ANNUAL REPORT 2018

تنوير
TANWEER
احدى شركات مجموعة نماء
Member of Nama Group

His Majesty
Sultan Qaboos Bin Said

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ANNUAL
REPORT 2018

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CHAIRMAN'S MESSAGE

During the past year, the Board of Directors and the Executive Management urged Tanweer (Rural Area Electricity Company) to continue implementing the strategic plans which were adopted to meet the electricity and water desalination requirements, due to economic and urban growth, while considering the Government's Vision for the nation. This annual report highlights the efforts and accomplishments that have been achieved in a year.

The Company's Performance in 2018

When observing the company's progress and achievements in 2018, the extent of growth and improvement in all activities is clearly visible. This reflects the amount of effort exerted by all employees to achieve a higher standing both in power efficiency and reliability as well as developing plans which coincide with our bigger national plans. As a result, this will reduce reliance on fuels for electricity production while focusing on exploiting new technologies and renewable energy sources.

The company achieved total revenues of R.O. 125.6M in 2018 compared to R.O. 105M in 2017, an increase of about 20% due to the increase in number of customers by 6% and the increase of electricity consumption by 17%.

The operating expenses increased by 15.6% for two reasons; the first being a result of increase in electricity purchased by 44%, and the second is due to the increase in fuel cost consumption by 13.6% from 2017 which resulted in higher subsidy from R.O. 89.5M in 2017 to R.O. 102.5M in 2018. The increase in operating expenses led to a higher unit cost of electricity and thus increased in subsidy.

The company achieved a profit after tax of R.O. 10M. This is due to continued development in operational performance, human resource capability and commitment to use the latest technologies in the company systems.

Quality, Health, Safety & Environment

Tanweer continued its efforts to develop and improve safety performance and achieve public safety, occupational health and the environment conditions. These efforts culminated in greater success compared with the results of the previous years. The company recorded only one Lost Time Injury (LTI) and did not record any death accident. The number PI reports were 1,885. This achievement is a vital step for the company towards establishing quality, health, safety and environment in its business.

Future Vision

Clean and renewable energy is one of the key factors that constitute the center of development and success. Tanweer is providing the world with a sophisticated model of rapid transformation to adopt sustainable solutions. The company is keen to be a global role model in energy efficiency and reliability, supporting the transition to a green economy and promoting sustainability. In order to achieve this goal, the company has prepared its five-year plan (2018-2022), which focuses on the development of renewable energy projects. Some of the most important projects include the Solar-Diesel Hybrid project (46MWp), Dhofar wind power project (50 MW), the roof top photovoltaic solar system at Tanweer headquarters in Muscat (45KWp), the solar energy project in Al Mazyunah as well as plans to interlink some concession areas to the main electrical grid.

Regulatory Price Control

At the end of 2017, the company, in cooperation with the Authority Electricity Regulatory (AER), completed the price control exercise in order to determine the operating expenses (OPEX) and capital expenditure (CAPEX) for the period 2018-2021. The AER intends to give Tanweer the opportunity to review its price control submission for the period 2020-2021.

Human Resources

The total number of employees reached 461 as of December 31, 2018, of which 440 were Omani employees, 21 were expatriates and 17 were staff appointed to the Distribution Code Review Panel (DCRP). The Omanization rate achieved was 95% and the company continues to develop a capable and talented Omani workforce that will contribute to the strength of the nation.

Operational Highlights

- Total customers increased by 6% from 37,513 in 2017 to 39,773 in 2018.
- The Electricity sent to customers increased to 17% in 2018 compared to 2017.
- Water Desalination output increased by 3%, from 3.6 million m^3 in 2017 to 3.7 million m^3 in 2018. This increase is attributed to the increase in demand for water from Al Duqm and Masirah Island and increase of some desalination units in some stations.
- The Company continues to improve and develop its compliance with the regulations and license conditions, with continued cooperation with the Authority Electricity Regulatory (AER) and the Electricity Holding Company (Nama Group) and other relevant stakeholders within the company.

Thanks & Gratitude

We would take this opportunity to express our heartfelt gratitude and appreciation to His Majesty Sultan Qaboos Bin Said for his continued support and guidance which enabled Tanweer to achieve recognized success and development. On behalf of the Board of Directors, I would like to express my sincere gratitude and appreciation to all the Tanweer staff for their continued efforts to enhance the company's position. I would also extend my gratitude to our shareholders who have granted us with trust and responsibility which motivated us to exert our utmost efforts to achieve the company's goals, aspirations and strategies.

H.E. SHK. Faisal Khamis Al-Hashar
Chairman

> "The company is keen to be a global role model in energy efficiency and reliability, supporting the transition to a green economy and promoting sustainability. "

CEO'S MESSAGE

Tanweer is steadily moving towards a better future, focused on its vision to achieve a green energy while employing strength and capabilities of local human resources, promoting in-country value, teamwork, respect, integrity, quality, professionalism and customer focus.
We have launched our new brand «Tanweer» which reflects our promising vision of enabling development in our concession areas through providing sustainable and green energy.

To our Customers

Your satisfaction with our services is what motivates us to excel in providing energy and customer services that exceed your expectations. We are proud to announce that Tanweer customers have increased in number by 6%, from 37,513 in 2017 to 39,773 in 2018. To maintain high customer satisfaction, we have appointed global expertise to assess the level of services we offer and guide us towards further improvements. In 2019, we will ensure to provide high level services and products to guarantee your satisfaction such as prepaid metering and increasing bill payment mechanisms by expanding our channels; for example mobile applications and websites.

To Tanweer's employees

Your continuous hard work and efforts are appreciated and have resulted in the company's remarkable achievements during year 2018. We made it clear in Tanweer that one of our main objectives is to focus on our human resources by enhancing skills and knowledge through better training and development. This in turn will reflect on the company by improving business performance, employee capabilities and morale. With a view to achieve continuous improvement, for year 2019 we have set seven strategic objectives supported by fifteen initiatives to meet our commitments towards our customers, employees, shareholders, and partners in the electricity sector.

To our Shareholders

We will continue to take advantage of your valuable guidance, to support us in achieving our objectives and fulfill our mission of contributing in the development of our nation. We will also continue our progress in providing services of excellence to satisfy our shareholders and customers, maximizing the benefit for all.

Quality, Health, Safety & Environment (QHSE)

Through the implementation of effective strategy implementation in 2018, Tanweer was awarded the "Best improved HSE Performance in Nama Group". Tanweer's QHSE vision is to achieve «Zero harm to persons, property and the natural environment». In line with this vision, the Company implemented its QHSE strategic plan 2018-2021 with initiatives including the following:

- Establishing the QHSE Consultative Committee, chaired by CEO, to involve contractors and all levels of staff in safety performance improvement.
- Enhancing QHSE training plan, including Leadership Behavior Based Safety program.
- Introducing Regional Assessment Panels to improve operational authorization process.
- Installing IVMS vehicle monitoring system to improve vehicle/road safety.
- Holding Safety Stand Down Events in all regions to reinforce safety culture among staff and contractors

Financial Affairs

Tanweer was able to obtain a financing loan of 400 million US dollars in 2018 to finance development projects and infrastructure. The profit before tax in 2018 amounted to 12.6 million RO, an increase of 30% over 2017. Electricity sales reached 1,073 GWh, increasing by 17% from 2017. This high growth was contributed by the addition of a large customer in Musandam region which was the connection of Tibat Gas processing plant with consumption of 53,956 MWh in 2018 (previously the gas plant had internal self-supply generation capacity). The number of customers also increased to 39,773, a 6% increase compared to 2017.

Customers and Supply

Tanweer seeks to enhance its reputation and connect with customers by enhancing customer experience and increasing electricity consumption rationalization. The company has also expanded its collection channels by providing convenient billing options, giving access to customers through mobile applications and websites as well as access to customer invoices through mobile phone links and answering enquiries through the call center. By adding more flexibility and improved payment channels, billing collection increased by 40% and customer satisfaction reached 86% in 2018.

Projects and Assets

The company has successfully passed the ISO 55001 quality control audit for the asset management system. The GIS field survey and data collection for all Tanweer desalination and power plants, as well as the electrical network assets and geographical coordinates have been completed. Several other projects have also been completed to improve electricity delivery and distribution services in all Tanweer's licensed areas.

Human Resources

Tanweer achieved one of the main objectives by completing the restructuring process in 2018. The company also managed to conduct approximately fifteen thousand hours of training and maintained 95% of Omanisation during the year 2018.

Thanks, and Appreciation

I would like to take this opportunity to thank the Chairman and the members of the Board for their support and guidance in overcoming the challenges Tanweer has faced. Furthermore, I would like to take this opportunity to sincerely thank the management team and our employees for their dedication and diligent efforts in achieving the goals of the company. Our sincere appreciation is also extended to our partners-in-progress - contractors, suppliers and service providers for their services and products that have had a significant impact on the company's operations. Finally, I offer my sincere gratitude to the Electricity Regulatory Authority, the Public Authority for Water (formerly PAEW), the Nama Holding Company and the Sector Companies for their continued support and valuable guidance.

Eng. Saleh Bin Nasser Al Rumhi
Chief Executive Officer

CORPORATE GOVERNANCE

H.E. SHK. FAISAL KHAMIS AL-HASHAR
(Chairman)

ENG. SALEEM AHMED ABDULLATIF
(Deputy Chairman)

SHK. DR. MANSOR TALIB AL-HINAI
(Board Member)

MR. SULIMAN SALIM AL-ADI
(Board Member)

MR. MOHAMMED AHMED AL-BRASHDI
(Board Member)

The Board of Directors of Tanweer (Rural Areas Electricity Company SAOC) are committed to maintain the highest standards of Corporate Governance. Tanweer has designed its Corporate Governance policy and procedure to ensure that the company is focused on its responsibilities to its stakeholders and is creating long term shareholder value. The company recognizes the interests of all its stakeholders including shareholders, employees, customers, suppliers and the communities in which it operates. Tanweer's corporate governance framework is committed to the highest standards of business integrity, ethical values and professionalism.

BOARD OF DIRECTORS & COMMITTEES

The Board of Directors is accountable to the shareholders for the governance of the Company. All Directors are accountable for the proper stewardship of the company's affairs and share a responsibility in ensuring the highest standards of disclosure and reporting, ethics and integrity.

Powers specifically reserved for the Board include:

- Providing direction and guidance to the company in the formulation of its strategies and in the pursuance of its operational and financial goals.
- Monitoring systems of governance and compliance.
- Overseeing systems of internal control and risk management.
- Approving major acquisitions & disposals and capital expenditure.
- Reviewing HR processes with emphasis on top management succession planning.
- Approving annual budgets and strategic plans.

SUB COMMITTEES OF THE BOARD

The Board is responsible for the establishment and monitoring the functioning of all Sub Committees, the appointment of members to these committees and compensation payable to them. The Board has delegated responsibilities to four sub committees namely, (1) Tender Committee, (2) Internal Audit Committee, (3) Human Resources Committee and (4) Capital Investment Committee.

1. Tender Committee (TC)

The Tender Committee is comprised of two directors from the Board and four members from the management team viz: the Chief Executive Officer, Chief Operation Officer, Chief Supply Officer and Commercial Affairs Senior Manager. The functional heads attend meetings by invitation. The main function of the Tender Committee is to obtain the most favorable terms for procurement of goods and services required for the main activities of the company on the principles of competitiveness, transparency and team decision making.

2. Internal Audit Committee (IAC)

The Internal Audit Committee comprises of three directors from the Board. The functional heads attend meetings by invitation. IAC covers the principles governing financial reporting, internal control and the management of risks, both financial and operational.

3. Human Resources Committee (HRC)

The Human Resources Committee comprises of two board directors from the Board and two members from the management team viz: the Chief Executive Officer and the Human Resources Senior Manager. The functional heads attend meetings by invitation. HRC ensures successful implementation of HR policies and that all matters related to employees are conducted in a fair and transparent manner. The committee also reviews and approves the corporate Performance Management Standard (PMS).

4. Capital Investment Committee (CIC)

CIC is a committee comprising of two directors of the Board and three members from the management team viz: the Chief Executive Officer, Senior Manager of Business & Asset Planning and Commercial Affairs Senior Manager. The Committee is assigned by the Board of Directors to authorize Capital Investments related to the following categories:

- Generation capacity requirements that exceed 10MW.
- Desalination capacity requirements that exceed 5000 m3/day.
- Renewable energy investments.
- 132kV & 33kV networks investments.
- Customer extensions and 11 kV and LT load related/non-load related investments of OMR 1 million and above.
- Any other Capital Investment Project, of investments of OMR 1 million and above.
- Agree on procurement strategy for each Pre-Investment Appraisal document (PIAD) that falls under the scope of CIC.

BOARD OF DIRECTORS' MEETINGS

Table 1: 2018 Board of Director's Meetings Schedule.

Name of the Board Members	Position	No. of meeting Attended	BM	CIC	IAC	TC	HRC	Sitting Fees
H.E. SHK.Faisal Khamis Al Hashar	Chairman	11	√	√			√	5,685
ENG. Saleem Ahmed Abdullatif	Deputy Chairman	12	√		√		√	5,035
SHK. DR. Mansor Talib Al Hinai	Member	18	√	√		√		6,700
MR. Suleiman Salim Al Adi	Member	19	√		√	√		7,100
MR. Mohammed Ahmed Al Brashdi	Member	7	√		√			3,100
Total Directors Remuneration for 2018								27,620

Table 2: 2017 Board of Director's Meetings Schedule.

Name of the Board Members	Position	Attended	BM	CIC	IAC	TC	HRC	EC	Sitting Fees
H.E. SHK.Faisal Khamis Al Hashar	Chairman	9	√	√		√	√		5,000
ENG. Saleem Ahmed Abdullatif	Deputy Chairman	7	√		√		√		4,400
MR. Osama Ahmed Yunus	Member	8	√		√	√			3,000
SHK. DR. Mansor Talib Al Hinai	Member	11	√	√		√	√	√	2,700
MR. Suleiman Salim Al Adi	Member	14	√		√	√	√	√	5,100
MR. Mohammed Ahmed Al Brashdi	Member	4	√		√				1,600
Total Directors Remuneration for 2017									21,800

ABOUT US

Tanweer launching the first phase of its new brand

In 2018, the Board of Directors of Rural Areas Electricity company approved the launching of a new brand name called: «Tanweer» which stems from our mission to provide uninterrupted power supply to the licensed rural areas and become a source of enlightenment in Oman. The flame of the red color stands for power that we seek in our services; the gray color enhances the flame's glow.

The constantly glowing flame of Tanweer finds a way not only to the concession areas but also into people's minds motivating them to think and transcend. The energy of the red embraces all employees to work with mutual respect and ultimate creativity.

Tanweer endeavors to use renewable sources of energy to preserve the glowing flame of Tanweer brand. Beginning from the year 2019, Tanweer will have a new vision and mission with a focus on going greener through the use of renewable sources of energy.

Rural Areas Electricity Company (Tanweer) was established pursuant to the promulgation of the Sector Law 78 / 2004 to serve remote areas that could not be economically connected to the main electricity grid of Oman (MIS). Tanweer is a wholly owned subsidiary of the Nama Holding Company SAOC (NHC) which owns 100% of the shares. In turn NHC is 100% owned by the Government of the Sultanate of Oman. Tanweer's license, issued by the Authority for Electricity Regulation (AER) covers its authorized areas which include the Governorates of Musandam, Al Wusta, Al Dakhliyah, and Dhofar excluding the licensed area of Dhofar Power Company covering mainly Salalah city.

Objectives

The company's key objectives are listed in the figure below:

Figure 1: Strategic Objectives

Vision

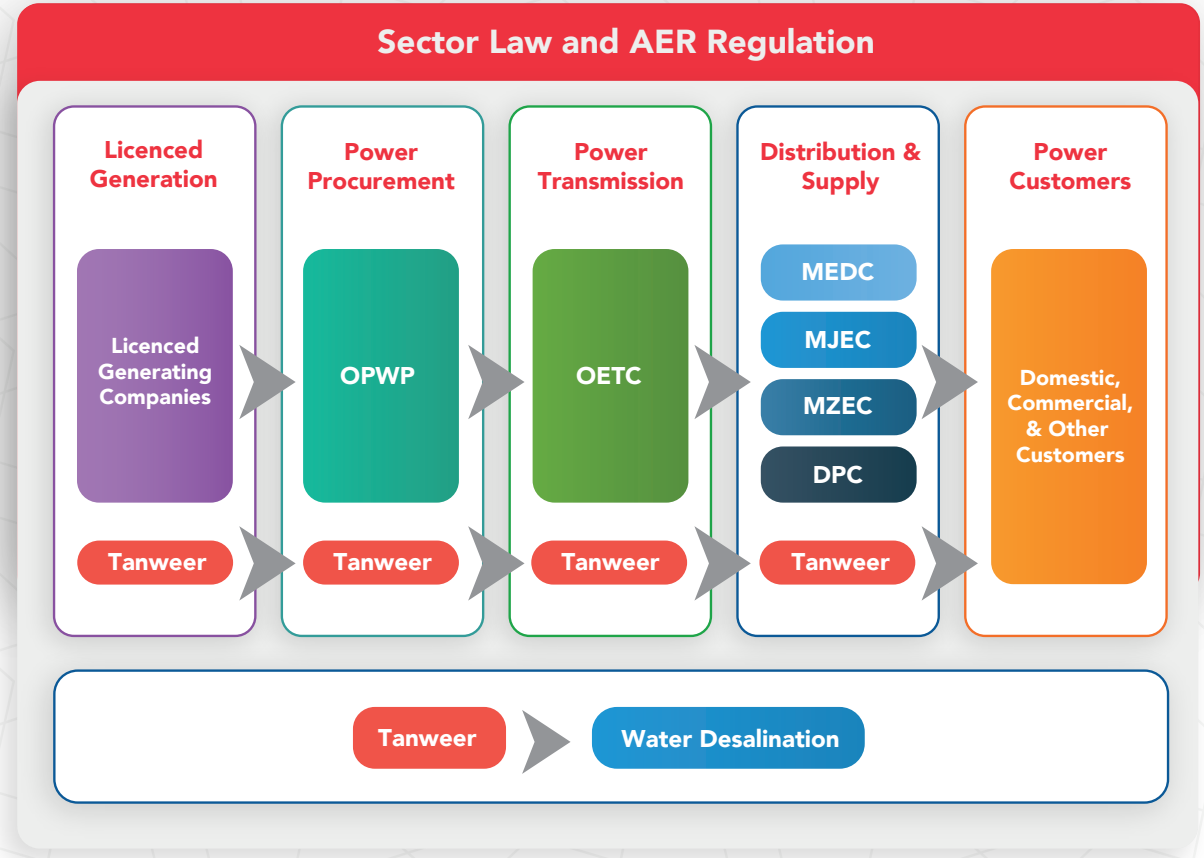
Going greener by achieving **20%** of the capacity from renewable sources by **2025**.

"Going Greener 20%25"

Mission

Enabling development of the service areas by providing sustainable electricity and water in a safe, reliable & efficient manner.

TANWEER LICENSE



COVERAGE MAP

Since 2005 Tanweer has undertaken major programs of electrification in the Governorates of Musandam, Dhofar, and Al Wusta (also including Al Dakhliyah, Al Dahirah, and Sharqiyah) which covers almost 75% of the land area of Oman. The company established 51 diesel fuel power plants by 2010 and by 2017 interconnected some of these areas to improve efficiency and reduced the power plants to 34 in number. The total installed capacity has increased to 443 MW by the end of 2018.

The company operates six desalination plants (3 of them combined with power plant sites) which supply bulk desalinated water to the Public Authority of Water (PAW). Some remote areas are close to the infrastructure of PDO (Petroleum Development of Oman) and power is provided by connection of Tanweer customers to nearby PDO networks.

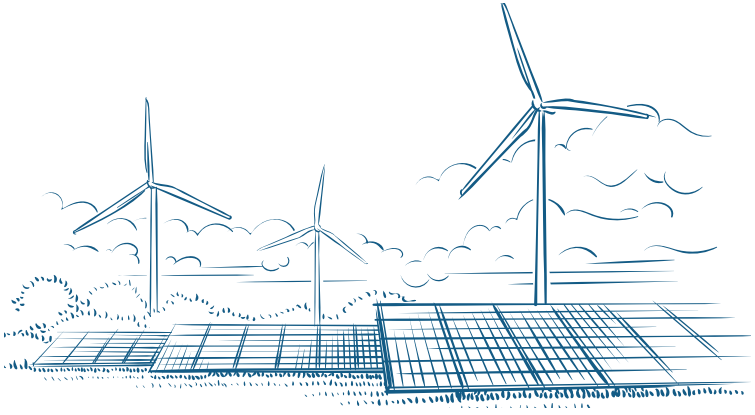
RENEWABLE ENERGY

RENEWABLE ENERGY INITIATIVES

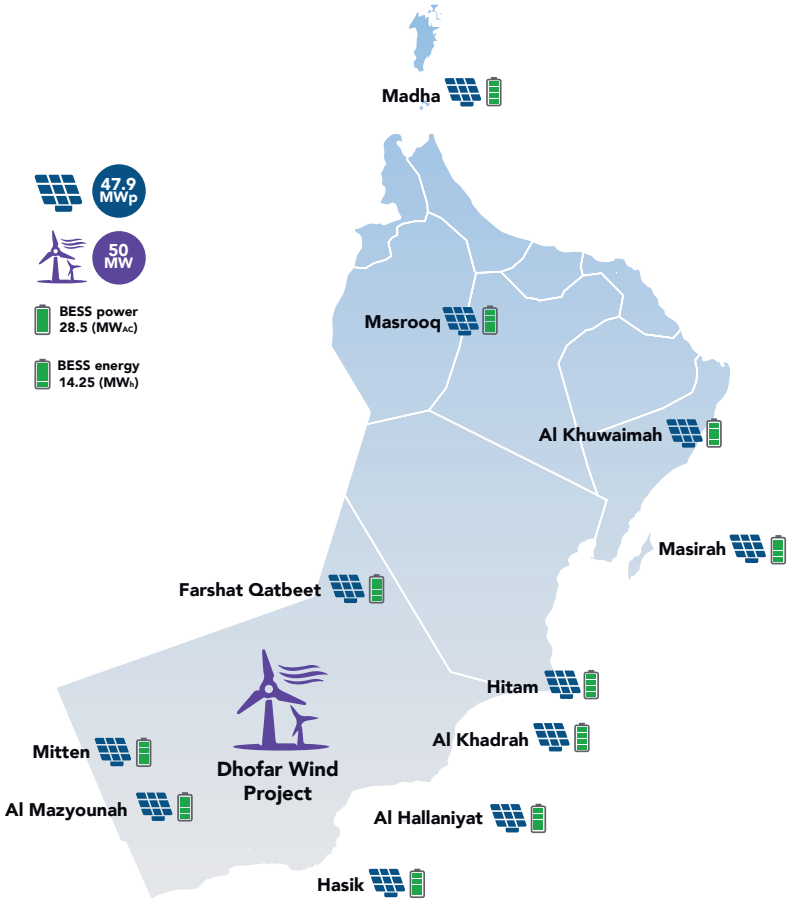
One of the 7 corporate strategic objectives is: **"Maximizing Renewable Energy Sources Implementation."** The Measure of this strategic objective is to implement Renewable Energy projects. Accordingly, the initiatives are:

11 Sites Solar-Diesel Hybrid Project

- The feasibility study was undertaken in 2017 by Tanweer with collaboration with the technical advisor DNV.GL. It has demonstrated considerable diesel fuel savings and reduction in O&M costs by implementing a hybrid Solar PV and Diesel system.
- Battery Energy Storage System (BESS) was also assessed in the study and results indicated technical and economical benefits by utilizing BESS as an ancillary system to optimize energy dispatch and operation of the hybrid system.
- Upon completion of the feasibility study, Tanweer floated a request for Expression of Interest in June 2018.
- Tanweer received a significant amount of submissions from entities in the private and public sector to participate in the project.
- The project is currently in the procurement stage, and a Request For Proposal (RFP) is expected to be released to shortlisted bidders in 2019.



Renewable Energy Sites



Dhofar Wind Project (50MW):

- In 2014, Tanweer signed an agreement with Abu Dhabi Future Energy Company (Masdar) to develop Dhofar wind power project with a total installed capacity of 50MW, connected to the OETC south grid.
- The wind project will consist of 13 wind turbines installed (each wind turbine 3.8 MW – GE Technology)
- The project is located in Fatkhit (Willayat of Shaleem and Hallanyat Island)
- Project is currently under construction and as per the project schedule, the expected project commissioning is in Q3 2019.

Al Mazyunah Solar Project:

- This was a pilot project aimed to identify key obstacles and opportunities associated with the deployment of similar projects in the future.
- Tanweer signed a 20-year PPA with the private investor Bahwan Aston Field, owner of the 307kWp PV power plant, to purchase electricity produced from the PV plant.
- The plant consists of two PV technologies, Polycrystalline and Thin-film. The PV power plant contains a total of 1617 modules, 31 inverters and covers an area of 8000 m2
- In 2018, total energy generated reached 546 MWh
- The project was commissioned in May 2015.

"SAHIM" Initiative:

Tanweer management has formulated a plan to implement the regulatory framework introduced by the Authority for Electricity Regulation (AER). Tanweer's team will manage the solar energy implementation of small and medium scale solar systems at customer premises.

QUALITY, HEALTH, SAFETY & ENVIRONMENT(QHSE)

QUALITY, HEALTH, SAFETY & ENVIRONMENT(QHSE)

Tanweer QHSE vision is 'Zero harm to persons, property and the natural environment'. The company is committed to maintaining a healthy and safe place of work for all its employees, as well as taking all reasonable steps to ensure that the public and environment are exposed to the lowest practicable level of risk. In 2018, Tanweer QHSE achieved remarkable improvement since its performance in the previous year and this resulted in Tanweer being awarded for best improved HSE performance in the sector. As can be seen in figure 2, the company attained 0 fatality and restricted work case, 1 LTI, 2 medical treatments, 5 first aid cases, and 1,885 PI reports. Table 3 displays the QHSE performance comparing years 2016-2018.

Figure 2: Tanweer 2018 Injury/PI Summary

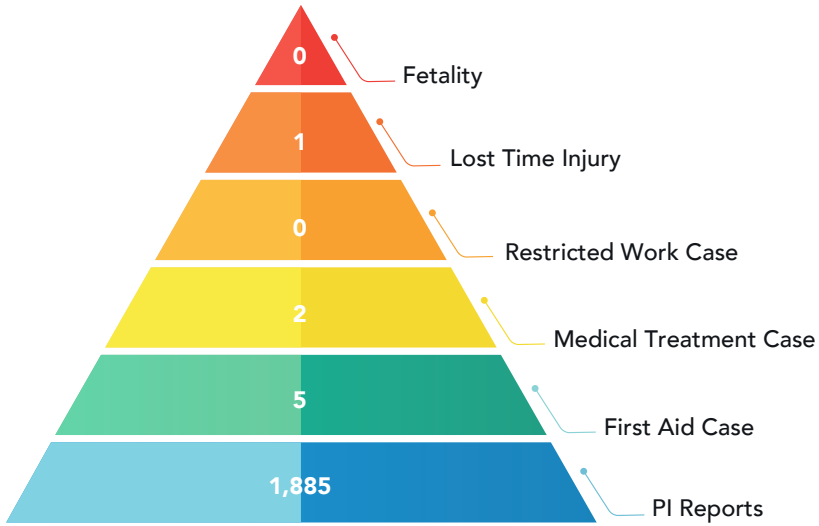


Table 3: QHSE Performance (2016-2018)

Component	2016	2017	2018
Fatality	0	1	0
Lost time injury	1	3	1
Total Man- Hours worked	5,063,766	7,000,000	4,249,942
LTIFR (lost Time Injury Frequency Rate)	.2	.9	.2

Tanweer Implemented the QHSE Strategy Plan 2018-2021 with initiatives including the following:

- Established the QHSE Consultative Committee, chaired by CEO, to involve contractors and all levels of staff in safety performance improvement.
- Enhanced HSE training plan, including the Leadership Behaviour Based Safety program.
- Introduced Regional Assessment Panels to improve operational authorization process.
- Installed IVMS vehicle monitoring system to improve vehicle/road safety.
- Held Safety Stand Down Events in all regions to reinforce safety culture among staff and contractors.

As a result of successfully implementing the QHSE initiatives, Tanweer was awarded 'Best Improved Company of Nama Group in HSE Performance' in 2018.

Tanweer Cyclone Preparedness and Safety Procedures

In 2018, Tanweer faced two extremely harsh climatic conditions which affected the concession areas in both Dhofar and Al Wusta. The company took on full precaution measures and preparation to ensure the health and safety of people and assets. Further details of the cyclones and Tanweer's proactive actions are explained below:

Mekunu Cyclone

Mekunu was the strongest storm to strike Oman's Dhofar Governate since 1959. On May 23, 2018, the National Multi-Hazard Early Warning Centre issued notices for the tropical situation in the Arabian Sea, which was expected to approach the coasts of Dhofar and Al Wusta.

Tanweer CEO activated the Emergency Response Plan and chaired the Emergency Response Committee in Muscat Head Quarter to ensure all necessary measures are taken to support the sub-committees in Dhofar and Al Wusta with necessary resources, ensuring continuity of the electricity service and safety of all staff, contractors and the public.

Luban Cyclone

Severe Cyclonic Storm Luban was the third tropical cyclone to affect the Arabian Peninsula during the 2018 North Indian Ocean cyclone season, after cyclone Mekunu in May 2018.

On October 10, 2018, Oman's Public Authority for Civil Aviation (PACA) announced Al Wusta and Dhofar Governorates are expected to be affected by heavy rains and high winds, with sea waves reaching maximum heights of 6 to 8 meters.

An immediate action plan was set by the emergency response committee, chaired by the CEO in the presence of the executive members. Emergency response sub-committees in Dhofar and Al Wusta governates were activated, coordinating with other utility sector companies and headquarters to provide the necessary resources.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

FINANCIAL AND OPERATIONAL HIGHLIGHTS

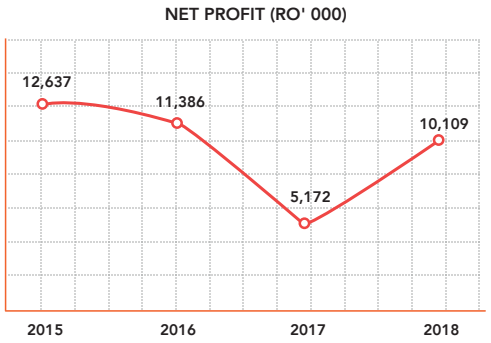
Table 4: Financial & Operational Highlights 2016-2018

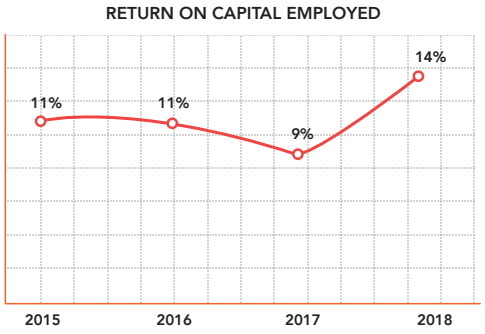
Key Highlights	Unit	2016	2017	2018
Balance Sheet Highlights and Ratios				
Total Assets	(RO' 000)	357,498	382,503	421,571
Net Asset Per Share	RO	261	269	281.56
Current Assets Over Current Liability	%	32	31	132.4
Quick Asset Over Current Liability	%	28	27	121
Fixed Assets Over Total liability	%	136	133	118
Earning Highlights and Ratios				
Revenue	(RO' 000)	95,090	105,362	125,666
Total Revenue/MWh Supplied	RO	112	115	117
Gross Profit Over Sales Ratio	%	26	23	25
Net Profit Over Sales Ratio	%	12	5	8
Return on Capital Employed	%	11	9	14
Return on Equity	%	9	4	7.18
Operating Cost Over Sales Ratio	%	74	77	75
Admin Cost Over Sales Ratio	%	15	15	13
Total Cost Over Sales Ratio	**%**	**92**	**99**	**93**
Other Operational Highlights and Ratios				
Total Number of Customers	Number	35,458	37,513	39,773
Total Number of New Customers	Number	2,271	2,055	2,260
*Total Number of Employees	Number	474	466	461
Electricity Generated at Tanweer power plants	MWh	939,437	831,949	773,211
Electricity Sent from Tanweer power plants	MWh	880,027	776,732	728,754
Power Purchased (PDO, Al Mazyounah Solar & Tibat IPP)	MWh	114,521	315,596	484,377
Total Power Supplied to Customers	MWh	848,666	913,969	1,072,950
Total Losses (Technical & Non-Technical)	%	14.67	16.3	11.69
Total Water Production	m^3	3,424,350	3,566,944	3,663,004
Total Water Dispatched (Sent Out)	**m^3**	**3,221,585**	**3,363,470**	**3,450,832**

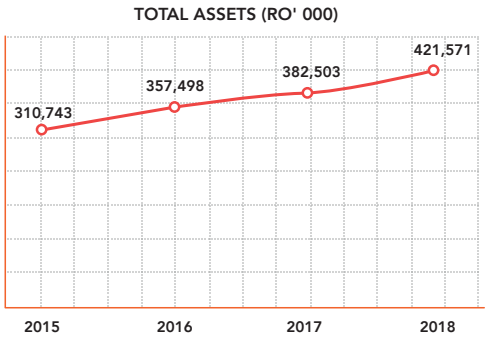
* The figure includes 17 staff members of the Distribution Code Review Panel.

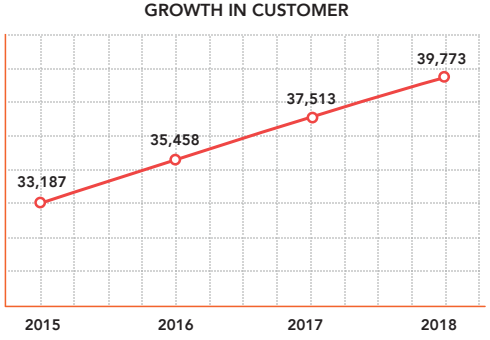
Our financial and operational performance is highlighted hereunder for the last four years of operation.

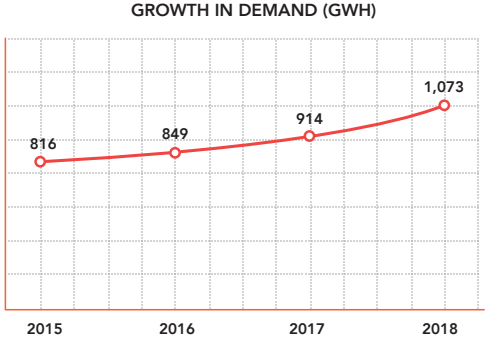
Figure 3: Financial And Operational Data

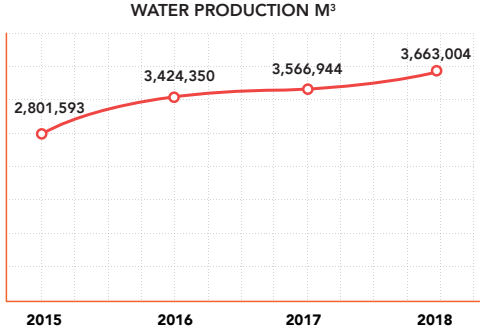












HUMAN RESOURCES

HUMAN RESOURCES

Everyone in Tanweer contributes their unique personal skills to drive the company into producing excellent performance in all areas of its business. Our shared values encompass a common sense of public commitment and a strong sense of duty to the community. One of the company's main objectives is to develop a capable and talented Omani workforce that contributes to the strength of the nation. By December 2018 the number of directly employed staff reached 461 employees. The figure includes 17 full-time staff appointed to the Distribution Code Review Panel (which supports standards and specifications work for all sector companies). The following table and figures show the number of staff in each category, the Omanisation percentage and the functional staff distribution.

Table 5: Number of Omani & Non-Omani Staff 2018

Job Category	Omani Staff No.	Expatriate Staff No.
General managers and deputies	1	0
Operations and maintenance managers of technical departments	14	2
Managers of administration and finance	17	1
Deputy managers and head of sections	58	7
Engineers	57	7
Technicians	66	2
Skilled manpower	210	2
Distribution Code Review Panel staff	17	0
Total Staff Number	440	21

Figure 4: Omanisation in Each Function %

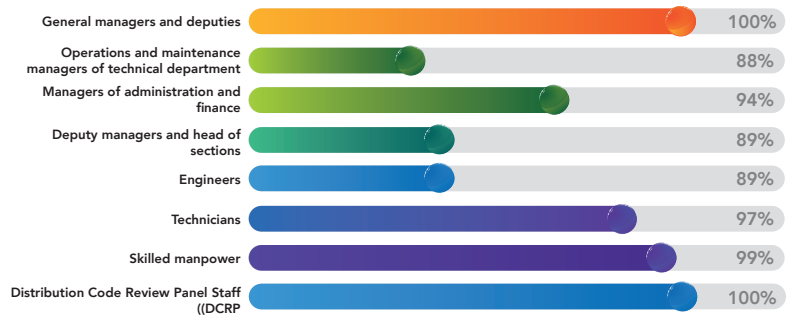
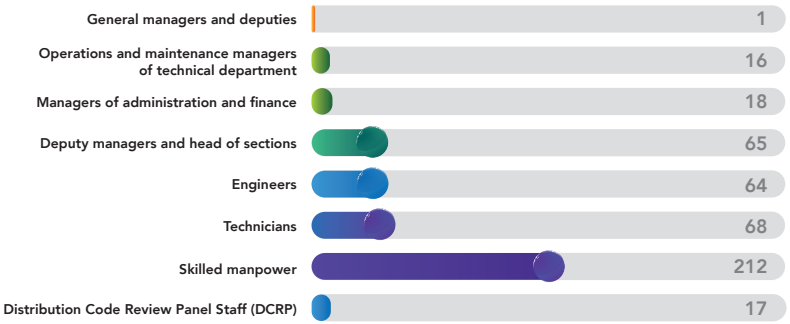


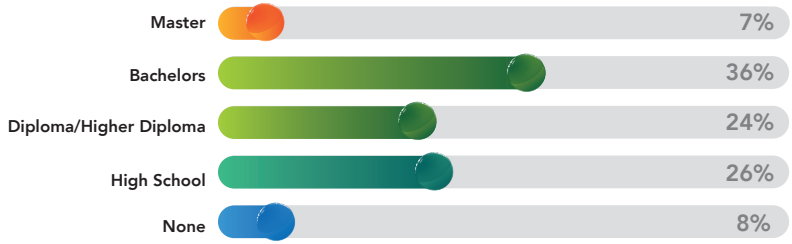
Figure 5: Functional Staff Distribution



SKILLS, QUALIFICATIONS & TRAINING

Tanweer considers training and development of its staff as one of its main priorities for building a strong and skilled workforce. The company provided scholarships for selected staff as part of their development plans as well as 120 courses covering a range of technical and business skills. As can be observed from Figure 6, more than 43% of total Tanweer staff are qualified to Bachelors or Masters level.

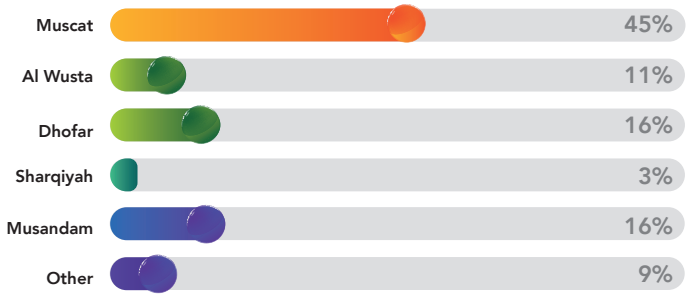
Figure 6: Qualification of Staff

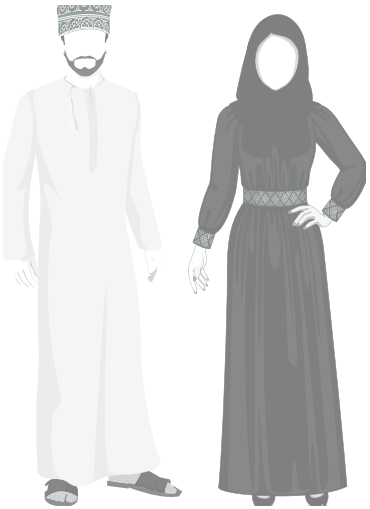


REGIONAL STAFF DISTRIBUTION

It can be observed from the figure 7 that 45% of total Tanweer direct staff are located in Muscat head office. The remaining are distributed among the concession areas according to the needs and the size of the network and customer distribution. Customer regional offices (21 offices) are providing direct support to customers and addressing their needs. In addition, our Emergency Service office, customer services offices and power plants are manned by our contract staff (approximately 1,516 Contract staff).

Figure 7: Regional Staff Distribution





Tanweer achieved 95% Omanisation, by employing 440 Omanis out of 461 employees.

Creativity Initiative, Employee of the Month & Honor Committee

Over the past 5 years, Tanweer established a committee to recognize employee creativity, select and award employees of the month and award employees providing outstanding services to the company.

The main objective of an employee recognition program is to recognize and promote positive behaviors that support individual, groups, divisions, and departments in achieving Tanweer's mission, vision, and values. It also assists in creating a culture of mutual respect, reward, and recognition for employees at all levels, improving the overall employee productivity and quality of work.

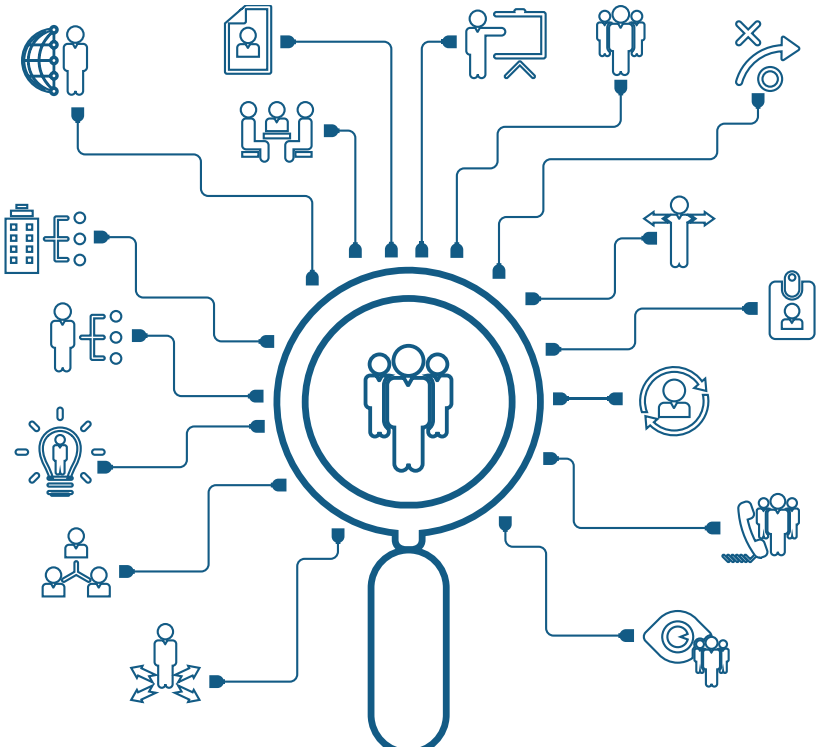
All employees like to be recognized and appreciated for the work they do for their employer. Employee recognition programs provide an opportunity to recognize and thank employees for their contributions, dedication, and commitment to the company.

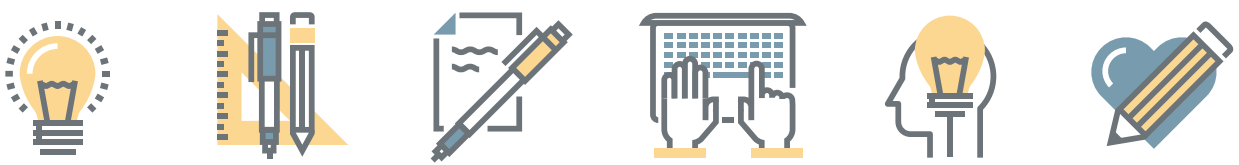
The Committee honored employees in 2018 for their outstanding contributions to the company and these included:

- Efforts during the harsh climatic conditions during Mekunu and Luban cyclone
- Tanweer champions in Nama Group Football Tournament
- The best employee in the sector award in Musharaka Conference

Employee recognition programs offer benefits not only for the employees but for the organization as well, including:

- Increased employee morale
- Increased productivity
- Increased positive employee commitment and loyalty
- Decreased turnover and increased retention of mid to high performers





Muntaser Al Hasani
(January)

Yousuf Al Mesheikhi
(February)

Hussain Al Shehhi
(March)

Said Al Shatre
(April)

Haneen Al Zadjali
(June)

Abdulaziz Al Rumhi
(September)

Saleh Al Dhuhli
(July)

Suliman Al Juniabi
(August)

Athman Almahrouqi
(October)

Amira Al Aufi
(May)

CUSTOMERS

CUSTOMERS

Customer Base & Energy Consumption

Tanweer serves electricity customers by supplying power from 34 diesel power stations and some customers are supplied by connections to networks belonging to PDO (Petroleum Development of Oman). The total number of customers increased by 6%, from 37,513 in 2017 to 39,773 in 2018. Table 6 presents the 2018 customer data by category and energy consumption.

Table 6: Customer Category & Consumption in 2018

Tariff Category	Customers		Electricity Consumption	
	No.	%	MWh	%
Agriculture & Fisheries	564	1.4	90,169	8.4
Commercial	7,921	19.9	96,370	9.0
Domestic	27,266	68.6	450,942	42
Government	3,420	8.6	121,014	11.3
industrial	33	0.1	599	0.1
Ministry of Defense	126	0.3	41,195	3.8
Tourism	68	0.2	29,080	2.7
CRT	375	0.9	243,580	22.7
Total	39,773	100	1,072,950	100

The above table shows that 68.6% of Tanweer customers are in the domestic category and consume around 42% of the total energy supplied. *CRT customers contribute 22.7% of the total MWh supplied, and the total consumption of remaining categories is around 35.3%.

*CRT customer includes those subject to a cost reflective tariff, mainly commercial, industrial & government

Figure 8: Percentage of Tanweer Customer by Category

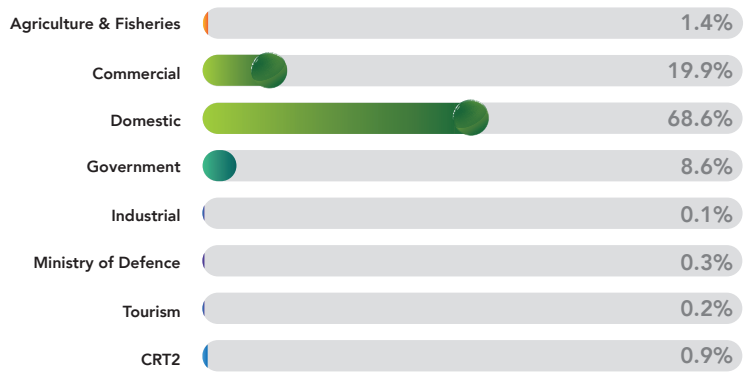
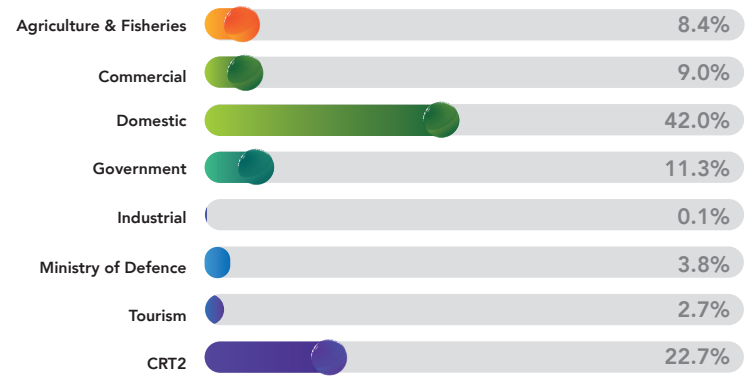


Figure 9: Percentage of Tanweer Consumption by Category



Regional Distribution of Customers

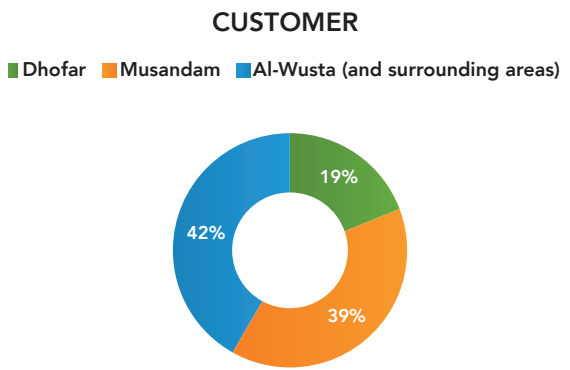
Table 7 & Figure 10 show the customer distribution by regions and customer category, indicating that the majority of Tanweer customers are located in Al Wusta and Musandam Governorates with 42% and 39% respectively, while 19% are located in rural areas of Dhofar Governorate.

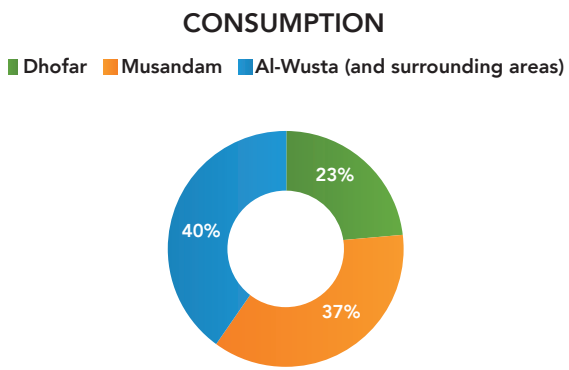
Table 7: Customer Distribution by Regions and Customer Category

Customer Category	Dhofar		Musandam		Al-Wusta		Total	
	Customer No.	Electricity Consumption MWh	Customer No.	Electricity Consumption MWh	Customer No.	Electricity Consumption MWh	Customer No.	Electricity Consumption MWh
Agriculture & Fisheries	201	63,958	283	4,897	80	21,313	564	90,169
Commercial	1,395	16,795	2,720	30,425	3,806	49,150	7,921	96,370
Domestic	4,557	84,964	11,282	185,636	11,427	180,343	27,266	450,942
Government	1,249	46,972	854	33,006	1,317	41,037	3,420	121,014
industrial	2	24	7	163	24	412	33	599
Ministry of Defense	67	1,714	40	18,151	19	21,331	126	41,195
Tourism	-	-	24	18,378	44	10,702	68	29,080
CRT	83	32,531	116	105,875	176	105,174	375	243,580
Total	7,554	246,958	15,326	396,531	16,893	429,462	39,773	1,072,950
%	19%	23%	39%	37%	42%	40%	100%	100%

Note: Data for Al Wusta includes Masirah Island (Sharqiyah), Dakhalya, Dhahira Governorates

Figure 10: Tanweer Customers & MWh consumption by region





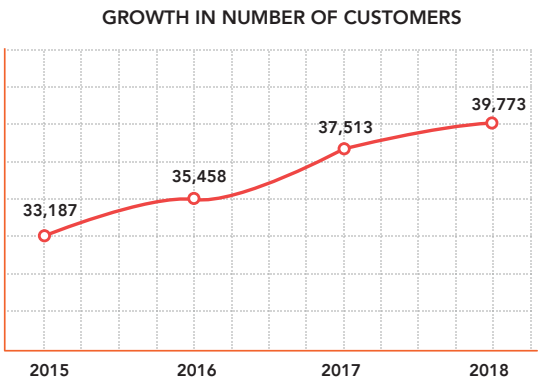
Customers Growth

Overall, the number of Tanweer customers has grown by 6% in 2018. Net additions of 2,260 customers were added to the customer base in 2018. The following table and figure show the growth in customer accounts over the last 4 years.

Table 8: Growth in the Number of Customers

Customer Category	2015	2016	2017	2018
Agriculture & Fisheries	394	443	509	564
Commercial	6,119	6,640	7,181	7,921
Domestic	23,134	24,570	25,910	27,266
Government	3,322	3,546	3,329	3,420
industrial	50	61	35	33
Ministry of Defense	104	132	115	126
Tourism	64	66	67	68
CRT	-	-	367	375
Total	33,187	35,458	37,513	39,773
% Growth	7.4	6.8	5.8	6

Figure 11: Growth in the Number of Customers



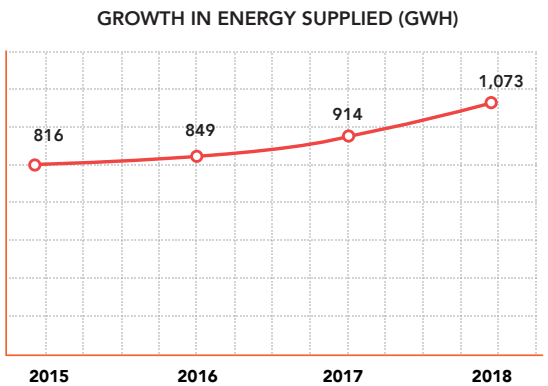
Growth in Energy Supplied

The energy supplied to Tanweer customers reached 1,073 GWh in 2018 compared with 914GWh in 2017. The table and figure below show the growth in energy supplied per customer category from 2015 to 2018.

Table 9: Growth in Energy Supplied (MWh)

Customer Category	2015	2016	2017	2018
Agriculture & Fisheries	29,849	32,833	44,646	90,169
Commercial	125,671	132,921	83,228	96,370
Domestic	401,818	400,437	451,348	450,942
Government	155,882	172,641	91,426	121,014
industrial	44,468	47,467	722	599
Ministry of Defense	29,350	33,539	35,618	41,195
Tourism	29,378	28,829	30,508	29,080
CRT	-	-	176,474	243,580
Total	816,416	848,667	913,969	1,072,950
% Growth	16.1	3.9	7.7	17

Figure 12: Growth in Energy Supplied (GWh)



POWER
GENERATION

POWER GENERATION

Power Sent From Tanweer Plants & Power Purchases

The net power sent from Tanweer power plants decreased to 730,586 MWh in 2018 from 776,732 MWh in 2017 reflecting a decrease of 6%. This was due to the commissioning of the new Tibat Independent Power Plant (IPP) in Musandam which contributed to Tanweer energy demand in 2018 (by OPWP). Figure 13 shows MWh sent out from Tanweer power stations & power purchases in the last five years and Figure (13) presents the detail of Tanweer's supplied power by Tanweer's Plants, PDO, Tibat and Al-Mazyunah (renewable PV) sources.

Figure 13: MWh Sent out from Tanweer Power Stations & Power Purchases (MWh)

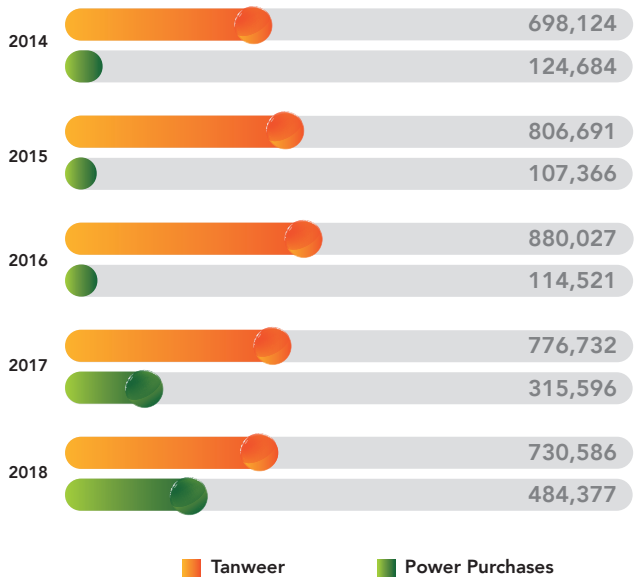
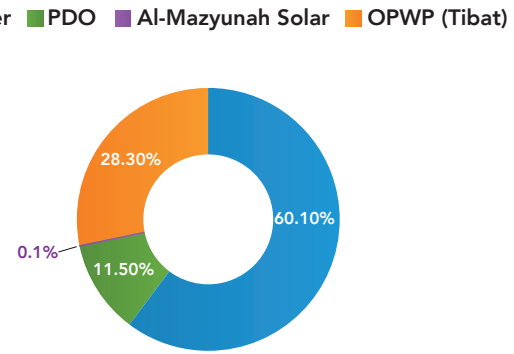


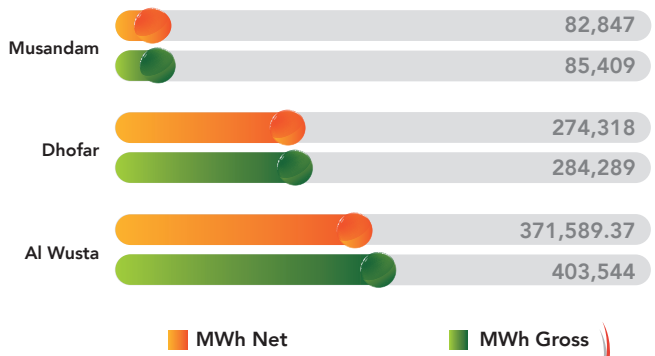
Figure 14: Percentage Power Sent from Tanweer Plants and Power Purchase 2018



Regional Energy Generation

The following figure portrays the regional power generation from Tanweer power stations in 2018. It can be noted that around 52% of power was generated from Al Wusta power plants, 37% and 11% from Dhofar and Musandam power plants respectively.

Figure 15: Regional Power Generation 2018 (Tanweer power plants)



Fuel Efficiency

Our measure of system fuel efficiency represents the total kWh supplied to customers divided by total diesel fuel required to run our systems (litres). As some of our power is procured from non-diesel sources (mainly Musundam Independent gas Power Plant as well as PDO Gas fired generation) an increase in these sources will reduce overall diesel consumption. Our business plan targeted an average of 4.47 kWh supplied to customers per litre of diesel requirement. This target was achieved as the system fuel efficiency reached 5.31 kWh per litre of fuel in 2018 compared to 4.25 in 2017 reflecting an improvement by 25%. This was mainly due to an increased contribution of energy generation from Tibat Independent Gas Plant, in Musundam governorate. The following charts show the trend in diesel fuel requirement (efficiency) from 2016 to 2018.

Figure 16: Fuel Efficiency (kWh / litre) (2016 - 2018)

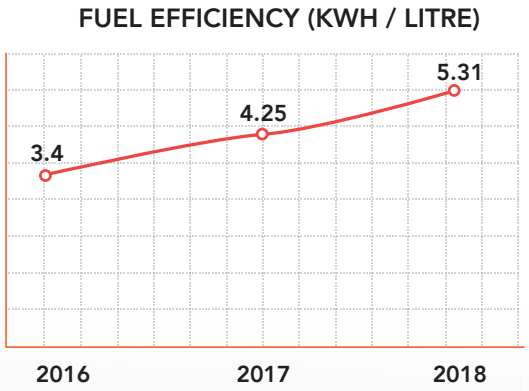
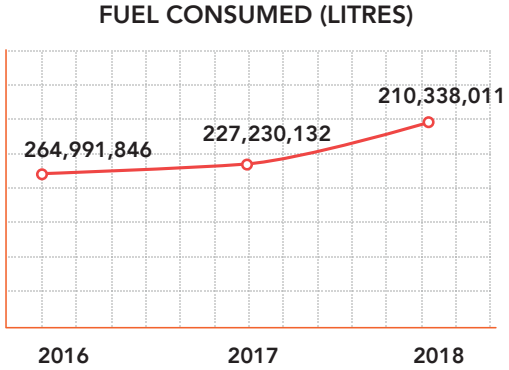


Figure 17: Fuel Consumed (Litres) (2016 - 2018)



System Loss

System loss for the year 2018 (excluding credit adjustments) was 11.69% compared to 16.33% in 2017. The company has put great efforts to reduce the technical and non-technical system losses as much as possible which was addressed mainly by implementing more effective billing and collection.

Figure 18: %Losses (Technical & Non-Technical) in 2017 and 2018

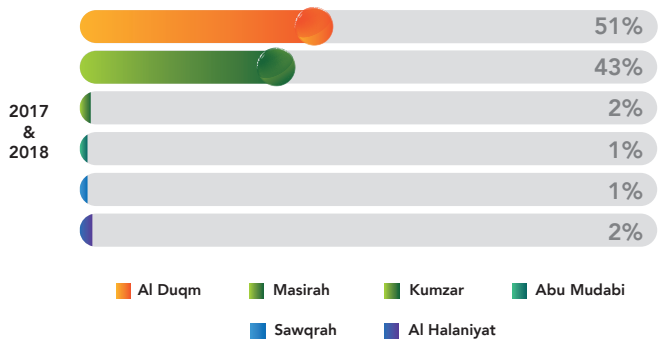
WATER DESALINATION

WATER DESALINATION

Growth in Desalination Business

As part of its regulated activities, Tanweer produces desalinated water from 6 Reverse Osmosis (RO) plants. The six plants are located in Musandam (Kumzar), Al Wusta (Duqm, Masirah, Soqrah and Abu Mudhabi) and Dhofar (Al-Halanyat). Tanweer supplies the desalinated water in bulk to the Public Authority of Water (PAW) for distribution to end customers. In 2018 Tanweer produced 3,663,004 cubic meters of desalinated water. This is around 3% higher than 2017 desalination amount of 3,566,944 cubic meters. As can be seen in Figure 19 Al Wusta regional desalination plants sent 96% of total desalinated water (mainly from Al-Duqm Plant 51% and from Masirah Plant 43%) and the rest was produced by other facilities.

Figure 19: Percentage of Water Desalination by Plant – 2017 & 2018 (net)



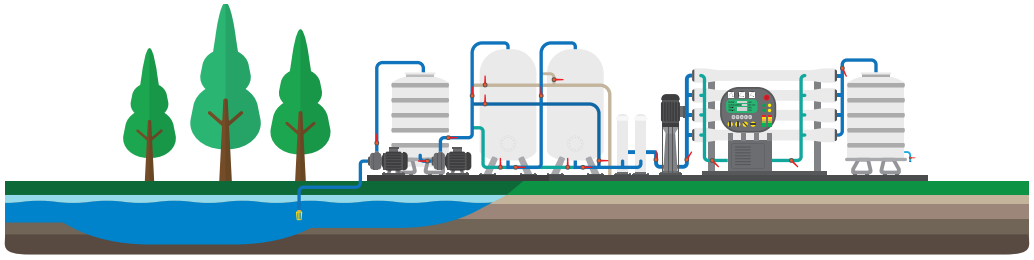


Table 10: Water Desalination Plant 2017 – 2018

Facility	Plan Capacity (m3/day)	Gross Production m3		Net sent m3		Water Sent Growth
		2017	2018	2017	2018	
Al Duqm	8,000	1,769,772	1,790,369	1,708,222	1,751,744	3%
Masirah	6,100	1,576,702	1,655,470	1,437,333	1,485,187	3%
Kumzar	450	74,880	75,570	73,505	74,376	1%
AbuMudabi	200	44,922	44,125	44,173	43,173	-2%
Sawqrah	250	47,156	44,483	46,841	44,077	-6%
Al Halaniyat	198	53,512	52,987	53,396	52,275	-2%
Total	**15,198**	**3,566,944**	**3,663,004**	**3,363,470**	**3,450,832**	**3%**

Note: 1m3= 220 imperial gallons

TANWEER BUSINESS DEVELOPMENT

TANWEER BUSINESS DEVELOPMENT

Capital Investment Projects

Throughout 2018, Tanweer pursued major investments in its asset base, including expansion and renewal of power plants, development of 11kV, 33kV and 132kV networks and associated substation capacity. These projects are expected to secure the forecast demand for power in the remote areas under the responsibility of Tanweer. A list of the largest 10 projects is provided in table 11 below.

Table 11: List of 10 Largest Projects Under Execution in 2018

Tender No.	Project Title	Total Contract (RO million)
27/2012	Double circuit 132 KV Overhead Transmission line with Grid Substation in Musandam Governorate.	35.90
96/2013	Construction of Khasab New Power Station in Musandam Governorate	24.85
26/2015	EPC of (33 KV) Network and Substations in Wilayat Masirah	7.10
41/2015	Upgrading of Shaab Aseeb Power Station in Dhofar Governorate	6.18
9/2016	Upgrading of Hijj power station in Al wusta Governorate	3.82
19/2015	Construction of Khasab Primary Substation in Musandam Governorate	2.58
11/2016	Construction of (33KV) Feeder (4Nos) from Khasab Grid station to connect with an existing feeder at Wilayat Khasab-Musandam Governorate.	2.18
9/2014	Construction of 33KV Feeder from Khasab Power Station to the Proposed Kumzar Primary Substation in Wilayat Khasab - Musandam Governorate.	1.44
50/2016	EPC for Rehabilitation of Dhafrat Existing Power Station in Al Wusta Governorate	1.27
T.N 37 / 2016	Construction of (33KV) Feeder from New Farshat Qatbeet new Power station and Installation of (2x6 MVA 33/11.5 KV) Primary substation at Muqshin and Laying of (11KV) Underground Cable to connect with the existing network at Wilayat Muqshin at Dhofar Governorate.	0.90

Commissioned Projects of 2018

Tanweer strives to improve electricity delivery and distribution services in all areas of the company's franchise through the establishment of new projects and the maintenance of the electrical network and overhead lines. The main projects of 2018 were as follows:

Khasab Power Station

Khasab power station and grid station was inaugurated under the patronage of Musandam's Governor in the presence of Tanweer Chairman and CEO. The Power station consists of:

- Six Caterpillar generators with a total capacity of 80 MW
- Six power transformers of 11 kV to 33 kV with a total capacity of (6 X 20MVA)
- Four main Fuel Tanks with a total capacity of 4000 cubic meters (4 X 1000)
- SCADA Control System for Generators and its accessories

Hij Power Station Project

Hij power station in Wilayat Mahout consists of 4 generators, each with a capacity of 3 MW, a 10 MVA step-up transformer (11/33 kV) and a control room. In total, the additional capacity will reach 12 MW which is aimed to support the demand and growth in Wilayat Mahout.

Commissioning of Khasab - Kumzar 33kV OHTL

Kumzar village is one of Tanweer's concession areas in Musandam Governorate, located in the far north of the Sultanate in Wilayat Khasab, an isolated area accessible only by boat or helicopter. Tanweer constructed a new 33 kV overhead line with a cost of R.O.1,438,500 and with cables extending over a distance of 44 km to meet the demand in electricity in the area for the 281 customers.

The project covers the following areas: (Ghub Ali – Nhadifi –Hablain, Ghafool - Al-boot – Qaba - Ghurm - Shisa –hum – Shabous - Al-film - Al-balad – Mqaqa - Al-hwinia, Hemssi , Al Battakhi , Qana, Sibi ,Maqlab).

Commissioning of Khasab to Dibba 132kV Transmission Line

Musandam Transmission Project has fully energized the 132kV transmission line from Khasab to Dibba as well as Dibba Grid Substation (GS). The Transmission line is a double circuit OHL crossing through the difficult mountainous terrain of Musandam Governorate. The total length of the 132kV transmission line is around 64 km and is laid on 235 towers. The Dibba Grid Station is equipped with a set of 132 kV GIS, 2 x 132/11kV 50 MVA Transformers, set of 11kV AIS, and associated equipment. Dibba Gride Station will be controlled from Musandam Control Center in Khasab.

Musharaka Conference

Musharaka 2018 is themed on 'Harnessing Technology' aiming to enhance the performance and services of the Group companies.

Tanweer participated in the Knowledge Sharing Conference program, discussing topics involving the transformation of business with the power of data, artificial intelligence and smart grids. Along with Nama Group, Tanweer aims to support knowledge sharing, embrace international benchmarks and practices in the electricity sector and discuss its strategy during the event.

New HQ Building

On March 11, 2018, Tanweer Muscat Head Quarter office shifted to its new building located at the airport heights in Wilayat Al-Seeb. The total project cost of the new building was OMR. 4.3M. The building consists of 5 floors and two basements for parking each with a total capacity of 80 vehicles.

Asset Management Key Achievements for 2018

- Tanweer has successfully passed the ISO 55001 surveillance audit for its asset management system. The external audit was carried out by Lloyd's Register with the objective of verifying the condition of previous NCs, and to assess continued compliance with ISO 55001 standards and ensure continuous improvement.

- Asset management department continues to implement the Condition Based Risk Management (CBRM) process which enables the company to use current asset information, engineering knowledge and practical experience to predict future asset condition, performance, and risk of failure for its critical network assets. Recently, the assets performance team has introduced new techniques to perform condition monitoring to feeders by using special tools such as Corona Camera, wooden Pole tester and partial discharge tools. The expected benefits of utilizing such technologies is to locate the exact root cause of the failures and to eliminate these causes in future. In addition, it helps Tanweer reduce the interruptions and supports the management in feeder reinforcement decisions. In 2018 a total of 3 feeders have been assessed.

- The Asset management team started to prepare Mini-PIADs for Non-Load related reinforcement activities and a new SOP has been established to guide the management in the right direction for achieving the reinforcement works for Tanweer networks. The reinforcement work procedure is the principal document on which Tanweer can base its network investment planning and improve reliability.

- Tanweer has completed its GIS field survey and data collection for all its operational assets, desalination and power facilities along with electrical networks from the source until service connection with geographic coordinates. This created a new data model for the new 132 kV transmission system along with the data collection of its field data in Musandam and Hima.

- Tanweer has already started an Oracle Enterprise Asset Management enabling best practices in maintenance and improved organizational performance. The visible features of Oracle Enterprise Asset Management are as follows:
  - o Asset Management Oracle- will enable to define and manage the organization's multitude of assets.
  - o Preventive Maintenance Oracle- eAM Activities provides users with a standard template for asset work orders. This can be applied to pre-planned work orders, such as routine or preventive maintenance work.
  - o Work Management- is at the core of all maintenance operations and includes the identification of maintenance issues through work requests, as well as the ability to execute maintenance work through work orders.
  - o Maintenance Cost Management Oracle- eAM enables organizations to reduce equipment and maintenance costs through the effective collection of asset maintenance costs and work history.

SUPPLY CHAIN & CUSTOMER SERVICE

Tanweer Customer Service and Supply division carries out several responsibilities which include the following:

- Meter reading
- Performing billing and collection
- Providing services to customers through contact centers
- Supporting the business develop strong relationships with customers
- Answering customer questions and helping to resolve problems
- Communicating with clients and customers about their experiences with a product or service

Several initiatives are under implementation to improve customer satisfaction and improve the collection efficiency; these include the following: Automatic Meter Reading (AMR), Prepaid and Smart Meters such as Customer Care & Billing (CCB), as well as the introduction of various collection channels through mobile applications, bill payment machines, and websites.

Prepaid Metering Project

The Prepaid Metering Project provides the infrastructure of the prepaid meters, where customers can charge their meter through a token number which can transfer credit to the meter remotely. Tanweer will ensure that the channels and operations are equipped to handle the project in all licensed regions. The meters come with two options: Standalone and Smart meters; both meters can be charged using a mobile application to purchase the token. The project is expected to achieve the following:

- Reduction of operational costs related to meter reading and billing
- Enhancing customer experience and increasing rationalization of electricity consumption
- Reducing visits to the offices and call center

AMR Project

The Automated Metering Reading project is designed for high-value customers who consume about 44% of the total generated power in Tanweer. The subjected accounts are around 521 scattered in all regions. The project implementation is expected to enhance the quality and speed of processing metering data, improve billing accuracy and reduce debtor days. The AMR will enhance the ability of customers to access and interpret their own consumption data, increasing energy awareness and efficiecy of energy use. The project is in the stage of finalizing the site survey and initiating the meter exchange to commission the AMR system during 2019.

Collection channels

Tanweer has several collection channels to facilitate customer bill payments and these include:

1) OIFC (Oman Investment Finance Company): bill payment machines, website, mobile application & cash counter
2) ONEIC: bill payment machines, mobile application & cash counter
3) Omantel: bill payments machines
4) Nama Mobile Application

Voice of Customer -VOC

Tanweer is keen to develop the service of its customers and improve their experiences by achieving the company's organizational objectives. The number of customer accounts reached 39,773 as of Dec 2018 with an annual growth rate of 7%.

To ensure the quality of work provided and continuous improvement, Tanweer is cooperating with the DISCO companies and Nama group to appoint a specialized independent agency to conduct surveys on the various products and services provided.This was done by conducting a satisfaction questionnaire in which Tanweer achieved a customer satisfaction rate of 84.7% in 2018.

COMMUNITIES AND SOCIETY

Social Responsibility

On the 48th National Day, Tanweer coordinated with the Royal Oman Hospital to organize a field visit to children admitted in the hospital and share with them the joy of the national day celebration. Tanweer has also organized blood donation campaigns held in Musact, Khasab, Mahout and Salalah, in cooperation with the department of blood services from the Ministry of Health. The campaign received remarkable response from employees and encourages humanitarian initiatives within Tanweer.

Stakeholder Engagement

- To improve the level of services provided and continuously expand the delivery of electricity services, the board of directors of Nama and Tanweer management team visited the company's regions to view the services offered by the company and acknowledge the most important projects.
- The stakeholder visit to Masirah involved inspecting the customer services office, the desalination plant, the new Masirah power plant, and the Electricity Transmission Station in Shaqaf area as well other sub- stations in Nahda and Ras Half

Social Responsibility in the Regions

Musandam Governorate

- Educational awareness: Tanweer provided an awareness session to a group of students from Abu Bakar Al Sadiq School, Khawla bint Al Azur school, Quda Primary School and Jawhara of Oman Summer Center in Khasab. More than 150 students visited the Electricity Exhibition Center where students were educated about the electrical network component, the operation phases from the Generation, Transmission, Distribution and Connection. They were also educated on the safety practices of dealing with electricity and how to avoid its risks.
- Beach Clean-up: In coordination with the Ministry of Education, Tanweer organized a beach cleaning campaign in Basa area at Wilayat Khasab in Musandam Governorate. With the participation of 30 students from Abu Bakr Al Siddiq Primary School, the event served to enforce a volunteering spirit among school students on how to preserve beaches in Oman and the importance of protecting our environment from litter and waste.

Al Wusta Governorate

- To spread awareness of rationalization and safety in the community, the customer service team at Al Wusta provided an awareness lecture to the Bahr Al Arab School students in Duqm. The 11th grade students were educated on the best practices of rationalizing the consumption of electricity, meter types, the consumption calculation methods, tariff category and safety precautions when dealing with electricity.
- Tanweer was honored in Wilayat Mahout for its contribution to the success of the youth event which is organized by the Sports Affairs Department in Al Wusta Governorate.
- Sponsored by the Governor of Al Wusta Province, Al Wusta Regional office participated in the 'All Oman' Forum for the 2040 Oman Vision to activate the participatory approach of the community to contribute to the future vision of the Sultanate in various fields.

OPERATIONAL DATA

Table 12: 2018 Operation Data for Power Plants- Al-Wusta

Plants	Installed kw	The month of Peak Demand	Maximum peak (kW)	Gross MWh	Net MWh	Diesel 000 Ltrs
Masrooq	1,200	Aug.	740	2,380	2,344	778
*Masirah	12,431	Jan	1,550	477	50	140
Masirah (New)	56,819	May	17,944	83,318	79,187	21,329
Al-Duqm	52,748	May	38,800	183,662	162,339	50,749
AL Khaluf	2,508	Oct	1,106	4,752	4,595	1,465
AL-Kuwaima	8,016	May	3,980	17,680	17,377	5,087
AL-Najdah	2,700	May	1,336	4,858	4,737	1,502
Hij	31,600	May	16,260	60,863	58,183	16,336
Hitam	2,932	May	1,560	6,018	5,686	1,885
Sarab	4,000	May	2,240	8,490	8,314	2,671
AL-Dhafarat	2,000	Jun	1,310	3,891	3,708	1,329
AL-Khadrah	12,500	May	5,850	27,157	25,070	7,804
Tatal			**92,676**	**403,546**	**371,590**	**111,074**

*Masirah power station closed on 15/Jan/2018

Table 13: 2018 Operation Data for Power Plants- Musandam

Plants	Installed kw	The month of Peak Demand	Maximum peak (kW)	Gross MWh	Net MWh	Diesel 000 Ltrs
Kumzar	465 (Standby)	0	-	-	-	-
Dibba	24,935	Jun	15,600	43,299	42,889	12,174
*Khasab (NEW P/S)	79,590 (Standby)	Jul	30,892	13,148	12,569	2,885
Madha	11,000	Jun	6,070	28,962	27,389	8,700
Total	**115,990**			**85,409**	**82,847**	**23,759**

* New power station (Standby) initiated April 2018

Table 14: 2018 Operation Data for Power Plants- Dhofar

Plants	Installed kw	The month of Peak Demand	Maximum peak (kW)	Gross MWh	Net MWh	Diesel 000 Ltrs
AL Halaniat	1,565	May	485	1,904	1,332	644
*Muthafah	680	Jun	165	83	82	36
Andat	2,012	May	870	3,262	3,252	934
Ayoon	715	May	210	852	844	352
Barbazoom	1,680	May	789	2,684	2,671	804
Dhaboon	4,379	Aug.	2,267	9,042	9,024	3,021
Fatkhait	822	Jun	285	1,172	1,164	423
Herweeb	2,775	Jun	1,260	3,925	3,902	1,198
Mahwees	872	Jun	234	1,029	1,013	358
Maqshan	2,780	May	900	3,598	3,563	1,246
AL-Mazyunah	13,000	Jun	8,380	35,363	33,737	9,575
Mitten	2,887	Jun	940	3,703	3,681	1,122
Motorah	1,100	Aug.	440	1,733	1,725	555
Saih ALKirat	48,702	Jul.	25,100	152,072	146,595	36,374
Shahb Asaib	26,000	May	8,470	35,753	34,608	9,500
Sharbatat	4,292	May	1,160	5,138	5,082	1,687
Tusnat	1,170	Aug.	380	1,731	1,715	545
Mudhai	3,872	May	2,160	8,994	8,450	2,729
Hasik	8,500	May	2,731	11,908	11,653	3,558
**Fershat Qatbeet	10,000	Sep.	980	314	223	328
Total	**137,803**		**58,206**	**284,260**	**274,316**	**74,987**

* AL Mathfa power station closed Feb/2018 and the area is being fed from Mudhai power station
** Fershat Qatbeet New power station initiated April 2018

Table 15: 2018 Operation Data for Water Desalination Plants

Governorate	Desalination Plat	Installed Capacity m3/day	No of units	Gross (000, m3)	Net (000, M3)
AL Sharqiyah	Masirah	6,100	10	1,655	1,485
Al Wusta	Al-Duqm	8,000	4	1,790	1,752
	Abumudabi	200	3	44	43
	Sawgrah	250	2	44	44
Dhofar	AL Halaniyat	198	3	53	52
Musandam	Kumzar	450	3	76	74

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Rural Areas Electricity Company SAOC (the "Company"), which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information set out on pages 4 to 52.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and of 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 management 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 Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The management is responsible for the other information. The other information comprises the Directors' report which is expected to be made available to us after the date of this audit report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 regard.

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

The management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended, 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.

In preparing the financial statements, the 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 the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charge 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 ISA's, we exercise professional judgement 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 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 the 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 disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended.

KPMG
Muscat, Sultanate of Oman

Statement of financial position at 31 December 2018

	Notes	2018 RO '000	2017 RO '000
ASSETS			
Non-current assets			
Property, plant and equipment	6	332,396	330,019
Current assets			
Inventories	7	7,799	6,184
Trade and other receivables	8	44,537	27,210
Cash and cash equivalents	9	36,839	19,090
Total current assets		89,175	52,484
Total assets		421,571	382,503
EQUITY AND LIABILITIES **Capital and reserves**			
Share capital	10	100,000	500
Legal reserve	11	1,178	167
General reserve	12	2,070	250
Retained earnings		35,943	32,365
Shareholder's funds	13	1,589	101,089
Total equity		140,780	134,371
Non-current liabilities			
Term loan	14	135,828	-
Amounts due to holding company	15	-	4,002
Provisions	16	1,345	1,375
Deferred tax liability	17	16,502	14,391
Deferred revenue	18	59,763	58,022
Contract liability	19	13	-
Total non-current liabilities		213,451	77,790
Current liabilities			
Term loan	14	16,735	-
Deferred revenue	18	2,931	3,123
Trade and other payables	20	47,105	51,875
Short term borrowings	21	-	114,825
Provisions	16	569	519
Total current liabilities		67,340	170,342
Total liabilities		280,791	248,132
Total equity and liabilities		421,571	382,503

Faisal Al Hasher
Chairman

Saleem Abdullatif
Deputy Chairman

Saleh Al Rumhi
Chief Executive Officer

The accompanying notes form an integral part of these financial statements.

Statement of profit or loss and comprehensive income for the year ended 31 December 2018

	Notes	2018 RO '000	2017 RO '000
Revenue	22	125,666	105,362
Cost of sales	23	(94,123)	(81,442)
Gross profit		31,543	23,920
General and administrative expenses	24	(15,907)	(14,984)
Other income	26	4,019	4,305
Impairment loss on trade receivables		(360)	(455)
Profit from operations		19,295	12,786

	Notes	2018 RO '000	2017 RO '000
Finance income	27	188	61
Finance costs	27	(6,873)	(3,134)
Net profit before tax		12,610	9,713
Taxation	28	(2,501)	(4,541)
Net profit for the year and total comprehensive income		**10,109**	**5,172**

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2018

	Share capital RO'000	Legal reserve RO'000	General reserve RO'000	Retained Earnings RO'000	Shareholder's funds RO'000	Total RO'000
At 1 January 2017	500	167	250	28,693	101,089	130,699
Profit for the year and other comprehensive income			-	5,172	-	5,172
Dividend paid	-	-	-	(1,500)	-	(1,500)
At 1 January 2018 – As previously stated	500	167	250	32,365	101,089	134,371
Adjustment on initial application of IFRS9- (net of tax) (Note 3)	-	-	-	(1,079)	-	(1,079)
Adjustment on initial application of IFRS-15(net of tax) (Note 3)	-	-	-	(1,121)	-	(1,121)
At 1 January -2018restated	**500**	**167**	**250**	**30,165**	**101,089**	**132,171**
Increase in share capital (Note 10)	**99,500**	**-**	**-**	**-**	**(99,500)**	**-**
Profit for the year and total comprehensive income	-	-	-	10,109	-	10,109
Transferred to legal reserve (Note 11)	-	1,011	-	(1,011)	-	-
Transferred to general reserve (Note 12)	-	-	1,820	(1,820)	-	-
Dividend paid (Note 30)	-	-	-	(1,500)	-	(1,500)
At 31 December 2018	**100,000**	**1,178**	**2,070**	**35,943**	**1,589**	**140,780**

The accompanying notes form an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2018

	2018 RO '000	2017 RO '000
Cash flows from operating activities		
Profit for the year before tax	12,610	9,713
Adjustments for:		
Depreciation	12,337	11,128
Finance costs	6,873	3,134
Finance income	(188)	(61)
Loss / (gain) on sale of property, plant and equipment	246	(9)
Provision for inventory	282	332
Provision for employee benefits - net	153	284
Provision for bad and doubtful debts	360	455
	32,673	**24,976**
Change in :		
Deferred revenue	276	(547)
Trade and other payables	(5,160)	(5,870)

	2018 RO '000	2017 RO '000
Inventories	(1,897)	(572)
Trade and other receivables	(18,597)	(11,096)
Payment of employee benefits	(133)	(153)
Net cash from operating activities	**7,162**	**6,738**
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,035)	(32,950)
Proceeds from sale of property, plant and equipment	71	9
Finance income received	188	61
Net cash used in investing activities	**(14,776)**	**(32,880)**
Cash flows from financing activities		
Proceeds from long term borrowings	152,563	-
Net change in short term borrowings	(114,825)	23,075
Holding company loan repayment	(4,002)	-
Finance costs paid	(6,873)	(3,134)
Dividends paid	(1,500)	(1,500)
Net cash from financing activities	**25,363**	**18,441**
Net change in cash and cash equivalents	**17,749**	**(7,701)**
Cash and cash equivalents at the beginning of the year	19,090	26,791
Cash and cash equivalents at the end of the year (Note 9)	**36,839**	**19,090**

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

1. General

Rural Areas Electricity Company SAOC (the "Company") is a closely held Omani joint stock company registered under the Commercial Companies Law of Oman.

The establishment and operations of the Company are governed by the provisions of the Law for the Regulation and Privatisation of the Electricity and Related Water Sector (the "Sector Law") promulgated by Royal Decree 78/2004.

The Company is primarily undertaking electricity generation, water desalination and electricity distribution activities in the Musandam Governorate, Alwusta region Masirah Island, Khuweima and Qroon areas in Sharqiya Region, Aswad area in Dahirah region, Dhofar Governate (the area outside Dhofar Power Company SAOG's authorised area) and in Dakhliya region (the area outside Mazoon Electricity Company SAOC's authorised area) under a license issued by the Authority for Electricity Regulation, Oman (AER).

The Company commenced its operations on 1 May 2005 (the "Transfer Date") following the implementation of a decision of the Ministry of National Economy (the "Transfer Scheme") issued pursuant to Royal Decree 78/2004.

Rural Areas Electricity Company SAOC is a 99.99% subsidiary of Electricity Holding Company SAOC (the "Holding company"), a company registered in the Sultanate of Oman and 0.005% is held by the Nama Shared Services LLC and 0.005% by Nama Institute of Competence Development LLC.

2. Application of new and revised International Financial Reporting Standards (IFRS)

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018. Those, which are relevant to the Company, are set out below.

New and revised IFRS in issue but not yet effective

In January 2016 the Board issued IFRS 16 Leases (IFRS 16). IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Impact assessment of IFRS 16 Leases

As at 31 December 2018, the Company has non-cancellable operating lease commitments as disclosed in note 31 of RO 286,000 in respect of power purchases agreements, usufruct agreements, office rent and vehicles leases. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Company will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16.

The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Company's financial statements and the Company is currently assessing its potential impact. In addition, the nature of expenses related to those leases will change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Company's incremental borrowing rate at 1 January 2019 determined as per the requirements of IFRS 16, the composition of the Company's lease portfolio at that date, the Company's latest assessment of whether it will exercise any lease renewal options and the extent to which the Company chooses to use practical expedients and recognition exemptions. It is not practicable to provide a reasonable estimate of the financial effect until the detailed review is completed.

3. Changes in significant accounting policies

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2017.
The changes in accounting policies, except for IFRS 16, are reflected in the Company's financial statements as at and for the year ended 31 December 2018.

The Company has adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material impact on the Company's financial statements.

The effect of initially applying these standards is mainly attributed to the following:
- An increase in impairment losses recognized on financial assets.
- Earlier recognition of revenue from transmission connection charges and installation and connection charges.

3.1. IFRS 9 Financial Instruments

The Company has adopted IFRS 9 'Financial Instruments' as issued by the IASB. The Company applies IFRS 9 with date of initial application as 1 January 2018.

This has resulted in a change in accounting policies of the Company. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments.

Recognition and Measurement

As a result of the adoption of IFRS 9, the Company adopted consequential amendments to IAS 1 Presentation of Financial Statements which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income (OCI). Previously, the Company's approach was to include the impairment of trade receivables in other expenses. Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures.

The Company has determined the impact of application of IFRS 9's impairment requirements on its other financial assets, which has resulted in no material impact on the opening balances as of 1 January 2018. Accordingly, the related impact of impairment has not been considered in these financial statements.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were to be recognized in the opening retained earnings and other reserves of the current period. Adoption of IFRS 9 had no material impact on the Company's previously reported
balances. The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

Classification and measurement of financial assets and financial liabilities

IFRS 9 Financial Instruments introduces principle-based requirements for the classification of financial assets and liabilities. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. The classification of financial assets under IFRS 9 is generally based on the business model in which the financial asset is managed and contractual cash flow characteristics.

Recognition and Initial measurement of financial instruments

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

1. Trade and other receivables,
2. Cash and cash equivalents;
3. Amounts due from related parties;
4. Government Subsidy receivables;
5. Long term loan: and
6. Trade and other payables

Initial recognition

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income – debt instruments; fair value through other comprehensive income – equity instruments; or fair value through profit or loss.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss account:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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

Financial assets at fair value through other comprehensive income

Equity instruments which are not held for trading or issued as contingent consideration in business combination, and for which the company has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss. This election is made on an investment-by-investment basis.

Debt instruments where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Financial assets, at initial recognition, may be designated at fair value through profit or loss, if the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities, at initial recognition, may be designated at fair value through profit or loss if the following criteria are met:

a) The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;

b) The liabilities are part of a Company of financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or

c) The financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities at fair value through profit or loss account are measured at fair value and net gains and losses, including any interest expense, are recognised in the statement of profit or loss account.

Subsequent measurement and gain or losses

Financial assets

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Any gain or loss on derecognition is recognised in the statement of profit or loss

Financial assets at fair value through other comprehensive income

a) Debt instruments
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Other net gains and losses are recognised in the statement of other comprehensive income. On derecognition, gains and losses accumulated in the statement of other comprehensive income are reclassified to the profit or loss account.

b) Equity instruments

These assets are subsequently measured at fair value. Dividends are recognised as income in the profit or loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in the statement of other comprehensive income and are never reclassified to the statement of profit or loss.

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the profit or loss account. However, see note (Derivative financial instruments and hedging) for derivatives designated as hedging instruments.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method, if applicable. The effective interest method is the method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Interest expense and foreign exchange gains and losses are recognised in the statement of profit or loss. Any gain or loss on derecognition is also recognised in the statement of profit or loss.

Reclassification

Financial assets

The Company only reclassifies financial assets if, and only if, the objective of the business model for managing those financial assets is changed. Such changes are expected to be very infrequent as these changes must be significant to the Company's operations and demonstrable to external parties.

If the Company determines that its business model has changed in a way that is significant to its operations, then it reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

Financial liabilities

The Company determines the classification of financial liabilities on initial recognition. Subsequent reclassification is not allowed.

Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of profit or loss.

Financial liabilities

If the terms of a financial liability are modified and the cash flows of the modified liability are substantially different then, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the statement profit or loss.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

a) The rights to receive cash flows from the asset have expired; or

b) The Company retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

c) The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in the statement of other comprehensive income is recognised in the statement of profit or loss.

From 1 January 2018, any cumulative gain/loss recognised in the statement of other comprehensive income in respect of equity instrument designated as fair value through other comprehensive is not recognised in the statement of profit or loss on derecognition of such instrument. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where 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 profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ('ECL') model. This requires considerable judgement about how changes in economic factors affect expected credit losses, which will be determined on a probability-weighted basis.

The Company recognises loss allowances for ECLs on the following instruments that are not measured at fair value through profit or loss:

- Financial assets measured at amortised cost;
- Debt instruments measured at fair value through other comprehensive income;
- Lease receivable in the scope of IAS 17;
- Financial guarantee contracts and loan commitments in scope of IFRS 9; and
- Contract assets (as defined in IFRS 15).

Measurement of loss allowances

The financial assets at amortized cost consist of trade receivables and cash and cash equivalents. Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since the initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company assumes that the credit risk on a financial asset has significantly increased since initial recognition and while estimating expected credit loss, when there is objective evidence or indicator for the financial assets. Examples of such indicators include:

o Significant financial difficulty of the borrower or issuer;
o Delinquency by borrower;
o Restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a borrower or issuer will enter bankruptcy;
o The disappearance of an active market for a security; or
o If it past due for more than 30 days.

Loss allowances for trade and other receivables, contract assets and lease receivable without significant financing are always measured at an amount equal to lifetime expected credit loss.

IFRS 9 does not define the term 'default', but instead requires each entity to do so. The definition has to be consistent with that used for internal credit risk management purposes for the relevant financial instrument, and has to consider qualitative indicators – e.g. breaches of covenants – when appropriate

The Company considers a financial asset to be in default when the counter party is unlikely to pay its credit obligations to the Company in full (based on indicator above), without recourse by the Company to actions such as realising security (if any is held); or the financial asset is more than the days past due as per below table:

Category	Past due
Government customers – Electricity	360 Days
Private customers – Electricity	90 Days
Water customers	90 Days

Lifetime expected credit losses: These losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, if there is significant increase in credit risk or under simplified approach 12-month expected credit losses: These losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk. An asset is credit-impaired if one or more events have actually occurred and have a detrimental impact on the estimated future cash flows of the asset.

The term 'significant increase in credit risk' is not defined in IFRS 9. An entity decides how to define it in the context of its specific types of instruments. An entity assesses at each reporting date whether the credit risk on a financial instrument has increased significantly since initial recognition. To make the assessment, an entity considers changes in the risk of default instead of changes in the amount of expected credit losses.

An entity assesses whether there has been a significant increase in credit risk at each reporting date. The impairment model in IFRS 9 is symmetrical, and assets can move into and out of the lifetime expected credit losses category.

To be 'significant', a larger absolute increase in the risk of default is required for an asset with a higher risk of default on initial recognition than for an asset with a lower risk of default on initial recognition.

Expected credit losses are a probability-weighted estimate of credit losses.

Financial assets that are not credit-impaired at the reporting date

Measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Financial assets that are credit-impaired at the reporting date

Measured as the difference between the gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in the statement profit or loss as an impairment gain or loss.

Presentation of expected credit losses

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and is charged to the statement of profit or loss or the statement of other comprehensive income as applicable.

Write - off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Impact on adoption of IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied with effect from 1 January 2018, using modified retrospective method and has accordingly not restated the comparative period. Differences in the carrying amounts of assets and liabilities resulting from the adoption of IFRS 9 are recognised in opening retained earnings as at 1 January 2018.

Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the Company's assets subject to ECL as at 1 January 2018:

The financial assets at amortized cost are after reclassifications and adjustments arising from the adoption of IFRS 15.

Asset subject to ECL	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Adjustment due to reclassification	Adjustment due to remeasurement	New carrying amount under IFRS 9
Cash and bank balances	Loans and receivables	Held to collect - amortised cost	19,090	-	-	19,090
Trade and other receivables	Loans and receivables	Held to collect - amortised cost	27,210	-	1,270	25,940
Total			**46,300**	**-**	**1,270**	**45,030**

The following table analyses the impact, of transition to IFRS 9.

Impact on statement of changes in equity	Impact of adopting IFRS 9 at 1 January 2018
Retained earnings	RO'000
Recognition of expected credit losses at 1 January 2018 – net of tax	1,079
Deferred tax liability	191
Adjustments due to measurement (Note 8)	**1,270**

3.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15, 'Revenue from Contracts with Customers', has replaced IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard provides enhanced detail and a five-step revenue recognition approach to reflect the transfer of goods and services to customers. The core principle of IFRS 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to customers. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. This differs from the principle under the current revenue standard that requires an assessment of when risks and rewards of goods and services are transferred rather than control of those goods or services.

The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative year. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The mandatory application date for IFRS 15 is 1 January 2018.

The transfer of control of the Company's distribution or transmission services coincides with the use of the Company's network, as electricity and water pass through the Company's network and reach to the customers. The Company principally satisfies its performance obligations over time and the amount of revenue recorded corresponds to the amounts billed and accrued for volumes of electricity and water delivered/ transferred to the customers.

IFRS 15: Revenue from Contracts with Customers IFRS 15 has primarily changed the accounting for connection revenues. Contributions for capital works relating to connections for the Company's customers are now deferred as contract liabilities in the statement of financial position and released over the life of the connection asset. Previously revenues were recorded once the work was completed. The following table summarizes the impact, net of tax, of transition to IFRS 15 on retained earnings at 1 January 2018.

Impact of adopting IFRS 15 at 1 January 2018	RO '000
Revenue from sale of electricity	-
Revenue from transmission connection charges	(1,121)
Impact at 1 January 2018	**(1,121)**

Before application of IFRS 15, the Company was recognizing the capital portion of transmission charges on a periodic basis based on agreed amount derived through annuity. Upon application of IFRS 15, significant financing portion needs to be distinguished from the revenue. Accordingly, the Company has separated the financing portion from the revenue which is based on payment plan agreed with customer, whereas, revenue in relation to connection asset is to be recovered throughout the period of the useful life of connection asset fixed by the regulator (i.e. 35 years).

Since there is a difference between the useful life of connection asset and the payment period, a difference of RO 1.121 million (net of tax) in respect of prior years has arisen between the revenue invoiced and revenue that should have been recorded under IFRS 15.

Impact on the statement of financial position

The following table summarizes the impacts of adopting IFRS 15 on the Company's statement of financial position as at 31 December 2018 and its statement of profit or loss and other comprehensive income for the year then ended for each of the line items affected. There was no material impact on the Company's statement of cash flows for the year ended 31 December 2018.

As at 31 December 2018	Notes	As reported	Adjustments	Amounts without adoption of IFRS 15
ASSETS				
Non-current assets				
Property Plant and Equipment	6	332,396	-	332,396
Current assets				
Inventories	7	7,799	-	7,799
Trade and other receivables	8	44,537	-	44,537
Cash and cash equivalents	9	36,839	-	36,839
Total current assets		**89,175**	**-**	**89,175**
Total assets		**421,571**	**-**	**421,571**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	10	100,000	-	100,000
Legal reserve	11	1,178	-	1,178
General reserve	12	2,070	-	2,070
Retained earnings		35,943	1,273	37,216
Shareholder's funds	13	1,589	-	1,589
Total equity		**140,780**	**1,273**	**142,053**
Non-current liabilities				
Term loan	14	135,828	-	135,828
Amounts due to holding company	15	-	-	-
Provisions	16	1,345	-	1,345
Deferred tax liability	17	16,502	198	16,700
Contract Liability	19	13	(13)	-
Deferred revenue	18	59,763	(1,389)	58,374
Total non-current liabilities		**213,451**	**(1,204)**	**212,247**
Current liabilities				
Term loan	14	16,735	-	16,735
Deferred revenue	18	2,931	(69)	2,862
Trade and other payables	20	47,105	-	47,105
Short term borrowings	21	-	-	-
Provisions	16	569	-	569
Total current liabilities		**67,340**	**(69)**	**67,271**
Total liabilities		**280,791**	**(1,273)**	**279,518**
Total equity and liabilities		**421,571**	**-**	**421,571**

Impact on the statement of comprehensive income and profit or loss

	Notes	As reported	Adjustments	Amounts without adoption of IFRS 15
Revenue	22	125,666	126	125,792
Cost of sales	23	(94,123)	-	(94,123)
Gross profit		**31,543**	**126**	**31,669**
General and administrative expenses	24	(16,267)	-	(16,267)
Other income	26	4,019	143	4,162
Profit from operations		**19,295**	**268**	**19,563**
Finance income	27	188	(116)	72
Finance costs	27	(6,873)	-	(6,873)
Profit before tax		**12,610**	**152**	**12,762**
Taxation	28	(2,501)	-	(2,501)
Profit for the year and total comprehensive income		**10,109**	**152**	**10,261**

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Company's various services are set out below.
Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

Type of Product / Service	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
a. Sale of electricity / water	Sale of electricity and water is considered as a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. The Company transfers control of electricity and water supplied over time and, therefore, satisfies a performance obligation and recognises revenue over time as the customer simultaneously receives and consumes the electricity and water supplied by the Company. The Company the measure progress of transfer of each distinct unit in the series to the customer (output method or number of units sold).	IFRS 15 did not have a significant impact.
b. Transmission connection charges	The services included in the contract (i.e. connection service and continued access to the electricity grid) represents single performance obligation to full fill over time, as they are not distinguished within the context of the Contract. The Company considers all relevant facts and circumstances in assessing whether a contract contains a financing component and whether that financing component is significant to the contract. In determining the transaction price, the Company adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Company with a significant benefit of financing the transfer of goods or services to the customer.	IFRS 15 did not have a significant impact.

Revenue

The Company applies IFRS 15 with effect from 1 January 2018. As a result, the Company has applied the following accounting policy in the preparation of its financial statements.

For contracts determined to be within the scope of revenue recognition, the Company is required to apply a five-step model to determine when to recognise revenue, and at what amount.
The Company recognises revenue from contracts with customers based on the five step model set out in IFRS 15:

Step 1 Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 Identify the performance obligations in the contract: A performance obligation is a unit of account and a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when (or as) the Company satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Company's performance as and when the Company performs; or

2. The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

3. The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Variable consideration

Variable consideration amounts are estimated at either their expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not reverse.

Significant financing component

The Company evaluates significant financing component, if the period between customer payment and the transfer of goods/ services (both for advance payments or payments in arrears) is more than one year. The Company adjusts the promised amount of consideration for the time value of money using an appropriate interest rate reflecting the credit risk.

Contract modification

A contract modification occurs when the Company and the customer approve a change in the contract that either creates new enforceable rights and obligations or changes the existing enforceable rights and obligations. Revenue related to a modification is not recognised until it is approved. Approval can be in writing, oral, or implied by customary business practices.
The Company treats the contract modification as a separate contract if it results in the addition of a separate performance obligation and the price reflects the standalone selling price of that performance obligation. Otherwise, a modification (including those that only affect the transaction price) is accounted for as an adjustment to the original contract, either prospectively or through a cumulative catch-up adjustment. The Company accounts for a modification prospectively if the goods or services in the modification are distinct from those transferred before the modification. Conversely, the Company accounts for a modification through a cumulative catch-up adjustment if the goods or services in the modification are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified.
Cost of obtainment and fulfilment
The Company capitalises incremental costs to obtain a contract with a customer except if the amortisation period for such costs is less than one year.
If the costs incurred in fulfilling a contract with a customer are not in the scope of other guidance - e.g. inventory, intangibles, or property, plant and equipment - then the Company recognises an asset only if the fulfilment costs meet the following criteria:

- Relate directly to an existing contract or specific anticipated contract;
- Generate or enhance resources that will be used to satisfy performance obligations in the future; and
- Are expected to be recovered.

If the costs incurred to fulfil a contract are in the scope of other guidance, then Company accounts for such costs using the other guidance.

The Company amortises the asset recognised for the costs to obtain and/or fulfil a contract on a systematic basis, consistent with the pattern of transfer of the good or service to which the asset relates. In the case of an impairment, the Company recognises these losses to the extent that the carrying amount of the asset exceeds the recoverable amount.

Revenue from electricity distribution and supply

Revenue represents fair value of income receivable in the ordinary course of business from the sale of electricity to the Government, commercial and residential customers within the Company's distribution network, including the unbilled revenue during the period from the last billing date to the end of the reporting period and other electricity related revenue.

Other electricity related revenue includes tender fees, deferred revenue recognition relating to installation and connection charges.

Total revenue in excess / (deficit) of the maximum allowed by the regulatory formula in accordance with the licensing requirements is deferred to the subsequent year and is shown as other current liabilities / (other current assets).

The Company has consistently applied the accounting policies to all periods presented in the financial statement except the changes to accounting policies resulting from adoption of the new standard detailed in note 3.2 above.

4. Basis of preparation and Summary of significant accounting policies

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards, (IFRS) and the requirements of the Commercial Companies Law of 1974 as amended.

Basis of preparation

The financial statements have been prepared on the historical cost.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The financial statements are prepared in Rial Omani (RO), rounded to the nearest RO, which is the Company's functional and presentation currency.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

Determination of fair values

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. The cost of property, plant and equipment is their purchase price together with any incidental expenses necessary to bring assets to its intended condition or location.

Subsequent expenditure
Expenditure incurred to replace a component of an item of property, plant and equipment is capitalised if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. All other maintenance expenditure is recognised in the statement of profit or loss and other comprehensive income as an expense as and when incurred.

Depreciation
Depreciation is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The principal estimated useful lives used for this purpose are:

	Years
Buildings on leasehold land	30
Electricity distribution works	40 - 20
Lines and cables	50 - 20
Diesel generators	30 - 15
Substation assets	40 - 20
Desalination plants	40 - 20
Other plant and machinery	40 - 20
Furniture, fixtures and vehicles	7 - 5
Plant spares	20

Work-in-progress
Capital work-in-progress is stated at cost. When the underlying asset is ready for use in its intended condition and location, work-in-progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with depreciation policy of the Company.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profits.

Cash and cash equivalents

For the purpose of the statement of cash flows, all bank balances and short-term deposits with a maturity of three months or less from the date of placement are considered to be cash equivalents.

Financial Liabilities

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Liabilities are recognized for amounts to be paid for goods and services received whether or not billed to the Company.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase costs and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated principally using the weighted average method. An allowance is made for slow moving and obsolete inventory items where necessary, based on management's assessment.

Provision for employees' benefits

A liability is recognised for benefits accruing to employees in respect of wages, salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provision for employee benefits is accrued having regard to the requirements of the Oman Labour Law 2003 as amended or in accordance with the terms and conditions of the employment contract with the employees, whichever is higher. Employee entitlements to annual leave are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

End of service benefits for Omani employees are contributed in accordance with the terms of the Social Securities Law 1991 and Civil Service Employees Pension Fund Law. Gratuity for Omani employees who transferred from the Ministry of Housing, Electricity and Water on 1 May 2005 is calculated based on the terms agreed between the Holding Company and the Government. An accrual has been made and is classified as a non-current liability in the statement of financial position.

In accordance with the provisions of IAS 19, Employee Benefits, management carries out an exercise to assess the present value of the Company's obligations as of the reporting date, in respect of employees' end of service benefits payable to determine whether it is not materially different from the provision made. Under this method, an assessment is made of an employee's expected service period with the Company and the expected basic salary at the date of leaving the service, discounted over the period of remaining expected period using the country's risk free rate.

Provisions are 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 it will result in an outflow of economic benefit that can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where some or all of the economic benefits required to settle a provision are expected to be recovered from third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Government subsidy

The Government of the Sultanate of Oman has funded the excess of economic costs over customer and other revenue within the Electricity and Related Water Sector. This funding is included in revenue. The Company recognises the subsidy when the right to receive the subsidy is established.

Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to construction of assets are included in deferred revenue within non-current liabilities and are credited to profit or loss on a straight line basis over the expected useful lives of related assets.

Finance income

Finance income is accounted for on accrual basis based on effective interest rate method.

Foreign currency

Items included in the Company's financial statements are measured using Rials Omani which is the currency of the Sultanate of Oman, being the economic environment in which the Company operates (the functional currency). The financial statements are prepared in Rials Omani, rounded to the nearest thousand.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting date, exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

Taxation

Income tax is calculated as per the fiscal regulations of the Sultanate of Oman.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially at the reporting date, and any adjustment to income tax payable in respect of previous period.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is calculated on the basis of the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date. The tax effects on the temporary differences are disclosed under non-current liabilities as deferred tax.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. The carrying amount of deferred tax assets is reviewed at reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or benefit in profit or loss except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

Impairment of non-financial assets

The carrying amounts of the company's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its value in use and its fair value less costs to sell. In

assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset. Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Other revenue

Other revenue includes installation charges and meter connection and disconnection charges and is accounted for on an accrual basis.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Leases

Leases where the lessor retains substantially all the risks and rewards 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 period of lease.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

5. Critical accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas requiring a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are set out below:

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

Provision for impairment - Measurement of the expected credit loss allowance
Loss allowances for financial assets 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. Details of the key assumptions and inputs used are disclosed in the accounting policy above.

Allowance for inventory obsolescence

Allowance for inventory obsolescence is based on management's assessment of various factors such as usability, the maintenance programs, and normal wear and tear using its best available estimates.

Taxation

The Company has considered revenue arising from customer contributed assets recognised under IFRIC 18, 'Transfers of assets from customers' as taxable income based on management discussions with the tax authorities.

Revenue recognition

Due to the occurrence of events, a certain portion of the Company's revenue is estimated rather than based on actual billing. Detailed computations were made on the basis of pre-determined billing patterns and unit usage related criteria in order to arrive at the estimated revenue from those customers where the Company is unable to obtain meter readings. If the actual meter readings for such customers differ from the estimates, the Company's revenue for the period would be impacted to the extent of such differences.

6. Property, plant and equipment

	Buildings on leasehold land RO '000	Electricity distribution works RO '000	Lines and cables RO '000	Diesel generators RO '000	Substation assets RO '000	Desalination plants RO '000	Other plant and machinery RO '000	Furniture, fixtures and vehicles RO '000	Plant spares RO '000	Work-in-progress RO '000	Total RO '000
Cost											
1 January 2018	22,533	39,980	77,034	83,136	21,123	16,108	63,188	4,078	1,914	72,021	401,115
Additions	432	833	4,255	249	966	-	446	142	-	8,405	15,728
Transfers	6,683	2,072	17,269	30,172	3,863	-	4,600	-	(3)	(64,656)	-
Disposals	(105)	-	-	(460)	(49)	-	-	(17)	-	-	(631)
Adjustments	343	(11)	(61)	897	(185)	-	(962)	(423)	-	(295)	(697)
31 December 2018	**29,886**	**42,874**	**98,497**	**113,994**	**25,718**	**16,108**	**67,272**	**3,780**	**1,911**	**15,475**	**415,515**
Depreciation											
1 January 2018	5,843	12,262	9,028	22,267	3,175	4,169	10,185	3,123	1,044	-	71,096
Charge for the year	612	1,675	2,089	4,283	688	543	2,050	331	66	-	12,337
Transfers	-	-	-	-	-	-	-	-	-	-	-
Disposals	133	-	-	(232)	(24)	-	-	(191)	-	-	(314)
31 December 2018	**6,588**	**13,937**	**11,117**	**26,318**	**3,839**	**4,712**	**12,235**	**3,263**	**1,110**	**-**	**83,119**
Net book value											
31 December 2018	**23,298**	**28,937**	**87,380**	**87,676**	**21,879**	**11,396**	**55,037**	**517**	**801**	**15,475**	**332,396**
Cost											

	Buildings on leasehold land RO '000	Electricity distribution works RO '000	Lines and cables RO '000	Diesel generators RO '000	Substation assets RO '000	Desalination plants RO '000	Other plant and machinery RO '000	Furniture, fixtures and vehicles RO '000	Plant spares RO '000	Work-in-progress RO '000	Total RO '000
1st January 2017	18,700	37,794	64,942	96,072	13,630	16,108	38,863	4,054	1,875	76,176	368,214
Additions	1,441	2,048	5,280	(652)	3,100	-	12,970	74	54	21,197	45,512
Transfers	2,388	107	6,787	652	4,228	-	11,205	-	(15)	(25,352)	-
Disposals	-	-	-	-	-	-	-	(50)	-	-	(50)
Adjustments	4	31	25	(12,936)	165	-	150	-	-	-	(12,561)
31 December 2017	**22,533**	**39,980**	**77,034**	**83,136**	**21,123**	**16,108**	**63,188**	**4,078**	**1,914**	**72,021**	**401,115**
Depreciation											
1st January 2017	5,033	10,766	7,376	18,462	2,612	3,626	8,419	2,742	982	-	60,018
Charge for the year	810	1,496	1,652	3,805	563	543	1,762	431	66	-	11,128
Transfers	-	-	-	-	-	-	4	-	(4)	-	-
Disposals	-	-	-	-	-	-	-	(50)	-	-	(50)
31 December 2017	**5,843**	**12,262**	**9,028**	**22,267**	**3,175**	**4,169**	**10,185**	**3,123**	**1,044**		**71,096**
Net book value as at 31 December 2017	**16,690**	**27,718**	**68,006**	**60,869**	**17,948**	**11,939**	**53,003**	**955**	**870**	**72,021**	**330,019**

Construction work-in progress includes works which are in different stages of completion and relates to (a) construction and upgrading of substations and feeders, (b) electrical transmission works networks, (c) extension of power supply, (d) furniture and fixtures, computers and software, and (e) other common assets.

The Company's property, plant and equipment are constructed on lands leased from Ministry of Housing, Government of Sultanate of Oman under usufruct agreements.

Depreciation charge for the year has been allocated between the cost of sales and general and administrative expenses as follows:

	2018 RO '000	2017 RO '000
Depreciation charge for the year		
Cost of sales (Note 23)	11,982	10,697
General and administrative expenses (Note 24)	355	431
	12,337	**11,128**

7. Inventories

	2018 RO '000	2017 RO '000
Spares and consumables	7,875	7,522
Fuel	4,729	3,185
Allowance for inventory obsolescence	(4,805)	(4,523)
	7,799	**6,184**

Movement in allowance for inventory obsolescence

At 1 January	4,523	4,191
Amount of provision during the year	282	332
At 31 December	4,805	4,523

8. Trade and other receivables

	2018 RO '000	2017 RO '000
Trade receivables from the Public Authority for Electricity and Water (PAEW)	3,413	1,498
Trade receivable from private customers	7,902	7,286
Trade receivables from Government customers	1,737	1,901
Allowance for doubtful debts	(3,024)	(1,394)
Net trade receivables	10,028	9,291
Amount due from related parties (note 29)	399	362
Advances to contractors and suppliers	2,973	2,213
Prepayments	391	266
Government subsidy receivable	25,665	12,924
K-factor receivable	1,902	864
Other receivables	3,179	1,290
	44,537	**27,210**

Movement in expected credit losses

At 1 January as stated	1,394	939
IFRS 9 adjustments	1,270	-
At 1 January as restated	2,664	939
Amount of expected credit losses charged during the year	360	455
At 31 December	**3,024**	**1,394**

Management believes that as of 31 December, trade receivables of RO 10,028 million (2017 - RO 9,291 million) were fully collectible.

K-factor receivable represents revenue receivable on account of short of actual regulated revenue over maximum allowed as per price control formula.

Management believes that the other receivables classes within trade and other receivables do not contain impaired assets.

9. Cash and cash equivalents

	2018 RO '000	2017 RO ‹000
Call deposits	4,206	17,781
Current accounts	32,619	1,295
Cash on hand	14	14
	36,839	**19,090**

Bank call deposits carry an interest rates of 0.75% per annum (2017: 0.75%)

10. Share capital

The Company's authorised, issued and paid-up capital consists of 100,000,000 shares of RO 1/- each. The balance sheet restructuring carried out by the company was approved by the EGM held on the 12th of June, 2018. It was decided to enhance the capital to 100 Million. The amount has been transferred from the shareholder's funds.

The details of the shareholders are as follows:

	Percentage of Shareholding	Number of Shares issued	2018 RO ,000	2017 RO ,000
Electricity Holding Company SAOC	%99.99	99,990,000	99,990,000	499,950
Nama Shared Services LLC	%0.005	5,000	5,000	25
Nama Institute of Competence Development	%0.005	5,000	5,000	25
	%100.00	**100,000,000**	**100,000,000**	**500,000**

11. Legal reserve

The legal reserve, which is not available for distribution is accumulated in accordance with Article 154 of the Commercial Companies Law 1974, as amended. The annual appropriation must be 10% of the net profit for each year after taxes, until such time as the reserve amounts to at least one third of the share capital. An amount of RO 1,011k has been transferred to Legal Reserve representing 10% of the profits after tax.

	2018 RO '000	2017 RO ‹000
As at 1 January 2018	167	167
Add: Transfer during the year	1,011	-
As at 31 December 2018	1,178	167
	36,839	**19,090**

12. General reserve

In accordance with the Company's policy, an amount not exceeding 20% of the profit after transfer to legal reserve should be transferred to a general reserve until the balance of the general reserve reaches one half of the share capital.

13. Shareholder's funds

Following the implementation of a decision of the Sector Law and in accordance with the transfer scheme, the Electricity Holding Company SAOC (the "Holding Company") received certain assets and liabilities from the Ministry of Housing, Electricity and Water (MHEW) on the transfer date (1 May 2005).

Subsequently, part of the assets and liabilities were transferred to the Company. The value of the net assets transferred and for regulated assets in prior years certain contributions is represented in the books as shareholder's funds. There is no contractual obligation to repay this amount and there are no fixed repayment terms.

The balance sheet restructuring carried out by the Company was approved by the EGM held on the 12th of June, 2018. It was decided to enhance the capital to 100 Million. The amount has been transferred from the shareholders' funds.

	2018 RO '000	2017 RO '000
Shareholder's funds	101,089	101,089
Transferred to Share Capital	(99,500)	-
	1,589	**101,089**

14. Long term loan

In 2018, the Company obtained a long-term loan of USD 400 million (approximately RO 154 million) from a consortium of banks repayable over a period of 7.75 years. The repayments starts from March 2019. The interest is payable each quarter and the first interest was paid at the end of Q3 2018.

The team bank loans are secured by negative pledge, that the Company shall not create or permit any to subsist any security over any of its assets. Also, shall not sell, transfer or otherwise dispose any of its assets on terms whereby they are or may be lease to or re-acquired by the Company or any of the Company's receivables on recourse terms.

	2018 RO '000	2017 RO '000
Long-term loan	154,004	-
Less: unamortized transaction cost	(1,441)	-
Carrying value of long term loan	**152,563**	**-**
Transaction Cost		
Opening balance	1,544	-
Less: transaction costs amortized during the year	(103)	-
Unamortized transaction cost at the end of the year	**1,441**	**-**

Current and Non-Current Portion of Long-term loan

	2018 RO '000	2017 RO '000
Current Portion of the Long-Term Loan	16,735	-
Non-Current Portion of the Long-Term Loan	135,828	-
	152,563	**-**

15. Amounts due to holding company

Amounts due to the Holding company of RO 4 Million has been repaid during 2018.

16. Provisions

Non-current		
Employee benefits – gratuity	1,345	1,375
Current		
Employee benefits - leave encashment	569	519

Movement in provision for employee benefits – gratuity

At 1 January	1,375	1,329
Charge for the year	42	99
Payments made during the year	(72)	(53)
At 31 December	**1,345**	**1,375**

Movement in provision for employee benefits – leave encashment

At 1 January	519	434
Charge for the year	111	185
Payments made during the year	(61)	(100)
At 31 December	**569**	**519**

17. Deferred tax liability

Deferred income taxes are calculated on all temporary differences using a principal tax rate of 15 % (2017 - 15%). The net deferred tax liability / (assets) in the statement of financial position and the net deferred tax charge in the statement of profit or loss and other comprehensive income are attributable to the following items:

31 December 2018	At 1 January	Charge / (credit) for the year	At 31 December
Assets	**RO '000**	**RO '000**	**RO '000**
Provision for regulatory deferred revenue	-	(265)	(265)
IFRS 15 adjustments	(201)	10	(191)
Provision for inventory obsolescence	(353)	(42)	(395)
Allowance for doubtful debts	(399)	(54)	(453)
Usufruct charges accrual	(181)	(41)	(222)
Liability			
Accelerated tax depreciation	15,135	2,893	18,028
Net deferred tax liability	14,001	2,501	16,502
	15,135	2,893	18,028
31 December 2017			
Assets			
Provision for inventory obsolescence	(243)	(110)	(353)
Allowance for doubtful debts	(113)	(96)	(209)
Usufruct charges accrual	(137)	(45)	(182)
	(493)	(251)	(744)
Liability			
Accelerated tax depreciation	10,341	4,794	15,135
Net deferred tax liability	**9,848**	**4,543**	

18. Deferred revenue

Deferred revenue represents Government funding towards the cost of property, plant and equipment for the projects started before 1 January 2009. These contributions are deferred over the life of the relevant property, plant and equipment. Funding from government towards the cost of property, plant and equipment represents unconditional grant received / receivable from government / government authorities to the construction of the assets.
Deferred revenue recognized during the year amounted to RO 2.8 million (2017 - RO 3.1 million) in profit or loss. (note 26).

The Deferred Revenue with respect to the amortization of connection and installation charges as well as the regulatory MAR adjustment for capex under spending is shown under deferred revenue.

	Current	Non-Current	Total
Deferred Revenue-Sponsored	2,862	57,439	60,301
Deferred Revenue-IFRS 15 adjustments	69	1,388	1,457
Regulatory Asset Base-MAR adjustment	-	936	936
At 31 December	**2,931**	**59,763**	**62,694**

19. Contract liabilities

Contract liabilities	13	-	-
Less: current portion	-	-	-
Non-current portion	13	-	-
Net movement in contract liabilities			
At transition period 1 Jan 2018	**4**	**-**	**-**
Net movement	**9**	**-**	**-**
At 31st December	**13**	**-**	**-**

20. Trade and other payables

	2018 RO '000	2017 RO ‹000
Creditors for capital projects	20,471	21,919
Accruals and other payables	17,760	17,168
Suppliers and contractors' payables	4,264	9,724
Amount due to related parties (Note 29)	4,610	3,064
	47,105	**51,875**

21. Short term borrowing

	2018 RO '000	2017 RO ‹000
Short term borrowing	-	114,825

The Company has availed the credit facility amounting to RO 114 million from commercial banks. The facility is mainly for the expenditure and procurement of assets of the Company. The amount was repaid to the lenders during the year 2018 after the Company entered into an agreement for long term loan.

22. Revenue

	2018 RO '000	2017 RO ‹000
Government subsidy received	102,507	89,523
Electricity sales to private customers	13,169	12,097
Electricity sales to Government customers	5,294	4,136
Water sales to Public Authority for Electricity and Water (PAEW)	5,178	3,700
Other revenue	244	385
	126,392	**109,841**
Revenue for MAR actualization	(1,764)	-
Revenue in excess of the maximum allowed as per price control formula	1,038	(4,479)
	125,666	**105,362**

The revenue received from connection & installation charges amounts to RO 211,725 during the year. After amortization as per IFRS-15, the amounts recognised in the current year is RO 69,048

23. Cost of sales

	2018 RO '000	2017 RO ‹000
Fuel consumption	50,046	44,062
Depreciation (Note 6)	11,982	10,697
Operation and maintenance contract fee	8,108	7,381
Spares and consumable expenses	2,558	3,074
Maintenance and repairs expenses	4,497	3,332
Equipment hire charges	1,007	1,461
Electricity purchases	15,685	10,981
Other direct costs	240	454
	94,123	**81,442**

24. General and administrative expenses

	2018 RO '000	2017 RO ‹000
Staff costs (Note 25)	10,189	10,082
Service expenses	3,607	2,511
Commission expense	768	940

	2018 RO '000	2017 RO ‹000
Depreciation (Note 6)	355	431
Directors' remuneration and sitting fees (Note 29)	56	52
Other expenses	932	968
	15,907	**14,984**

Commission represents amount paid to Oman National Engineering and Investment Company SAOG (ONEIC) and National Electricity Centre (NEC) for undertaking customer meter reading and billing services and provision of collection facilities.

25. Staff costs

	2018 RO '000	2017 RO ‹000
Salaries and wages	5,534	5,436
Other allowances and benefits	4,613	4,547
End of service benefits (Note 16)	42	99
	10,189	**10,082**

26. Other income

Amortisation of deferred revenue	2,780	3,111
Sale of scrap	19	146
Sale of forms and tenders	83	75
(Loss) / gain on sale of property, plant and equipment	(246)	9
Other income	1,383	964
	4,019	**4,305**

27. Finance income/cost

Finance income:		
Interest in bank deposits	188	61
Finance costs:		
Bank interest and charges	**(6,873)**	**(3,134)**

28. Taxation

Income tax is provided as per the provisions of the "Law of Income Tax on Companies" in the Sultanate of Oman after adjusting for items which are non-assessable or disallowed. The tax rate applicable to the Company is 12% (2015 - 12%). The deferred tax on all temporary differences has been calculated and dealt with in the statement of profit or loss and other comprehensive income.

The taxation charge for the year is comprised of:

	2018 RO '000	2017 RO ‹000
Deferred tax charge in respect of current year (Note 17)	2,501	4,541

Income tax is provided as per the provisions of the "Law of Income Tax on Companies" in the Sultanate of Oman after adjusting for items which are non-assessable or disallowed. The tax rate applicable to the Company is 15% (2017: 15%) The deferred tax on all temporary differences has been calculated and dealt with in the profit or loss.

	2018 RO '000	2017 RO ‹000
Accounting profit before tax	12,610	9,713
Tax on accounting profit before tax at %15	1,892	1,457
Add / (less) tax effect of:		
Tax impact of permanent difference	198	8
Tax impact of change in tax rate	-	2,461
Unrecognised deferred tax asset on tax losses	411	615
Tax charge for the year	**2,501**	**4,541**

n the current year after the adjustment of expenses as per tax law, the Company is in tax loss position accordingly no current tax has been recorded in the current year. Deferred tax assets of RO 411,000 on carry forward tax losses for the current year has not been recognized as management understands that there are remote chances of having taxable income future years due to higher tax depreciation charge which would result in a lapse of current year carry forward losses.

Tax assessments for the years 2013 to 2015 are pending with the Oman taxation authorities. The Management of the Company believes that additional taxes, if any, related to the open tax year would not be significant to the Company's financial position as at 31 December 2018.

The Company has carried forward tax losses of RO 14.75 million as at 31 December 2018 (2017 - RO 14.61 million).

29. Related parties

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions (other related parties).

The Company maintains balances with the related parties which arise in the normal course of business. Outstanding balances at year end are unsecured and settlement occurs in cash.

Following is the summary of significant transactions with related parties during the year:

Expenses	2018 RO '000	2017 RO '000
Power Purchases-Oman Power & Water Procurement Co. SAOC	11,802	9,723
Nama Shared Services – SLA charges	356	-
Accounting service charges to Electricity Holding Company SAOC	34	179
Distribution Code Review Panel (DCRP) shared expenses	322	276
	12,514	**10,178**

(i) Key management personnel compensation

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise). The compensation for key management personnel during the year is as follows:

	2018 RO '000	2017 RO '000
Salary and other short term benefits	1,846	1,728
End of service benefits	512	503
Directors' remuneration and sitting fees (Note 24)	56	52
	2,414	**2,283**

(ii) Amount due from related parties (Note 8)

Related parties under common ownership

Oman Power and Water Procurement Company SAOC	206	206
Muscat Electricity Distribution Company SAOC	52	30
Mazoon Electricity Company SAOC	48	67
Dhofar Power Company SAOC	74	26
Majan Electricity Company SAOC	7	26
Oman Electricity Transmission Company SAOC	2	2
Al Ghubrah Power & Desalination Company SAOC	7	2
Wadi Al Jizzi Power Company SAOC	2	2
Electricity Holding Company SAOC	1	1
	399	**362**

(iii) Amounts due to related parties (Note 18)

Electricity Holding Company SAOC	2,028	1,252
Muscat Electricity Distribution Company SAOC	2	2
Oman Power & Water Procurement SAOC	2,366	1,799
Nama Institute of Competence Development LLC	120	9
Nama Shares Services LLC	94	-
Mazoon Electricity Distribution Company SAOC	-	2
	4,610	**3,064**

These balances represent costs incurred by the Company on behalf of other entities of the group.

(iv) Loan from holding company

	2018 RO '000	2017 RO ‹000
Electricity Holding Company SAOC	-	4,002

30. Proposed dividend

The Board of Directors of the Company at their meeting held on 25 February 2019 has proposed a dividend of 7% on the share capital of RO 100 Million aggregating RO 7,000,000 (2017 – dividend of RO 3.000 per share aggregating RO 1,500,000 was proposed and paid as dividend). This dividend is subject to the approval of the Company's shareholders in the Annual General Meeting.

	2018 RO '000	2017 RO ‹000
Capital commitments	7,870	3,887
Operating lease commitments		
Less than 1 year	252	328
More than 1 year but not more than 5 years	34	261
	286	**589**
Shipping guarantee	2	2

32. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including price risk, foreign currency risk and interest rate risk), liquidity risk and credit risk. However, the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Credit risk management is carried out by the Company and liquidity risk and market risk by the holding company's treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Market risk

Price risk
The permitted tariff (prices) for distribution of electricity is determined either by long term agreements with the customer or under the Permitted Tariff Regulations issued by the Public Authority for Electricity and Water (PAEW). Hence, the Company is not subject to significant price risk.

Foreign exchange risk
Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US Dollar. The Rial Omani is pegged to the US Dollar. Since most of the foreign currency transactions are in US Dollars or other

currencies linked to the US Dollar, management believes that the exchange rate fluctuations would have an insignificant impact on the Company's pre-tax profit.

Interest rate risk

The Company's interest rate risk arises from term loan which carry an interest rate of 5.05% per annum. The Company carries out periodic analysis of its interest rate exposure and reassesses the source of borrowings and renegotiates interest rates at terms favorable to the Company.

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by RO 154,000 (2017: RO 115,000). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Management maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors the Company's liquidity by forecasting the expected cash flows. The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the reporting date to the contractual maturities date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

31 December 2018	Carrying amount	Contractual cashflow	3 - 1 months	3 months to 1 year	More than one year
Interest bearing					
Long Term Borrowings	154,004	154,004	4,235	12,705	137,064
Interest on the above	-	34,541	2,135	6,459	25,947
Non-interest bearing					
Trade and other payables	47,105	47,105	25,208	21,897	-
	201,109	**235,650**	**31,578**	**41,061**	**163,011**

31 December 2018	Carrying amount	Contractual cashflow	3 - 1 months	3 months to 1 year	More than one year
31 December 2017					
Interest bearing					
Short term borrowings	114,825	114,825	-	114,825	-
Interest on the above	-	2,415	1,132	1,283	-
Non-interest bearing					
Amounts due to holding company	4,002	4,002	-	-	4,002
Trade and other payables	51,875	51,875	28,829	23,046	-
	170,702	**173,117**	**29,961**	**139,154**	**4,002**

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. The credit risk of the Company is primarily attributable to trade and other receivables and bank balances.

Trade and other receivables

The Company's exposure to credit risk on trade and other receivables is influenced mainly by the individual characteristics of each customer including the default risk associated with the industry and the country. The Company has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables. Trade receivables primarily represent amount due from government and private customers. The Company has a significant concentration of credit risk as below:

The exposure to credit risk for trade receivables at the reporting date by type of customer is:

	2018 RO '000	2017 RO ‹000
Public Authority for Electricity and Water	3,413	1,498
Private customers	7,902	7,286
Government customers	1,737	1,901
	13,052	**10,685**

The age of trade receivables and related impairment loss at the reporting date is:

	2018			2017		
	Gross RO'000	Impairment RO'000	Past due but not impaired RO'000	Gross RO'000	Impairment RO'000	Past due but not impaired RO'000
Not past due	1,803	(150)	1,653	1,635	-	-
Less than 1 month	1,954	(255)	1,699	1,469	-	-
Past due - 31 to 90 days	2,329	(406)	1,923	3,036	-	3,036
Past due - 91 to 365 days	3,766	(801)	2,965	2,067	-	2,067
Past due above 1year	3,200	(1,412)	1,788	2,478	(1,394)	1,084
	13,052	**(3,024)**	**10,028**	**10,685**	**(1,394)**	**6,187**

Investment in bank deposits and bank balances

The Company's banks accounts are placed with reputed financial institutions with the below credit rating as per Moody's Investor Service Ratings.

Bank	2018 RO '000	2017 RO '000
BBa3	36,825	19,076

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

	2018 RO '000	2017 RO ‹000
Trade receivables	10,028	1 9,29
Due from related parties	399	362
Other receivables	3,179	1,290
Cash at bank	36,825	19,076
	50,431	**30,019**

Categories of financial instruments

December 2018	Amortised Cost RO '000	Total carrying amount RO '000
Financial assets		
Cash and bank balances	-	36,839
Loans and receivables		
Trade receivables	10,028	10,028
Government subsidy receivable	25,665	25,665
K-factor receivable	1,902	1,902
Due from related parties	399	399
Other receivables	3,179	3,179
Total financial assets	**41,173**	**41,173**

December 2017		
Financial assets		
Cash and bank balances	-	19,090
Loans and receivables		
Trade receivables	1 9,29	1 9,29
Government subsidy receivable	12,924	12,924
K-factor receivable	864	864

December 2018	Amortised Cost RO '000	Total carrying amount RO '000
Due from related parties	362	362
Other receivables	1,290	1,290
Total financial assets	**41,173**	**41,173**

The Company has not disclosed the fair values for the above financial assets as their carrying amounts are a reasonable approximation of fair values.

Financial liabilities (not measured at fair value)	2018 RO '000	2017 RO '000
Financial liabilities held at amortised cost		
Long Term Borrowing	154,004	-
Short term borrowings	-	114,825
Creditors for capital projects	20,471	21,919
Accruals and other payables	17,760	17,168
Suppliers and contractors' payables	4,264	9,724
Amount due to related parties	4,610	3,064
	201,109	166,700

The Company has not disclosed the fair values for the above financial assets as their carrying amounts are a reasonable approximation of fair values.

Financial instruments and risk management
Credit Risk
Credit Quality Disclosures

	ECL Model	12month or Lifetime ECL	Gross amount	ECL	Net carrying amount
Trade Receivables	Provision matrix	Life time	47,561	3,024	44,537
Bank Balances	External rating	12 month	36,839	-	36,839
			84,400	**3,024**	**81,376**

For trade receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Credit Risk

The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience show significantly different loss patterns for different customer segments, i.e. government and private customers (electricity) and water customer hence the provision for loss allowance based on past due status is further distinguished between the Company's different customer base.

Trade Receivables ECL Government customer – Electricity

31 December 2018	Gross amount RO '000	ECL % RO '000	Lifetime ECL RO '000	Net carrying amount RO '000
Not past due	176	28.51	50	126
30 – 1 days	351	30.95	109	242
60 – 31 days	364	34.05	124	240
90 – 61 days	98	37.17	36	62
180-90 days	107	39.62	44	63
365 -180 days	90	42.90	38	52
More than 365 days	151	44.25	67	84

Trade Receivables ECL Private customer – Electricity

31 December 2018	Gross amount RO '000	ECL % RO '000	Lifetime ECL RO '000	Net carrying amount RO '000
Not past due	1,189	6.88	82	1,107
30 – 1 days	1,164	11.01	128	1,036
60 – 31 days	871	14.28	124	747
90 – 61 days	589	16.96	100	489
180-90 days	1,205	19.56	247	958
365 -180 days	773	22.73	176	597
More than 365 days	2,510	23.94	601	1,909

Trade Receivables ECL Water customer

31 December 2018	Gross amount RO '000	ECL % RO '000	Lifetime ECL RO '000	Net carrying amount RO '000
Not past due	438	4.19	18	420
30 – 1 days	439	4.19	18	421
60 – 31 days	216	4.80	10	206
90 – 61 days	190	5.63	11	179
180-90 days	575	13.07	60	515
365 -180 days	1,016	23.18	235	781
More than 365 days	538	100	538	-

Write off

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. During the year trade receivables amounting to RO NIL was written off directly.

Impairment loss movement for the years are as follows:

Movement in ECL Provision – Trade Receivables	2018 RO '000
At 1 January under IAS 39	1,394
Impact of IFRS 9 adjustment	1,270
Balance at 1 January 2018 as per IFRS 9	2,663
Movement during the year	361
At 31st December	3,024

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to provide an adequate return to shareholders.

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The capital structure of the Company comprises share capital, reserves, retained earnings and shareholders' funds. The Company is not subject to external imposed capital requirements.

Credit Risk

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

Gearing ratio

Gearing ratio at the year ended was as follows:

	2018 RO '000	2017 RO ‹000
Term loan	152,563	--
Short term	--	114,825
Cash and bank balances	(36,839)	(19,090)
Net debt	115,724	95,735
Equity	140,780	134,371
Debt + Equity	256,504	230,106
Gearing ratio	%45	%41.60

Fair value estimation

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values. The fair value of the amount due to Holding company cannot be estimated as it does not carry interest and has no fixed repayment terms.

33. Corresponding figures

The following comparative figure has been reclassified to conform to the current year presentation adopted in these financial statements for the purpose of better presentation.

Description	Amount in RO '000	Head of account in financial statements for the year ended 31 December 2018	Head of account in financial statements for the year ended 31 December 2017
Profit and loss account			
Provision for impairment	455	Provision for impairment	General and administrative expenses

Certain other amounts for the prior year were reclassified to conform to current year presentation.

34. Approval of financial statements

The financial statements were approved by the Board and authorised for issue on 25 February 2019.