysis of trade receivables is as follows:

	31 December 2019	
	Trade receivables	**Provision for ECL**
	(RO'000)	**(RO'000)**
Not past due	678	-
More than one year	93	93
	771	93

	31 December 2018	
	Trade receivables	**Provision for ECL**
	(RO'000)	**(RO'000)**
Not past due	609	-
More than one year	93	93
	702	93

(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 maintains sufficient bank balances and cash to meet the Company's obligations as they fall due for payment.

The table below analyses the expected contractual maturities of the financial liabilities at the end of the year.

	Carrying amount	**Contractual cash flows**
31 December 2019	**RO'000**	**RO'000**
Trade and other payables	849	849
	849	849
31 December 2018	**RO'000**	**RO'000**
Trade and other payables	710	710
	710	710

26 Capital commitments

Outstanding capital commitments as at 31 December 2019 amounted to RO Nil (2018: RO Nil).

27 Subsequent events

Except for the results of the ongoing discussions with OPWPC relating to the extension of the existing PPA after its expiry on 19 May 2020, there were no events occurring subsequent to 31 December 2019 and before the date of the report that are expected to have a significant impact on these financial statements.

28 Comparative figures

Certain comparative figures of the previous year have been either regrouped or reclassified, wherever necessary, in order to conform with the presentation adopted in the current years' financial statements. Such regroupings or reclassifications did not affect previously reported net profit or shareholders' equity.

29 Notes supporting statement of cash flows

Non-cash transactions from financing activities shown in the reconciliation of liabilities from financing transactions is as follows:

Particulars	1 January 2019 (RO '000)	Cash inflows / (outflows) (RO '000)	Non-cash changes (RO '000)			31 December 2019 (RO '000)
			Acquisition	Foreign exchange movement	Fair value changes	
Dividends paid	-	(2,614)	-	-	-	-