تنوير
TANWEER
إحدى شركات مجموعة نماء
Member of Nama Group

ANNUAL REPORT 2019

His Majesty
Sultan Qaboos Bin Said
-May God rest his soul in peace-

His Majesty
Sultan Haitham Bin Tariq Al Said

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Chairman's Message

I am pleased to present our Board Annual Report for Tanweer (Rural Area Electricity Company) for the financial year ending 31st December 2019. The report will also portray the development and work progress of Tanweer projects in the Sultanate of Oman.

During the past year, the Board of Directors and the Executive Management urged Tanweer (Rural Area Electricity Company) to develop and meet the electricity and water desalination requirements in the authorized areas. The company seeks to raise the efficiency of operation, optimal exploitation of resources, and reach the best results, whether for the company and its shareholders or for its customers who have reached around (41,586) customers. The board of directors works to achieve Tanweer's vision to push the economy towards a sustainable green economy and implement Tanweer's Clean Energy Strategy which aims to achieve 20% of the capacity from renewable sources by 2025 to make the Sultanate of Oman a nation with the least low carbon footprint.

The Company's Performance in 2019

Following the company's numbers and achievements in 2019, one can observe the significant growth in all its business and activities, and its role in meeting the needs of its customers of power efficiently and reliably. Tanweer plans to implement huge projects which coincide with national plans to reduce dependency on liquid fuel and diesel to generate electrical energy and divert the trend towards renewable energy sources.

The company achieved total revenues of R.O. 139.7M in 2019 compared to R.O. 125.6M in 2018, an increase of about 11.2% due to the increase in the number of customers by 4.6% and the increase in electricity consumption by 3%. The operating expenses increased to 106M in 2019 compared to R.O. 125.6M in 2018, due to the following two reasons:

1. Increase in electricity purchased by 12.8%. This is due to the increase in the cost of purchase tariffs from the Oman Power and Water Procurement Company (OPWP).
2. Increase in fuel cost consumption by 2.3% from 2018.

The increase in operating expenses led to the higher unit cost of electricity and thus increased subsidy.

The company achieved a profit after tax of R.O. 4M. This is due to the continued development in operational performance, human resource capability and commitment to using the latest technologies in the company systems.

Quality, Health, Safety & Environment

Tanweer continues its efforts to developing work, improving performance and achieving public safety, occupational health, and the environment. We also ensure all company stakeholders including employees, consultants, contractors, and suppliers are aware of the latest regulations, major developments and best practices in occupational health and safety. This will allow achieving the highest levels of quality, through continuous training, exchanging knowledge and experiences, discussing mechanisms and methods for upgrading health and safety systems of human cadres as well as ways to improve production and operational efficiency and sustainability.

Tanweer deeply regrets the occurrence of death that occurred in the company's authorized area in Musandam with one of our contractors. The worker fell from a height of approximately 5 meters during his work on connecting the electrical line to a residential property. The company did not record any Lost Time Injury (LTI) in 2019 and the number of PI reports was 5,618.

Future Vision

Tanweer continuously strives to become a global role model in energy efficiency and reliability as it supports the transition towards a green economy, promoting sustainability. The company prepared its five-year plan (2019 - 2023) focusing on developing renewable energy projects. In November 2019, Tanweer achieved major milestones and developments in renewable energy following the commercial operation of the Dhofar Wind Energy Project (50 MW) in Fatkhait (Wilayat Shalim and Halaniyat Islands). Furthermore, the company received the 2019 Asia Energy Award for Best Wind Energy Project.

The global energy consultancy company "The Energy" has also ranked Tanweer fourth place out of the 5 best companies in hybrid energy implementation. Tanweer has identified 11 locations within its concession areas and is striving hard on executing the solar-distributed generation projects. Moreover, the company has completed the rooftop photovoltaic solar system at Muscat headquarters.

Regulatory Price Control

With reference to the law promulgated by Royal Decree, the Special Economic Zone Authority for Duqm has been granted the authority to exercise the powers of the authority for Electricity and Water regulation issued by Royal Decree No. 78/2004 within the limits of the economic area under its administration.

From the beginning of 2020, Tanweer will deal with both the Electricity Regulatory Authority of Oman (AER) and the Special Economic Zone Authority in Duqm (SEZAD) to serve customers in each of their authorized areas.

By the end of 2019, Tanweer, in cooperation with the AER and SEZAD, completed a review of the price control monitoring plan (2018-2021), and it also completed the price control mechanism and the requirements of operating cost (OPEX) and capital expenditure (CAPEX) were determined for period 2020-2021.

Human Resources

The total number of employees reached 456 as of December 31, 2019, of which 437 are Omani employees, 19 expatriates, and 17 staff appointed to the Distribution Code Review Panel (DCRP). The Omanization rate achieved was 96% 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 4.6% from 39,773 in 2018 to 41,586 in 2019.
- The Electricity sent to customers increased to 3% in 2019 compared to 2018.
- 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 realize that the road is still long and what has been achieved is only a step from a pool of ambitions, goals, and aspirations of the Board of Directors, who embrace the plans and accomplishments of the executive management and employees, supporting them to reach the best global standards, providing reliable and safe electrical service to subscribers under our national government.

We also offer our sincere condolences on the death of His Majesty Sultan Qaboos bin Saeed bin Taimur, may God bless him with His mercy and rest him in the abodes of the pious and righteous in Paradise.

On behalf of the members of the Board of Directors and workers in Tanweer, I would like to express congratulations and blessings to His Majesty Sultan Haitham bin Tariq, on the occasion of receiving the reins of government in Oman. We ask God to grant him the strength in continuing the reforms and development, marching towards a prosperous future for this nation and for every citizen of this blessed country.

In conclusion, we would like to thank and greatly appreciate all employees of Tanweer Company for their continuous efforts to enhance the company's status, and to our shareholders who have given us the confidence and responsibility, motivating us to perform the utmost potentials to achieving the company's goals, strategies, and aspirations.

Faisal Khamis Al-Hashar
Chairman

CEO's Message

Tanweer is steadily moving towards a better future, orienting its ambition to achieve a vision of greener energy while employing strength and determination from the capabilities of our human resources, promoting our values of teamwork, respect, integrity, quality, professionalism and customer focus.

By commissioning of Dhofar Wind Plant Tanweer is moving in a straight direction on our promising mission of enabling development in our concession areas through providing sustainable and green energy.

The company continues its development on the 11 sites Solar-Diesel Hybrid Project. The feasibility study of this project was completed in 2018 demonstrating considerable diesel fuel savings and reduction in O&M costs. This is done by implementing a hybrid Solar PV and Diesel system at 11 of Tanweer's existing Power Plants with a total PV capacity of 37MWp and 28MW of battery storage capacity. procurement process was started in 2019.

Moreover, since the beginning of 2019, Tanweer has been dealing with both the Electricity Regulatory Authority of Oman (AER) and the Special Economic Zone Authority in Duqm (SEZAD) to serve customers in each of their authorized areas. With reference to the law promulgated by Royal Decree, the Special Economic Zone Authority for Duqm has been granted the authority to exercise the powers of the authority for Electricity and Water regulation issued by Royal Decree No. 78/2004 within the limits of the economic area under its administration.

Quality, Health, Safety & Environment (QHSE)

The company continues to maintain 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 2019 Tanweer attained zero restricted work case and LTI, 1 medical treatment ,5.618 PI reports and 1 fatality.

Tanweer implementing its HSE strategic plan which started in 2018 moving forward to 2021 with initiatives including the following:

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

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 more than 4%, from 39,773 in 2018 to 41,586 in 2019. In 2019 Tanweer achieved 94% in customer satisfaction performance.

To Tanweer's Employees ....

Your continuous hard work and efforts are appreciated and have resulted in the company's 2019 remarkable achievements. We made it clear in Tanweer that one of our main objectives is to focus on our people by enhancing their skills and knowledge through better training and development. This in turn will reflect on the company by improving business performance, employee capabilities and morale. Furthermore, Tanweer honored its employees for their completed ten Lean projects in 2019 which aim to develop more efficient mechanisms and improve overall work productivity.

In 2019 we continue our seven strategic objectives which are supported by fifteen initiatives to meet our commitments towards our customers, employees, shareholders, and partners in the electricity sector. The following are our objectives and business initiatives for 2019:

Objective 1: Develop & Engage Staff

Objective 2: Embed A Positive Hse Culture & Deliver Continual Improvement In Safety Performance

Objective 3: Maximize Business Performance Efficiency

Objective 4: Maximize Shareholder Value And Meet Financial Targets

Objective 5: Enhance Customer Experience And Achieve Regulatory Targets

Objective 6: Engage Effectively With Key Stakeholders:

Objective 7: Maximize Renewable Energy Sources Implementation

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.

Financial Affairs......

Tanweer's profit after tax in 2019 amounted to 4.8 million RO due to the intuitive that where implemented during 2019. . Electricity sales increased by 3% from 2018 and the Power Procurement from OPWP had increased by 12.8%. The number of customers had also increased to 41,586, a 4.6% increase compared to 2018.

Customers and Supply....

The energy supplied to Tanweer customers reached 1,102 GWh in 2019 compared with 1,073GWh in 2018. 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.

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. Moreover, the total Tanweer's asset increased by 26%, from 422 million RO in 2018 to 533 million RO in 2019.

Human Resources....

Tanweer practiced the objectives of restructuring process which done in 2018. The company also managed to conduct several training programs in deferent technical and managerial and maintained 96% of Omanisation within 2019.

Thanks, and appreciation ....

I would like 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. Appreciation is also extended to our partners, 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 Ministry of Oil & Gas, Electricity Regulatory Authority, Special Economic Zone of Duqm, the Public Authority of Water, the Electricity Holding Company and the sector for their ongoing support and valuable guidance.

Eng. Saleh Bin Nasser Al-Rumhi

Chief Executive Officer

Executive Management Team

Corporate Governance

Board of Directors

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

ENG. SALEEM AHMED ABDULLATIF
(Deputy Chairman)

MR. SULIMAN SALIM AL-ADI
(Board Member)

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

MR. MOHAMMED AHMED AL-BRASHDI
(Board Member)

Corporate Governance

The Board of Directors of Tanweer (Rural Areas Electricity Company SAOC) are committed to maintaining 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.

Subcommittees of the Board

The Board is responsible for the establishment and monitoring of the functioning of all Sub Committees, the appointing of members to these committees and compensation payable to them. The Board has delegated responsibilities to four subcommittees 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 the 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 directors of 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) & Table (2) below present all Board of Director's meetings held in 2018 & 2019

Table 1: 2019 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	6	√	√			√	5,500
Eng. Saleem Ahmed Abdullatif	Deputy Chairman	5	√		√		√	4,300
SHK. Mansor Talib Al Hinai	Member	5	√	√		√		2,800
Mr. Suleiman Salim Al Adi	Member	6	√		√	√		4,200
Mr. Mohammed Ahmed Al Brashdi	Member	6	√		√			3,900
Total Directors Remuneration for 2019								20,700

Table 2: 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. 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

About Us

About Us

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 Electricity Holding Company SAOC (Nama Holding - 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, part of Al Dakhliyah,& Al Sharqiah and most of Dhofar.

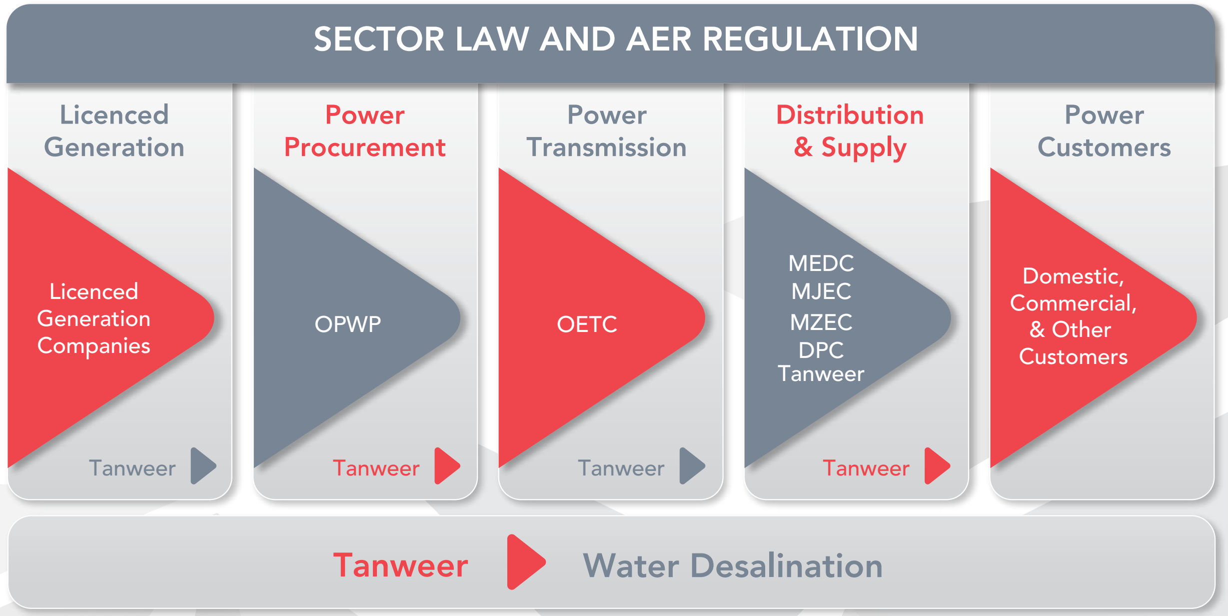
Objectives

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

Table 3: Strategic objectives

Focus Area	Strategic Objectives
Finance	Maximize shareholder value and meet financial targets
Stakeholders & Compliance	Comply with stakeholders, regulatory and statutory requirements
Technical Performance	Maximize business performance efficiency
Customer Service	Enhance customer experience and achieve regulatory targets
Human Resources	Develop and engage staff to meet the skills gap
HSE & Sustainability	Embed a positive work culture and deliver safety performance
Renewable Energy	Maximize renewable energy sources implementation

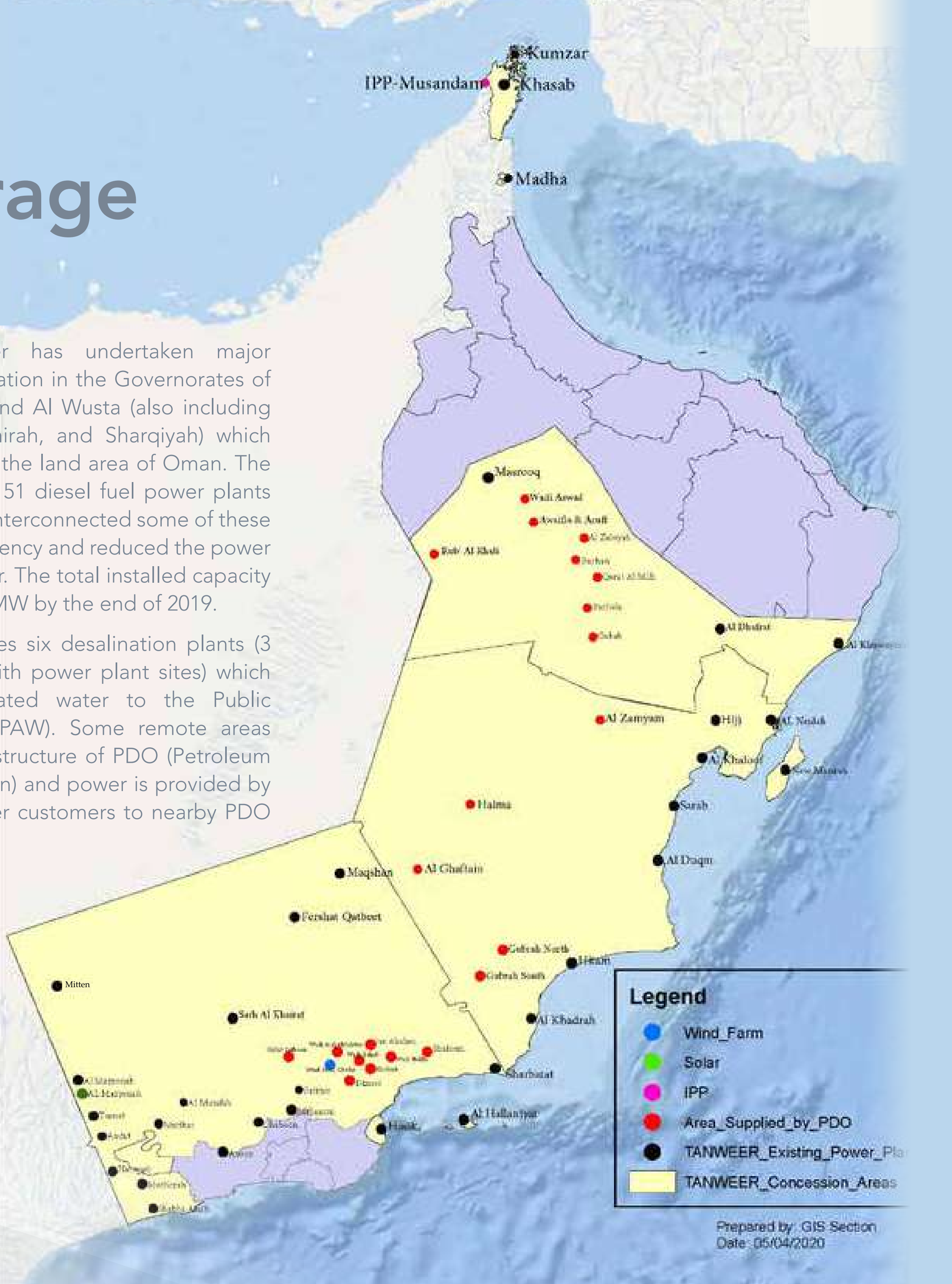
Tanweer License



Coverage Map

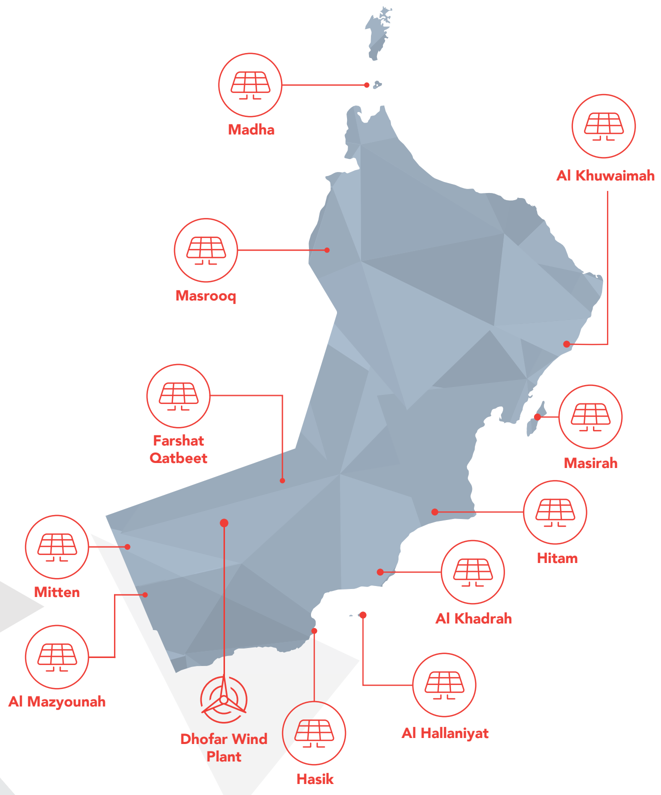
Since 2005 Tanweer has undertaken major programs of electrification in the Governorates of Musandam, Dhofar, and Al Wusta (also including Al Dakhliyah, Al Dahirah, and Sharqiyah) which covers almost 73% of the land area of Oman. The company established 51 diesel fuel power plants by 2010 and by 2019 interconnected some of these areas to improve efficiency and reduced the power plants to 31 in number. The total installed capacity has increased to 416 MW by the end of 2019.

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



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

▶ 11 Sites Solar-Diesel Hybrid Project

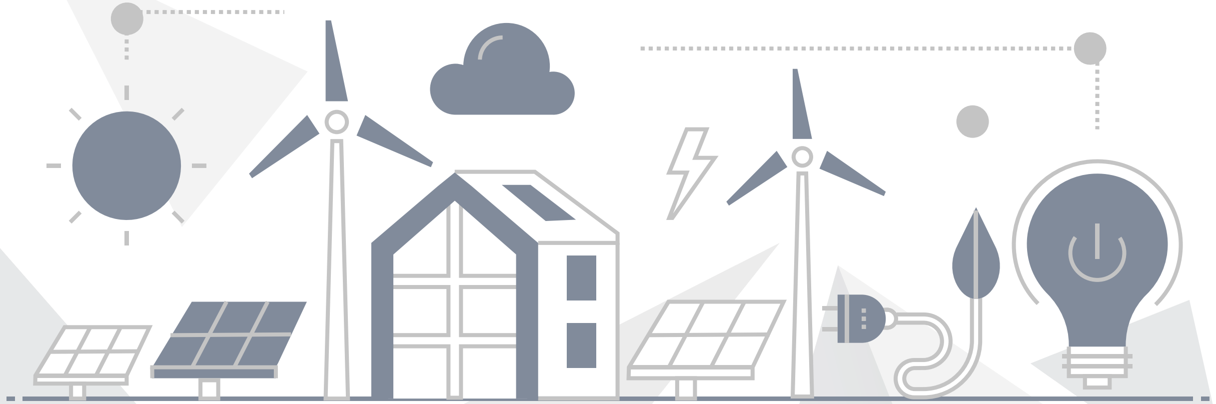
- A feasibility study was completed in 2018 by Tanweer with collaboration with the technical advisor DNV.GL. This demonstrated considerable diesel fuel savings and reduction in O&M costs by implementing a hybrid solar PV and diesel system at 11 of Tanweer's existing Power Plants. These locations were chosen on the basis of them being very remote from the nearest main grid, and unfeasible to interconnect to other Tanweer power plants.
- Battery Energy Storage System (BESS) was also assessed in the study and results indicated strong benefits by adding BESS to optimize energy dispatch and operation of the hybrid system.
- Tanweer floated a request for Expression of Interest in June 2018 and received responses from 97 companies
- The approval of the project scope and procurement process was received from AER in July 2019, following which the project was issued for tendering as an IPP development (RFP issued 15th Dec 2019).
- The financial bidder selection and evaluation are expected by quarter 3 of 2020 (subject to AER approval).
- The construction timeline for all 11 sites is 24 months. The total PV capacity to be installed at the 11 sites is 37MWp with 28MW of battery storage capacity.

▶ Dhofar Wind Plant (50MW):

- 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 was commissioned on 15th November 2019, consisting of 13 wind turbines (3.8 MW each wind turbine – GE Technology)
- The project is located in Fatkhait - Dhofar Governorate)

▶ Al Mazyunah Solar Plant:

- 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 for a 307kWp PV power plant.
- The plant consists of two PV technologies, Polycrystalline and Thin-film.
- The PV power plant contains a total of 1,617 modules, 31 inverters and covers an area of 8,000 m2.



Quality, Health, Safety & Environment (QHSE)

Quality, Health, Safety & Environment(QHSE)

Throughout 2019 Tanweer continued to deliver planned initiatives aimed at achieving our goal of 'Zero Harm to persons, property and the natural environment', a summary of which is illustrated in Table 4, below;

Table 4: Quality, Health, Safety & Environment initiatives

Focus Area	Initiative
Working at Height	New Standard Operating Procedure was introduced, including the requirement for powered access equipment to be provided for overhead line works in all-new EEMS contracts.
Driver & Vehicle Safety	Improved monitoring/reporting of driver behavior through the installation of the Integrated Vehicle Management System (IVMS) continues to reduce incidences of dangerous driving.
Operational Safety	The annual audit of compliance with Electrical Safety Rules and Operational Procedures was undertaken during Q3, recording continued improvement in levels of compliance.
Contractor Performance	Review of contract HSE performance criteria (inc clear pass/fail criteria introduced for evaluation of new tenders). Improved HSE Minimum Standards for Contractors was also introduced.
Awareness & Culture	Safety Stand-Down workshops held in all regions, covering proactive measures and learning points from previous sector incident investigations.
Quality	Introduction of a new Document Management System in preparation for ISO9001:2015 and ISO 45001:2018 assessment (to be carried out in 2020)
Environment	An assessment of Tanweer's Environmental Management systems was conducted in preparation for ISO 14001:2015 application
Competency	Safety Competency Passport Scheme was developed and approved, to enable on-site verification of staff HSE training and qualification.

In addition to the planned initiative, the QHSE team conducted audits of customers' meter boxes in all regions, identifying a number of safety improvement measures that are being implemented by our Customer Services and Operations divisions.

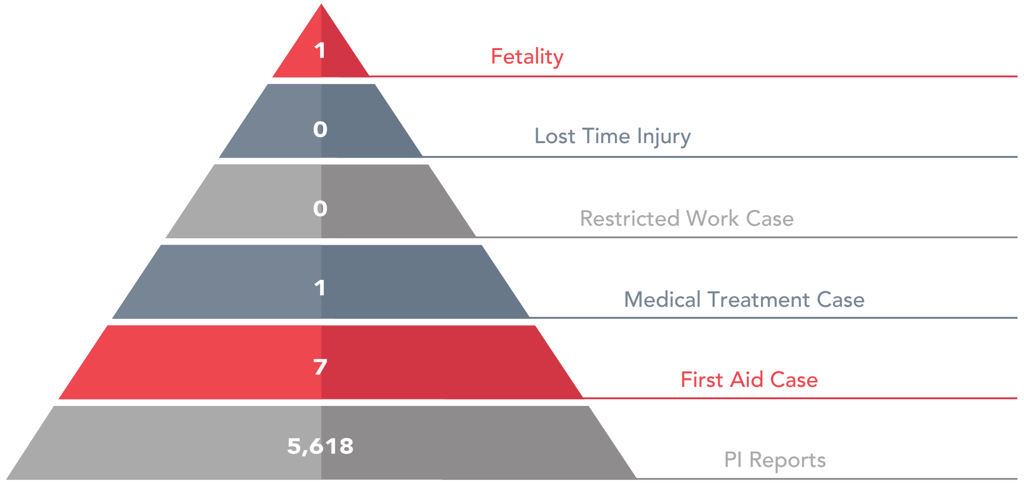
In collaboration with the Authority for Electricity Regulation (AER), Tanweer carried out an electrical safety inspection of over 300 water coolers installed in public places such as schools and mosques. Over 90 of the appliances inspected were found to have potentially dangerous defects and were disconnected pending repair and re-test.

Safety Performance

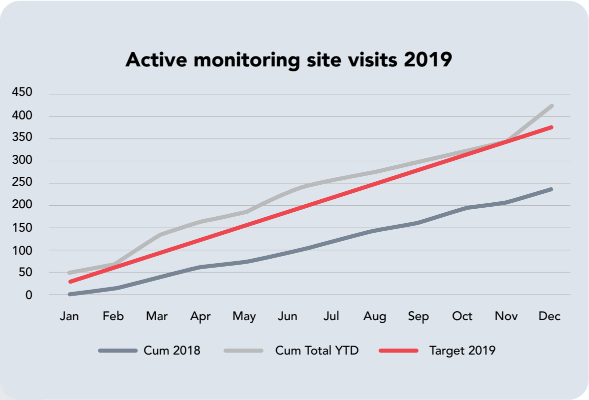
Whilst the overall number of serious incidents continue to follow a positive downward trend, one of our contract staff sadly incurred a fatal accident during works being undertaken on behalf of Tanweer. The root causes of the incident, a fall from a height that occurred in Khasab, Musandam Governate on 1 October 2019, was thoroughly investigated by a panel of senior managers and significant improvements in safety management and supervision have subsequently been implemented. Table 5 displays the QHSE performance comparing the years 2017-2019.

Table 5: QHSE Performance (2017-2019)

Component	2017	2018	2019
Fatality	1	0	1
Lost time injury	3	1	0
Total Man- Hours worked	7,000,000	4,249,942	3,732,610
LTIFR (lost Time Injury Frequency Rate)	.9	.2	0.26



In order to identify and improve levels of HSE compliance on our work sites, Tanweer management and supervisory staff conducted over 400 'Active Monitoring' site visits in 2019. During these visits, our managers and supervisors were able to ensure immediate rectification of observed hazards, plus a further 115 significant corrective and preventative actions were subsequently implemented.



Financial and Operational Highlights

Table 6 A: Financial & operational highlights 2017-2019

Key Highlights	Unit	2017	2018	2019
Balance Sheet Highlights and Ratios				
Total Assets	(RO' 000)	382,503	421,571	532,897
Net Asset Per Share	RO	269	281.56	266.774
Current Assets Over Current Liability	%	31	132.4	96.7
Quick Asset Over Current Liability	%	27	121	85
Fixed Assets Over Total liability	%	133	118	106
Earning Highlights and Ratios				
Revenue	(RO' 000)	105,362	125,666	139,748
Total Revenue/MWh Supplied	RO	115	117	127
Gross Profit Over Sales Ratio	%	23	25	24
Net Profit Over Sales Ratio	%	5	8	3
Return on Capital Employed	%	9	5	5
Return on Equity	%	4	7.18	3.58
Operating Cost Over Sales Ratio	%	77	75	76
Admin Cost Over Sales Ratio	%	15	13	12
Total Cost Over Sales Ratio	**%**	**99**	**93**	**100**

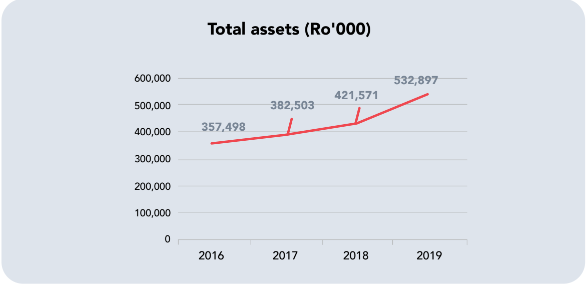
Table 6 B: Financial & operational highlights 2017-2019

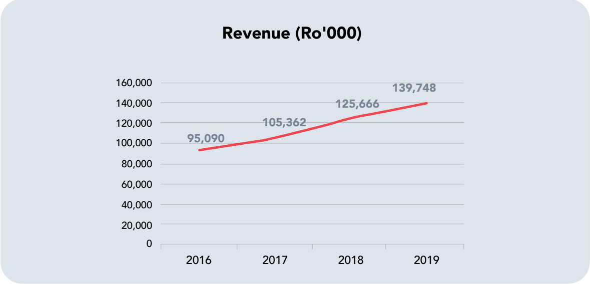
Key Highlights	Unit	2017	2018	2019
Other Operational Highlights and Ratios				
Total Number of Customers	Number	37,513	39,773	41,586
Total Number of New Customers	Number	2,055	2,260	1,813
*Total Number of Employees	Number	466	461	457
Electricity Generated at Tanweer power plants	MWh	831,949	773,211	791,486
Electricity Sent from Tanweer power plants	MWh	776,732	728,754	748,396
Power Purchased (PDO & Tibat IPP)	MWh	315,596	484,377	548,529
Total Power Supplied to Customers	MWh	913,969	1,072,950	1,101,589
Total Losses (Technical & Non-Technical)	%	16.3	11.69	14.69
Total Water Production	m3	3,566,944	3,663,004	3,643,626
Total Water Dispatched (Sent Out)	**m3**	**3,363,470**	**3,324,219**	**3,396,136**

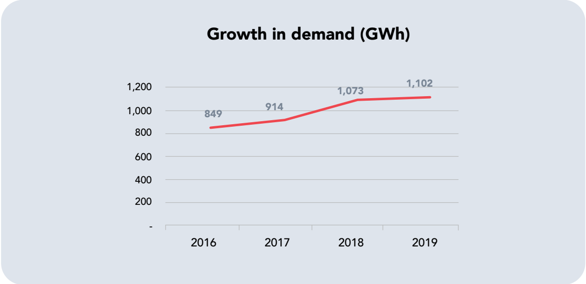
*Note: The figure includes 17 staff number of the Distribution Code Review Panel.

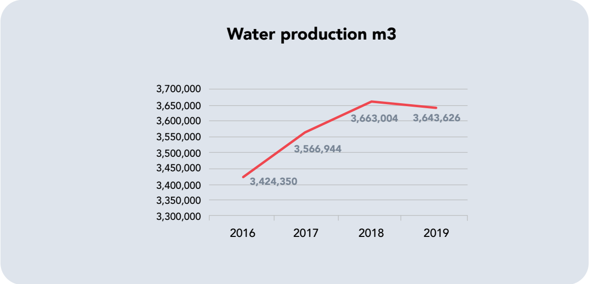
Financial and Operational Highlights

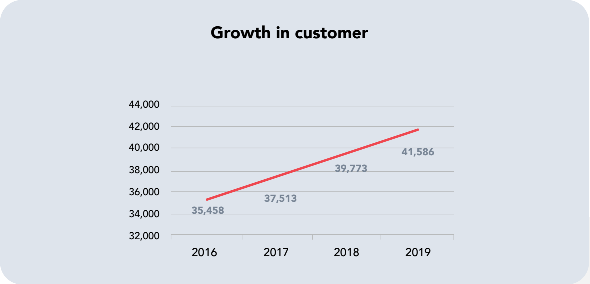
Figure 1: Financial and operational data (2016-2019)











Human Resources

Human Resources

Everyone in Tanweer contributes their unique personal skills so that together the company produces 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 2019 the number of directly employed staff reached 457 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 7: Number of Omani & Non-Omani staff 2019

Job Category	Omani Staff No.	Expatriate Staff No.
General managers and deputies	1	0
Operations and maintenance managers of technical departments	11	2
Managers of administration and finance	14	2
Deputy managers and head of sections	55	7
Engineers	71	6
Technicians	67	1
Skilled manpower	202	1
Distribution Code Review Panel Staff (DCRP)	17	0
Total Direct Employees	438	19

Figure 2: Omanisation in each function %

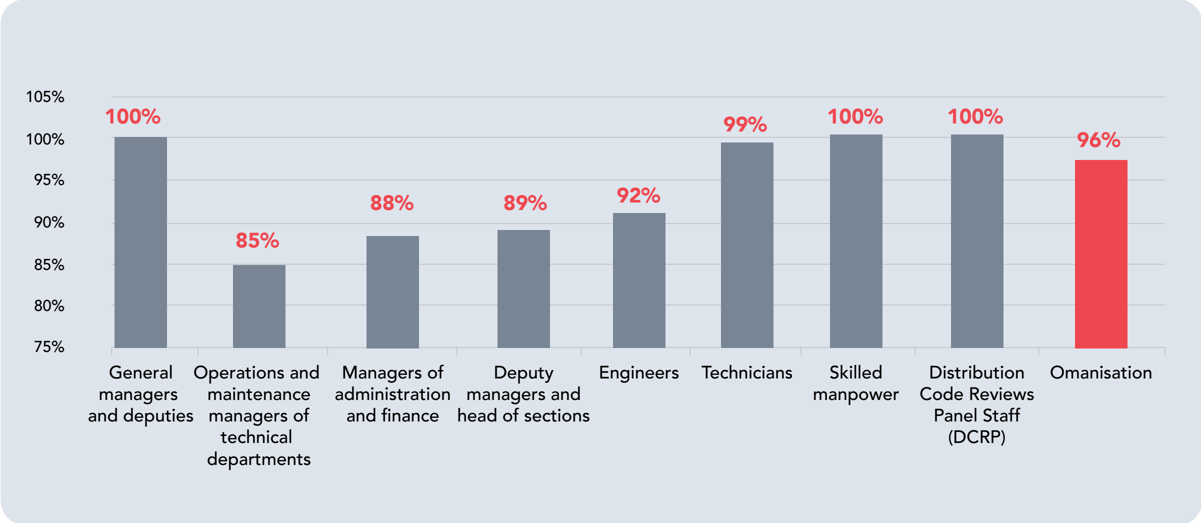
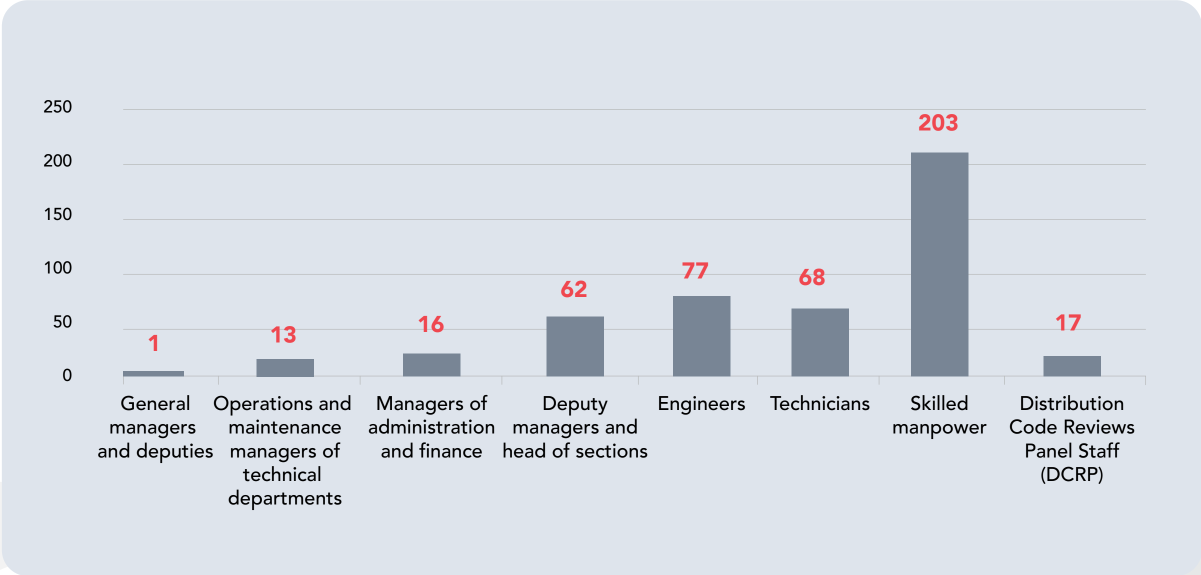


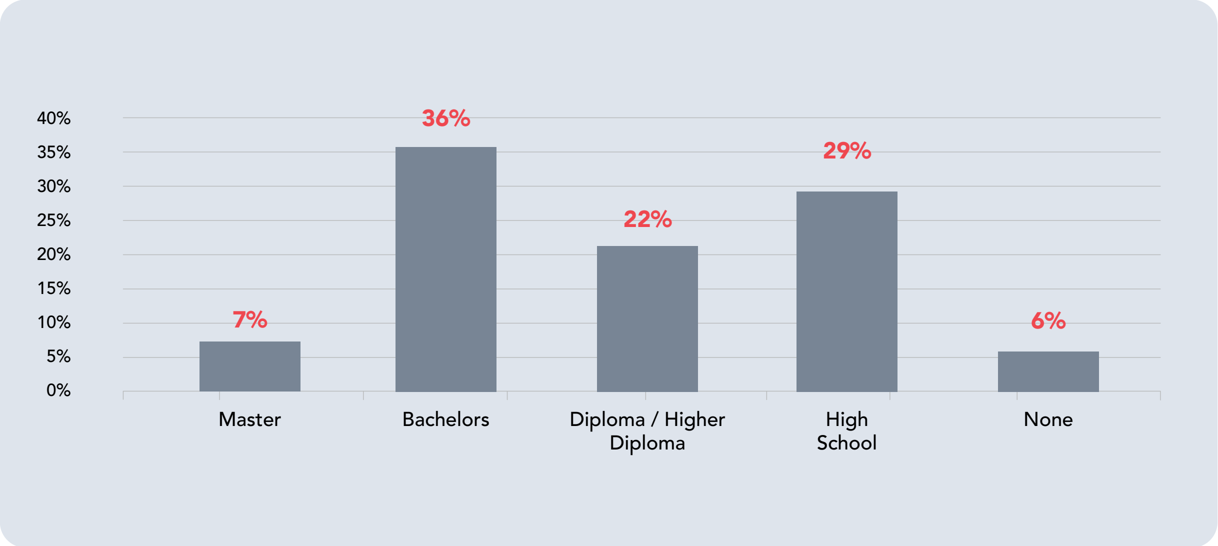
Figure 3: Functional staff distribution



Skills, Qualifications & Training

Tanweer considers training and development for its staff as one of its main priorities. Tanweer provided scholarships for selected staff as part of their development plans. Moreover, Tanweer provided 728 other courses covering a range of technical and business skills. It can be observed from Figure (4) that more than 43% of total Tanweer staff are qualified to Bachelors's or Masters's level.

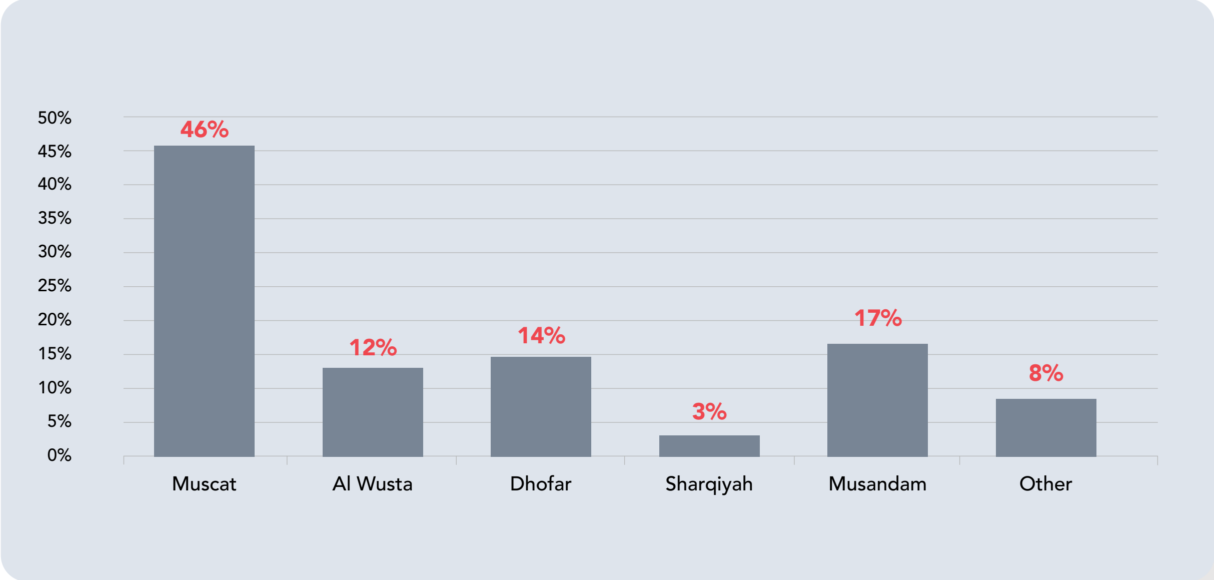
Figure 4: Qualification of staff

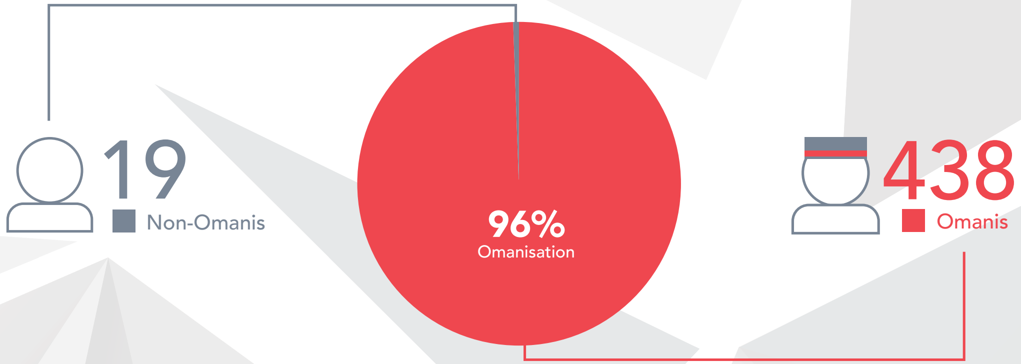


Regional Staff Distribution

It can be observed from the figure (5) that 46% of total Tanweer direct staff are located in Muscat Head Office. The rest is distributed among the authority areas according to the needs and the size of the network and customer distribution. Customer regional offices are providing direct support to customers and addressing their needs (21 Offices). In addition, our Emergency Service office, Customer Services offices and power plants are manned by our contract staff (approximately 1,565 contract staff).

Figure 5: Regional staff distribution





Creativity Initiative, Employee of the Month & Honor Committee

Over the past 6 years, Tanweer established a committee to recognize employee creativity, by selecting and awarding employees of the month as well as those who contribute with outstanding services to the company.

The main objective of an employee recognition program is to recognize and promote positive behaviors that support individuals, 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. One idea was Rural Area VPN which provides free VPN usage for all Tanweer staff in different rural areas. It provides access to all company applications including GIS, Al Multaqa and Oracle, and allows staff to work out of the office which led to cost savings. This idea was proposed by IT technician, Sulaiman Al Mamarey.

The Committee honored employees in 2019 for their outstanding contributions to the company including improved customer service procedures and completed lean projects. Tanweer completed ten Lean projects in 2019 aiming to develop more efficient business process mechanisms and implementing streamlining. The below table shows the detail of the completed lean projects during 2019.

Table 8: 2019 2019 "Lean" Projects

	Project name	Objectives
1	TAT reduction (purchase order approval)	20% reduction in delayed purchase orders approval
2	Time reduction for spare parts availability	To reduce average operational approval time by 5 days
3	Re-engineering high voltage authorization license process	To provide an effective re-engineered process
4	Grievance process	To implement effective online grievances system
5	Spare parts procurement process	To improve spare parts delivery time
6	Business intelligence	To implement effective data intelligence
7	Strengthening "asset management"	To implement integrated asset maintenance system
8	Strengthening project delivery process	To optimize project delivery process
9	Re-designing disconnection process	To optimize the process to increase disconnection efficiency.
10	Portable assets registration	To implement an efficient system to ensure the integrity of all such devices/equipment

Customers

Customers

Customer Base & Energy Consumption

Tanweer serves electricity customers by supplying power from 31 diesel power stations and some of its customers are supplied by connections to networks belonging to PDO (Petroleum Development of Oman). The total number of customers increased by 5%, from 39,773 in 2018 to 41,586 in 2019. Table (9) presents the 2019 customer data by category and energy consumption.

Table 9: Customer category & consumption in 2019

Tariff Category	Customers No.	Electricity Consumption MWh
Agriculture & Fisheries	595	91,261
Commercial	8,443	94,688
Domestic	28,465	451,612
Government	3,555	102,501
industrial	37	(185)
Ministry of Defense	81	41,329
Tourism	68	29,528
*CRT	342	290,855
Total	41,586	1,101,589

The above table shows that 68.4% of Tanweer customers are in the domestic category and consume around 41% of the total energy supplied. *CRT customers contribute 26% of the total MWh supplied, and the total consumption of the remaining categories is around 33%.

*CRT customer includes those subjects to a cost-reflective tariff, mainly commercial, industrial & government customers consuming more than 150,000 KWh per year.

Figure 6: Percentage of Tanweer customer by category

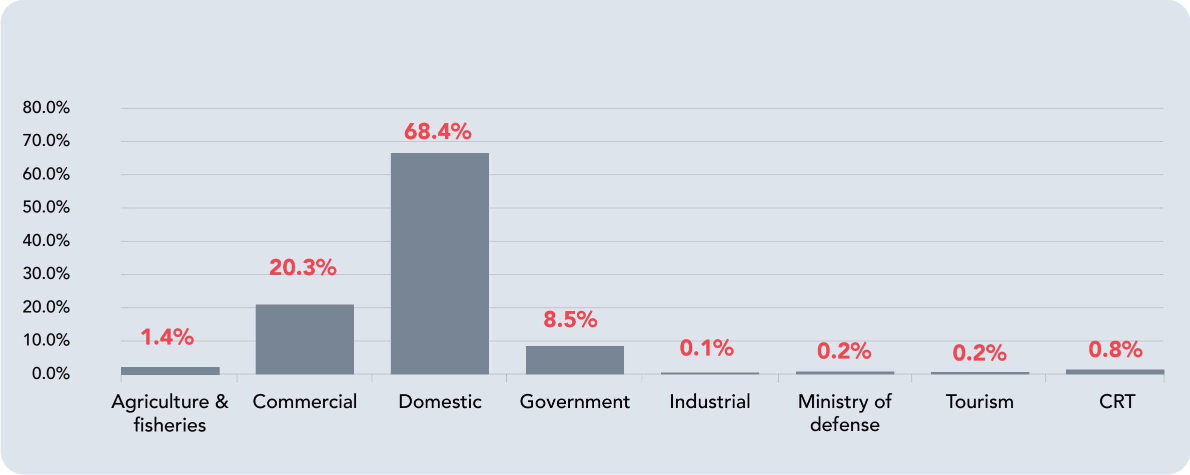
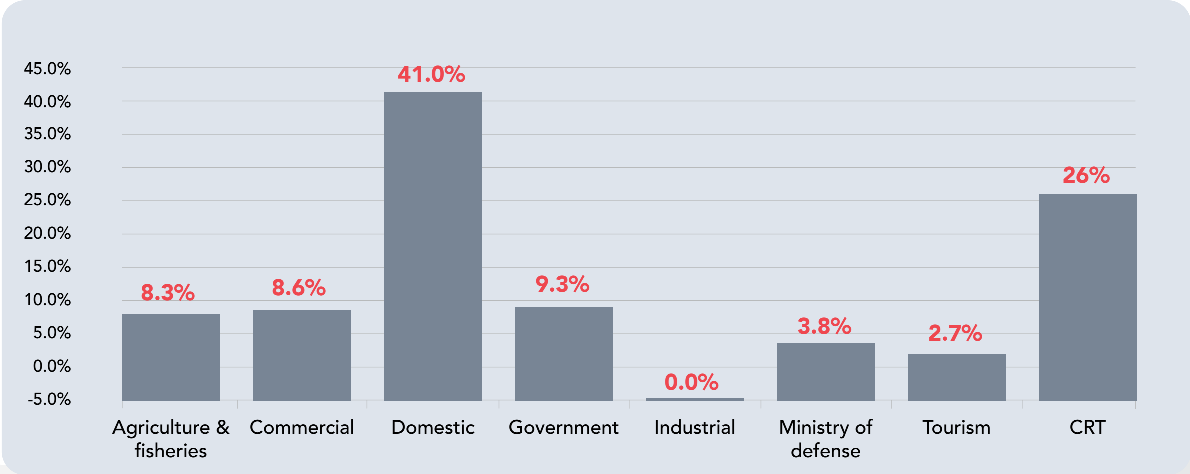


Figure 7: Percentage of Tanweer consumption by category



Regional Distribution of Customers

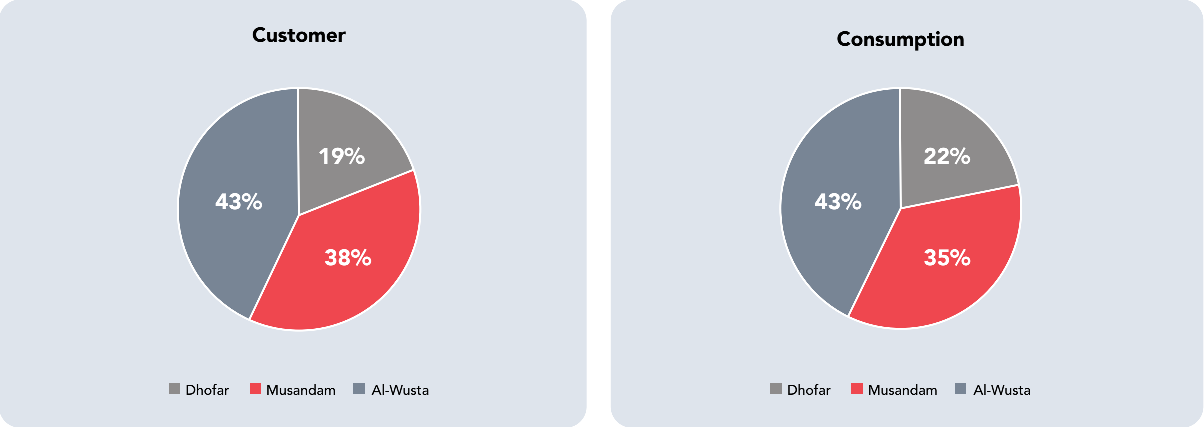
Table (10) & Figure (8) show the customer distribution by regions and customer category, indicating that the majority of Tanweer customers are located in Al Wusta and Musandam Governorates with 43% and 38% respectively, while 19% are located in rural areas of Dhofar Governorate.

Table 10: 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	213	66,723	293	5,176	89	19,362	595	91,261
Commercial	1,492	12,608	2,809	31,234	4,142	50,847	8,443	94,688
Domestic	4,746	82,610	11,565	173,784	12,154	195,218	28,465	451,612
Government	1,323	36,808	877	29,235	1,355	36,458	3,555	102,501
industrial	2	(3)	7	9	28	(191)	37	(185)
Ministry of Defense	39	1,788	32	18,902	10	20,638	81	41,329
Tourism	-	(16)	24	19,069	44	10,475	68	29,528
CRT	89	39,288	104	109,759	149	141,807	342	290,855
Total	**7,904**	**239,806**	**15,711**	**387,169**	**17,971**	**474,614**	**41,586**	**1,101,589**
%	19%	22%	38%	35%	43%	43%	100%	100%

Note: Data for (AL WUSTA) includes Masirah island (Sharqiyah), Dakhalya, Dhahira governorates.

Figure 8: Percentage of Tanweer customer & MWh consumption by region



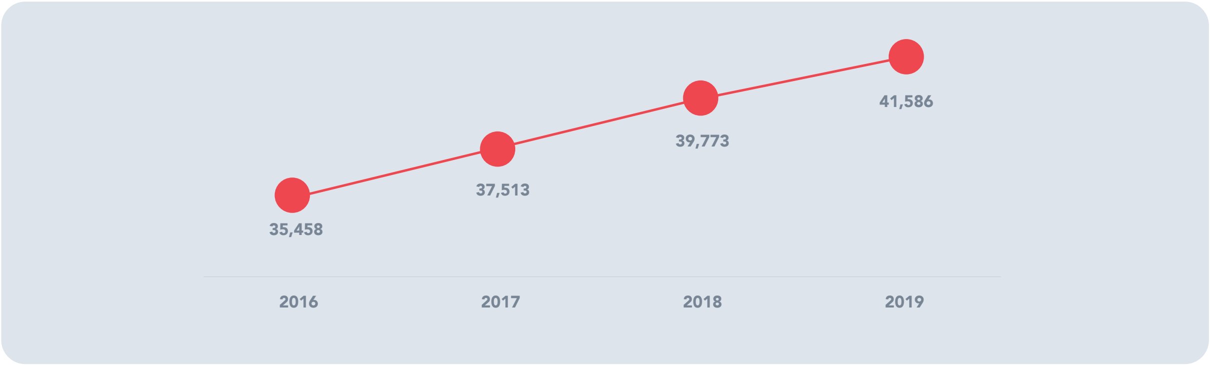
Customers Growth

Overall, the number of Tanweer customers has grown by 4.6% in 2019. Net additions of 1,813 customers were added to the customer base in 2019. The following table and figure show the growth in customer accounts over the last 4 years.

Table 11: Growth in the number of customers

Customer Category	2016	2017	2018	2019
Agriculture & Fisheries	443	509	564	595
Commercial	6,640	7,181	7,921	8,443
Domestic	24,570	25,910	27,266	28,465
Government	3,546	3,329	3,420	3,555
industrial	61	35	33	37
Ministry of Defense	132	115	126	81
Tourism	66	67	68	68
CRT	-	367	375	342
Total	**35,458**	**37,513**	**39,773**	**41,586**
% Growth	7	7	6	4.6

Figure 9: Growth in the number of customers



Growth in Energy Supplied

The energy supplied to Tanweer customers reached 1,102 GWh in 2019 compared with 1,073 GWh in 2018. The table and figure below show the growth in energy supplied per customer category from 2016 to 2019. The growth in 2019 was contributed by an increase of power purchase (Tibat Independent Gas Plant, PDO & Al Mazyounah) resulting to a consumption of over 500,000 MWh per year.

Table 12: Growth In energy supplied (MWh)

Customer Category	2016	2017	2018	2019
Agriculture & Fisheries	32,833	44,646	90,169	91,261
Commercial	132,921	83,228	96,370	94,688
Domestic	400,437	451,348	450,942	451,612
Government	172,641	91,426	121,014	102,501
industrial	47,467	722	599	(185)
Ministry of Defense	33,539	35,618	41,195	41,329
Tourism	28,829	30,508	29,080	29,528
CRT	-	176,474	243,580	290,855
Total	848,667	913,969	1,072,950	1,101,589
% Growth	3.9	7.7	17	3

Figure 10: Growth in energy supplied (GWh)

Power Generation

Power Sent From Tanweer Plants & Power Purchases

The net power sent from Tanweer power plants increased to 748,396 MWh in 2019 from 730,586 MWh in 2018 reflecting an increase of 2.4%. Morever the total power purchase increased by 13.2% in 2019. Figure (11) shows MWh sent out from Tanweer power stations & power purchases in the last five years and Figure (12) presents the detail of Tanweer's supplied power through Tanweer's plants, OPWP (Tibat), PDO, Tibat and Al-Mazyunah (renewable PV) sources.

Figure 11: MWh sent out from Tanweer power stations & power purchases (MWh)

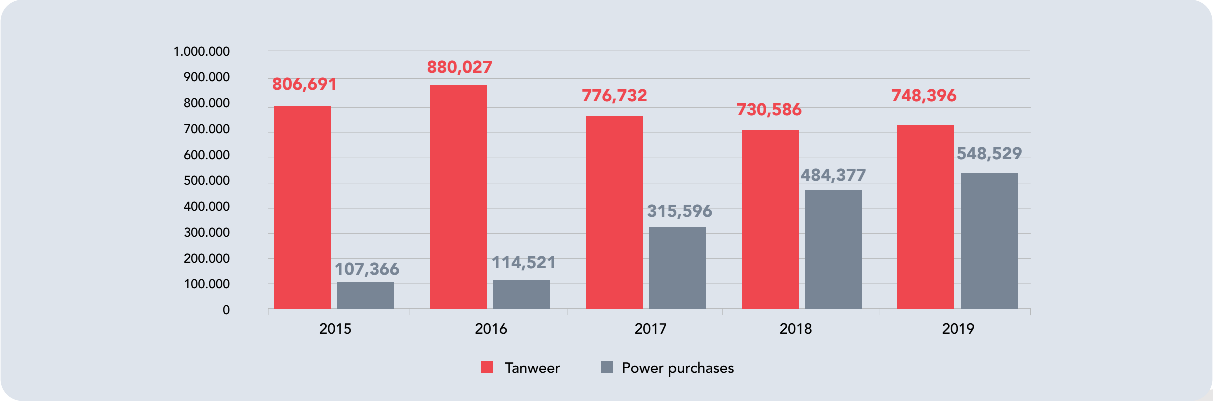
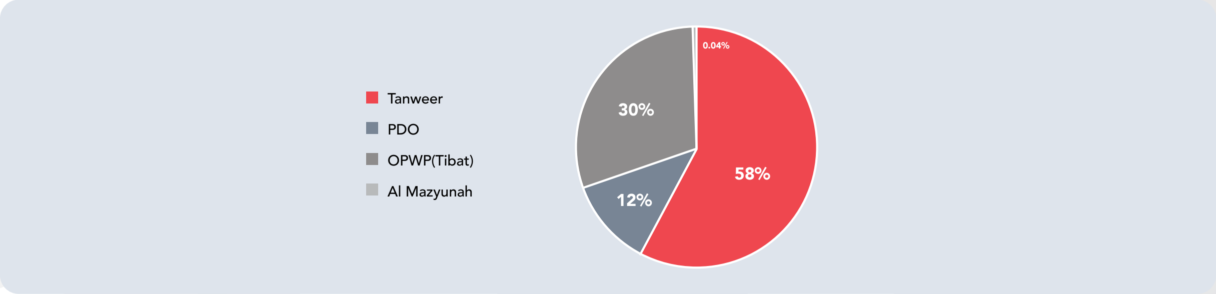


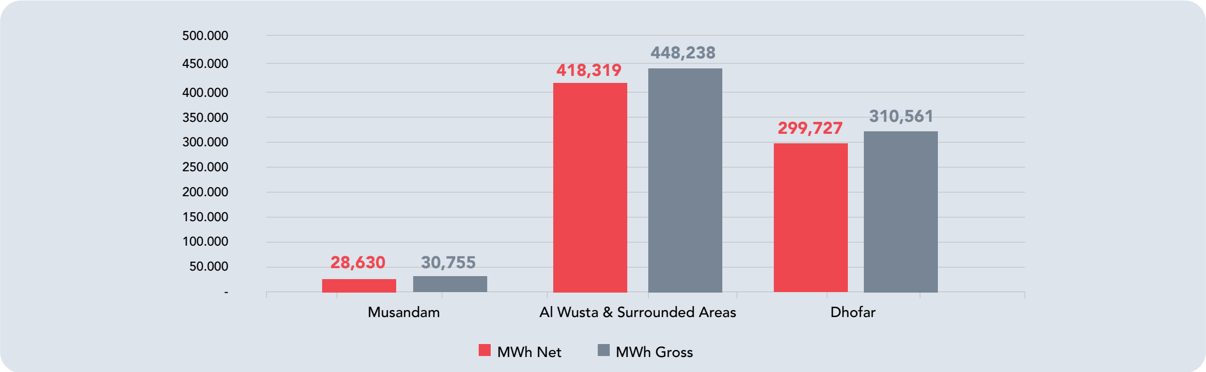
Figure 12: Percentage power sent from Tanweer plants and power purchase 2019



Regional Energy Generation

The following figure portrays the regional power generation from Tanweer power stations in 2019. It can be noted that around 56% of power was generated from Al Wusta power plants, 40% and 4% from Dhofar and Musandam power plants respectively.

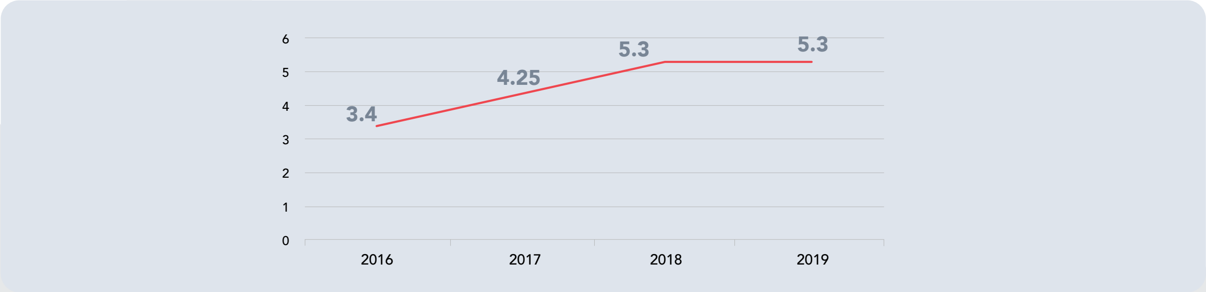
Figure 13: Regional power generation 2019 (Tanweer power plants)



System Efficiency

Our measure of system fuel efficiency represents the total kWh supplied to customers divided by total diesel fuel required to run our systems (liters). 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. Tanweer reached 5.302 kWh per liter of fuel in 2019. This was mainly due to an increased contribution of energy generation from Tibet Independent Gas Plant, in the Musandam governorate. The following charts show the trend in diesel fuel requirement (efficiency) from 2016 to 2019.

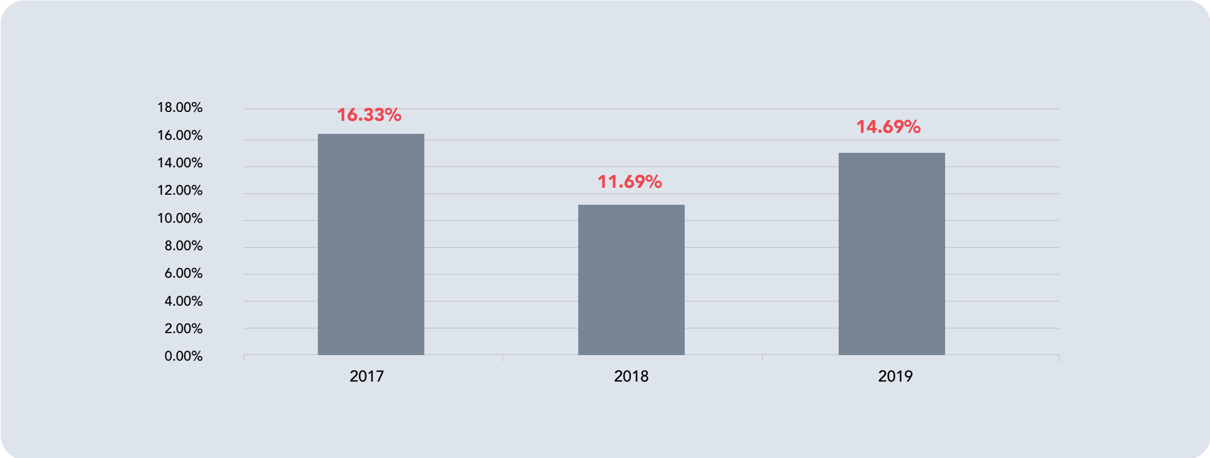
Figure 14: System Efficiency (kWh / Litre) (2016 - 2019)



System Loss

System loss for the year 2019 was 14.69% compared to 11.69% in 2018. The company continues to make efforts to measure the system loss in Tanweer as this indicator will contribute to finding solutions to measure the operational and supply performance in the company. A study has been finalized to calculate the technical and commercial loss in the system. There is also a committee headed by the CEO consisting operating, supply, financial and planning management teams. The company has since seen improvement in reporting and loss system monitoring in all license areas which is expected to deliver loss reduction in the future.

Figure 15: % Losses (technical & non-technical) in 2018 and 2019



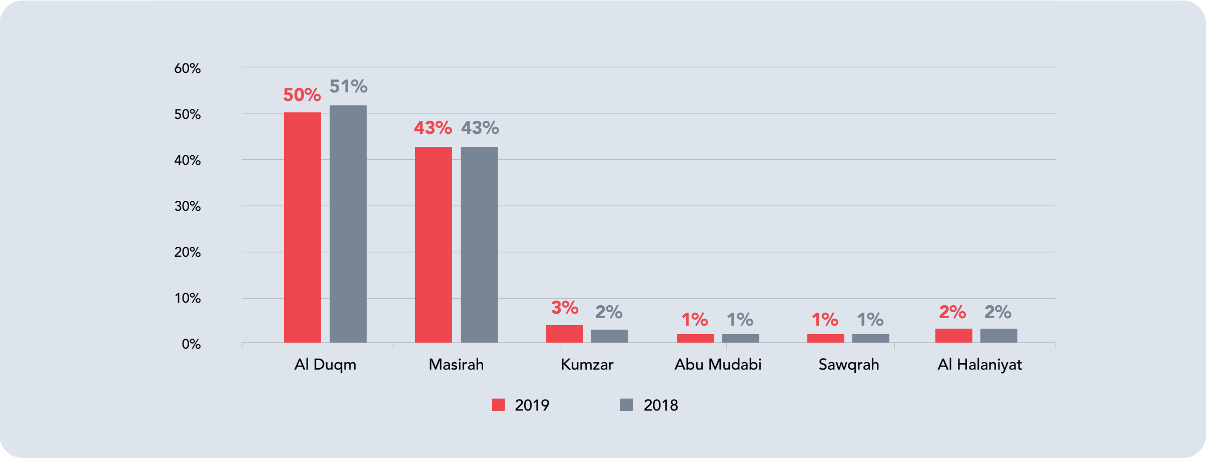
Water Desalination

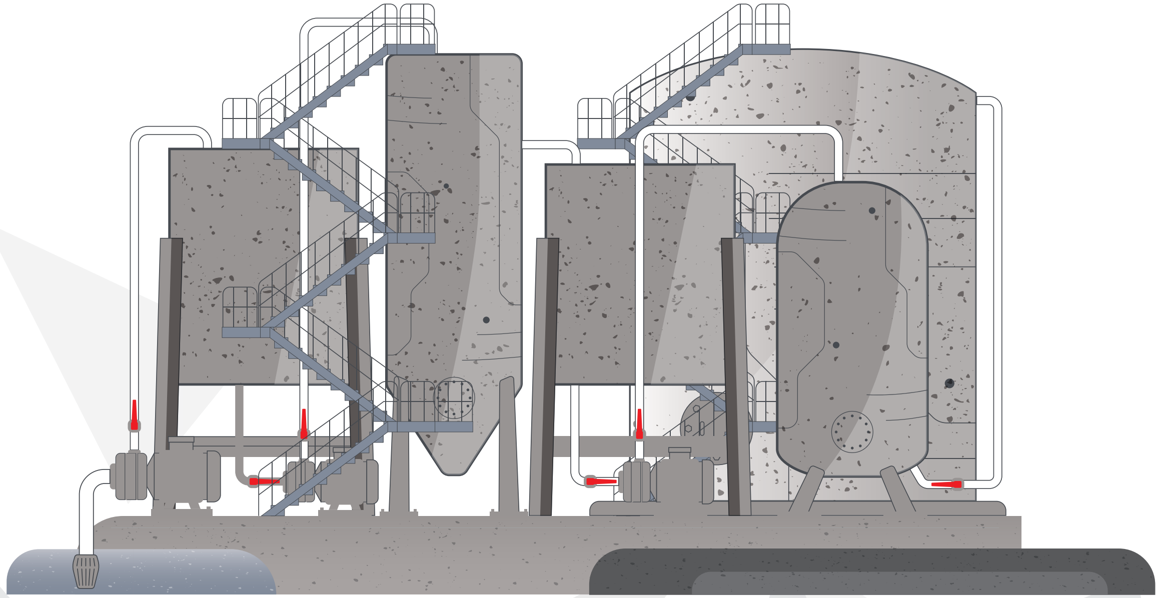
As part of its regulated activities, Tanweer produces desalinated water from 6 Reverse Osmosis (RO) plants. The six plants are located in the governorates of Musandam (Kumzar), Al Wusta (Duqm, Masirah, Soqrah and Abu Mudhabi) and Dhofar (Al-Halanyat). Tanweer supplies the desalinated water in bulk to the Public Authority of Water (PAW) for distribution to end customers. In 2019 Tanweer produced 3,643,626 cubic meters of desalinated water. This is around 2% lower than the 2018 desalination amount of 3,663,004 cubic meters and this is partly due to the Hika Cyclone that occurred in the central Al-Wusta region in 2019, which led to a reduction in water production this year. As can be seen in figure (17) Al Wusta regional desalination plants sent 95% of total desalinated water (mainly from Al-Duqm Plant 50% and from Masirah Plant 43%) and the rest was produced by other facilities.

Table 13: Water desalination plant 2018 – 2019

Facility	Plan Capacity (m3/day)	Gross Production m3		Net sent m3		Water Sent Growth
		2018	2019	2018	2019	
Al Duqm	8,000	1,790,369	1,812,934	1,751,744	1,696,900	-3%
Masirah	6,100	1,655,470	1,580,351	1,485,187	1,452,085	-2%
Kumzar	450	75,570	100,071	74,376	98,899	33%
AbuMudabi	200	44,125	49,907	43,173	49,200	14%
Sawqrah	250	44,483	42,144	44,077	41,560	-6%
Al Halaniyat	190	52,987	58,219	52,275	57,492	10%
Total	15,190	3,663,004	3,643,626	3,450,832	3,396,136	-2%

Figure 16: Percentage of water desalination by plant – 2018 & 2019 (net)





Tanweer Business Development

Tanweer Business Development

Capital Investment Projects

Table 14: List of 10 largest projects under execution in 2019

Tender No.	Projects title	Total contract (RO)
39/2017	EPC of (2x10 MVA-33/11 kV) Outdoor Step Down Substation for Wadi Aswad Area at Wilayat Ibri - Al Dhahirah Governorate	946,155
29/2018	Upgrade Electricity Supply system to Lima in Khasab	859,993
22/2019	EPC for Primary Substation to feed Power Supply to (250) of Social Houses in Wilayat Al Mazyounah - Dhofar Governorate	806,923
24/2019	The feed of Power Supply to Masirah Villages and Royal Camp in Wilayat Masirah - Al Sharqiya South Governorate	656,700
03/2018	Construction of (33 kV) OHL from the Existing PDO Harweel - Qatbit Saadoun Line and Installation of (2X1 MVA-33/11 kV) Primary Substation at Fatkhat Area in Wilayat Thumrait - Dhofar Governorate	504,874
33/2018	EPC for The Mid-Term Power Supply to the Fishery Zone in Wilayat Duqm at Al Wusta Governorate	378,357
10/2019	Expanding of Mudhai Power Station	365,430
5/2019	Upgrading existing 33/11 2X10 MVA SS at Haima	298,515
09/2019	Electricity Supply to Marmul Area at Dhofar Governorate	291,185
36/2018	Power Supply to the Investors in Light Industrial Area in Wilayat Al Duqum- Al Wusta Governorate	91,290

Commissioned Projects of 2019

Rub Al Khali Project

With the total cost of R.O 2,063,407, Tanweer has recently operated the new 33kV Overhead line from Yabal Substation from PDO (Petroleum Development Oman) and the new Primary Sub-station with a capacity of (2 X 10 MVA) to feed Rub Al Khali area for the new Royal Oman Police border post (Ramlat Khilah) in Wilayat Ibri at Al-Dhahira Governorate.

The project contains:

- Extension of the existing Switchgear of PDO by installing a new Switchgear Panel (33 kV) GIS.
- Construction of a 33kV overhead line from PDO's (Petroleum Development Oman) Yabal Substation for a distance of 58 km.
- Construction of an integrated primary Sub-station (33kV/11kV).
- Construction of 11kV underground cable to the Empty Quarter border post for 3 km.

Al Dhafrat Power Station

With the total cost of R.O 1,269,457, Tanweer completed the project of EPC & Rehabilitation of Al Dhafrat Power Station with a capacity of 3.5 MW to cover the load demand in Al Dhafrat area in Wilayat Al-Mudhaibi of Al Wusta Governorate.

Tanweer Supply for Fisheries Industry in Duqm

In 2019 Tanweer commissioned the new line for the fisheries industries in Wilayat Duqm at Al-Wusta Governorate by 33 and 11 kV feeders with (2x6 MVA) Primary Substation after the completion of necessary tests and inspections.

The project consists of three parts, the first part being the construction of medium voltage cables and the overhead line from Duqm South station, running a length of 14 km with 33kV voltage capacity.

The second part is the construction of a new outdoor primary substation in the Fisheries Industry, with a voltage of 33/11kV and a total capacity of 2x6MVA.

The third part is the construction of two new distribution stations near the investors of the Fisheries Zone, each containing a capacity of 1MVA (11 / 0.433 kV). This project comes within the framework of the development plans undertaken by Tanweer to sustain the electricity supply services for customers in those areas.

Asset Management Key Achievements for 2019

- Asset management department continues implementing the Condition Based Risk Management (CBRM) process that enables companies to use special tools such as Corona Camera, wooden Pole tester and partial discharge to investigate root causes of failures and assess risk of failure for the critical network assets. Up to 2019, the total of tested assets was 65 transformers, 196 switchgear panels, and 6 11kV feeders.

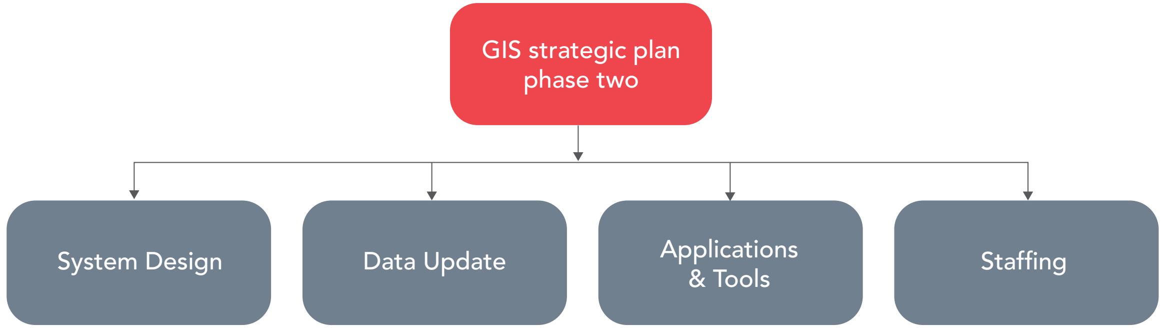
- Tanweer has successfully passed the Renewal audit for ISO55001 in the Asset management system. The external audit has been carried out by Lloyd's Register, to verify the condition of previous NCs and to assess continued compliance with ISO 55001 Standards to ensure continual improvement continual improvements.


Certificate of Approval

TANWEER

- Power station audit: Tanweer conducted an audit of the 6 largest capacity power diesel stations in 2019. The aim of the audit was to conduct a total validation on how power station data is being used, recorded and reported. This covered the hourly load, power generated, power consumed inside the powerhouse as well as the power exported. The findings of this audit highlighted that the percentage internal consumption of the stations (consumed to generated power) varies between the maximum load months and minimum load months. Moreover, the average % for the 6 sites is 3- 5% while Al Duqm is the highest 10% -15% because of the power consumption of the RO desalination plant. There were no errors found in the daily log entries and power plant summary report calculations for the days sampled. A total of 18 days were sampled for the 6 power plants audited.

- GIS: Our phase 2 GIS strategy has been built as per the below structure:



- **System Design**
  Current GIS system infrastructure including the hardware and software requires upgrading to overcome issues such as speed at regional offices.
- **Data Update**
  The main database upgrade will accurately cover for all network editing including private customer connections, power plants and 132kV system.
- **Applications & Tools**
  An enhanced user interface is planned to be developed including a dashboard of asset data and search tools to benefit from the available information.
- **Staffing**
  The full GIS team will include Survey, Data Update, Database Management, End-user Support, and System Development Staff.

Supply Chain & Customer Service

Supply business division is a core function in Tanweer looking after customer services and customer care. The division maintains the relationship between Tanweer and its customers, continuously aiming at improving customer satisfaction. There are a number of achievements and initiatives done in 2019 which include the following:

- **Launching New CRM**: In 2019 a new advanced version Customer Relation Management system has been launched to enhance customer data cleansing, easing entry and data check. The new version also has a Field Management System feature which allows the company to track the performance of the meter reading.
- **Census 2020:** Tanweer plays a major role in the 2020 census by providing relevant customer information. The company was able to update the majority of customer information in coordination with other entities such as the National Center for Statistics and Royal Oman Police.
- **Customer Care:** We arranged customer awareness campaigns and provided customers with explanations about relevant codes of practices, tariffs, and billing-related activities.
- **Implementation of AMR system:** In 2019 the implementation of the supply system started in Tanweer and we succeeded to replace meters related to high-value customers which resulted in capturing more than 30% of the total connected load. The project continues in 2020 with the aim of further expansion.
- **Bills Distribution:** Expand the use of e-bills distribution using SMS and email, as the majority of Government bills are distributed by email.
- **Debtor Management:** Improve the debtor management functions and following up on dues, meeting the hardship customers and offering installment plans.
- **Collection Channels:** Tanweer offers multi-payment channels to ensure the services are within the customer's hands using new technologies and applications which allows Tanweer customers to pay their bills on time from home.

Customers Communications: In coordination with the media department, awareness messages have been published through social media and in the field in different regions.

Price Control & Regulation

With reference to the law promulgated by Royal Decree, the Special Economic Zone Authority for Duqm has been granted the authority to exercise the powers of the authority for Electricity and Water regulation issued by Royal Decree No. 78/2004 within the limits of the economic area under its administration.

Tanweer from the beginning of 2020 will deal with both the Electricity Regulatory Authority of Oman (AER) and the Special Economic Zone Authority in Duqm (SEZAD) to serve customers in each of their authorized areas.

Tanweer operates under an RPI-X Price Control that covers its production (generation/desalination), transmission, distribution and supply activities. Tanweer's current price control is fixed by the Authority for Electricity Regulation (AER) and Special Economic Zone Authority (SEZAD) which allows Tanweer to recover its operating costs as well as providing funding provisions for capital investments.

By the end of 2019, Tanweer, in cooperation with the AER and SEZAD, completed a review of the price control monitoring plan (2018-2021), as well as completing the price control mechanism covering the requirements of Operating cost (OPEX) and capital expenditure (CAPEX) were determined for period 2020-2021.

Communities and Society

Tanweer Award for Excellence 2019

Tanweer launched the Tanweer Award for Excellence competition 2019 for schools in Musandam Governorate. This was done in collaboration with the Ministry of Education represented by the Directorate General of Education in the province. The winning projects were announced in Atana Khasab hotel.

The award aims to raise awareness among school students regarding the reduction of harmful carbon emissions as well as spreading the culture of rationalization and sustainability by giving them the opportunity to share their innovative ideas and insights to build solid knowledge on renewable energy initiatives and the electric power field for future generations.

Through this competition, Tanweer was keen to instill a culture of creativity, innovation, and excellence in the education sector, starting with schools, teachers, and finally students.

More than 100 students from 12 schools in Musandam Governorate had participated in the competition which was targeting school students from grades (9-11).

An evaluation committee was formed, consisting of the Directorate General of Education staff in Musandam Governorate, as well as Tanweer staff, chaired by the Musandam regional manager. The aim was to evaluate the participating schools in terms of the idea of the project, characteristics, importance, and innovation as well as the feasibility of the project. HE, Wali of Khasab started the tour in the exhibition, whereby, he was introduced to the projects of the participating schools. During the ceremony, the winners of the Tanweer Award were announced.

We Walk for Goodwill

As part of corporate social responsibility initiatives, Tanweer organized a charity market for its employees to encourage them to share their talents and products. Eng. Saleh bin Nasser Al-Rumhi, CEO of Tanweer, inaugurated the market and expressed his pleasure of initiating such events as part of social responsibility towards the community.

Tanweer Raising Renewable Energy Generations

Titled "Tanweer kids are renewable energy generations", Tanweer organized a workshop for employees' children on renewable energy. Dr. Jamal bin Nasser Al-Subhi, a lecturer at Sultan Qaboos University, presented the workshop for more than 40 children. The children got the opportunity to learn more about renewable energy and how it protects the environment. They also visited the solar power project in the company where Eng. Khalil bin Mubarak Al-Mandhari gave them a brief explanation on the project. The workshop ended with a session on how to make wind turbines from recycled materials.

The National Week for Science, Technology, Engineering, and Mathematics

Invited by General Directorate of Education in Musandam, Tanweer participated in the National Week for Science, Technology, Engineering, and Mathematics. Tanweer was part of the judging committee for innovations and projects presented by students. The project's exhibition was followed by a discussion on the role of institutions in supporting student innovations.

Save Energy Campaign

Tanweer started electricity rationalization campaign "Murshidoon" to raise awareness among people regarding the wise use of electricity and the importance of sustaining it for future generations. The campaign targeted Musandam, Al-Wusta, and Dhofar and it was carried for the full year.

Tanweer Organizes Save the Environment Campaign

Under the slogan "Let's work together and protect our environment", Tanweer incorporation with Mashael Al-Elm School in Masirah and Ras Madrakah School in Duqm, organized a campaign to clean beaches. Sixty students participated in the campaign cleaning Masirah beach and Duqm beach. The campaign aimed to cultivate notions of responsibility within students to appreciate the beauty of Omani natural environment.

Operational Data

Operational Data

Dhofar Network

Table 15: 2019 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	525	May	2,298	1,667	738
Andat	2,012	1,100	Sep	4,002	3,955	1,149
Ayoon	1,200	218	Aug	1,044	1,035	435
Barbazoom	1,680	613	Sep	2,732	2,721	799
Dhaboon	4,379	2,273	May	10,733	10,717	3,320
Fatkhait	900	340	Sep	1,415	1,408	511
Herweeb	2,900	1,230	Sep	4,290	4,263	1,322
*Mahwees	400	230	May	417	410	150
*Maqshan	2,780	780	May	1,553	1,541	525
Al Mazyounah	10,000	9,410	Sep	40,517	38,999	11,061
Mitten	3,400	1,070	Jun	4,048	4,023	1,218
Motorah	1,100	470	Jun	2,160	2,153	770
Saih Al Khairat	48,702	25,600	Jun	158,829	153,240	38,055
Shahb Asaib	23,000	8,790	Jun	42,666	41,442	10,607
Sharbatat	4,700	1,190	April&May	6,062	6,007	2,020
Tusnat	1,170	380	May	543	538	171
Mudhai	3,872	2,270	Jun	9,668	9,204	2,747
Hasik	5,000	2,770	Jun	13,281	13,102	4,291
Fershat Qatbeet	10,000	1,458	Jun	4,302	3,301	1,281
Total	128,760	60,717		310,560	299,726	81,170

*Mahwees, and Maqshan Power station closed on 2019

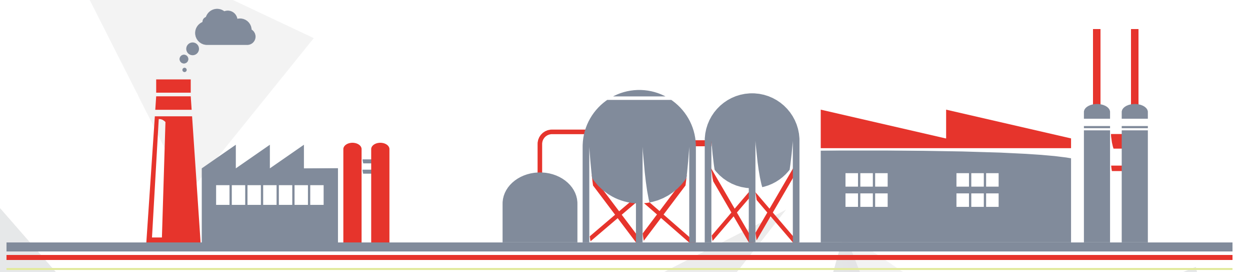
Dhofar Network

Table 16: 2019 Number of distribution substation (11/0.415 kV)- Dhofar

Substation Type	Number
Ground-mounted	147
Pole mounted	633
Total	780

Table 17: 2019 Network length – Dhofar

Voltage Level (kV)	UGC (km)	OHL (km)	Total
132	-	-	-
33	32	839	871
11	110	854	964
Total	142	1,693	1,835



Musandam Network

Table 18: 2019 Operation data for power plants-Musandam

Plants	Installed kW	The month of Peak Demand	Maximum peak (kW)	Gross MWh	Net MWh	Diesel 000 Ltrs
*Dibba	5,935	1,600	Jan	1,636	1,563	502
*Khasab	79,590 (Standby)	44,860	Aug	899	133	206
Madha	11,300	6,570	Jan	28,220	26,935	7,956
Total		53,030		30,755	28,631	8,664

*stand by P/S

Table 19: 2019 Number of distribution substation (11/0.415 kV)- Musandam

Substation Type	Number
Ground-mounted	454
Pole mounted	326
Total	780

Table 20: 2019 Network length – Musandam

Voltage Level (kV)	UGC (km)	OHL (km)	Total
132	-	165	165
33	351	159	510
11	290	321	611
Total	641	645	1,286

Al Wusta Network

Table 21: 2019 Operation data for power plants- Al Wusta & Surrounded Areas

Plants	Installed kW	The month of Peak Demand	Maximum peak (kW)	Gross MWh	Net MWh	Diesel 000 Ltrs
Masrooq	1,900	700	Sep	2,435	2,381	778
Masirah	56,819	17,400	Jun	81,830	77,553	21,015
Al-Duqm	67,000	44,700	July	236,275	215,805	67,216
AL Khaluf	2,508	1,104	May	4,680	4,544	1,462
AL-Kuwaimah	8,016	4,170	May	17,629	17,311	5,003
AL-Najdah	2,700	1,795	May	5,158	5,075	1,576
Hij	30,100	14,600	May	56,374	54,319	15,987
Hitam	2,932	1,340	May	5,756	5,442	1,808
Sarab	4,000	1,922	May	7,645	7,477	2,362
AL-Dhafarat	3,500	1,260	Sep	3,740	3,638	1,241
AL-Khadrah	12,700	5,650	May	26,715	24,774	7,628
Total	192,175	94,641		448,237	418,319	126,076

Table 22: 2019 Number of distribution substation (11/0.415 kV)- Al Wusta & Surrounded Areas

Substation Type	Number
Ground-mounted	552
Pole mounted	799
Total	1,351

Table 23: 2019 Network length – Al Wusta & Surrounded Areas

Voltage Level (kV)	UGC (km)	OHL (km)	Total
132	3	31	34
33	446	573	1,019
11	388	1,419	1,807
Total	837	2,023	2,860

Table 24: 2019 Total Tanweer network

Type of asset	Number
Power Stations	31
No. Distribution Substation (11/0.415 kV)-Ground-mounted	1,244
No. Distribution Substation (11/0.415 kV)-Pole mounted	1,758
132 (kV) UGC (km)	3
132 (kV) OHL (km)	196
33 (kV) UGC (km)	829
33 (kV) OHL (km)	1,571
11 (kV) UGC (km)	788
11 (kV) OHL (km)	2,594

Table 25: Operational data for desalination

Governorate	Desalination Plat	Installed Capacity m3/day	No of units	Gross (000, m3)	Net (000, M3)
AL Sharqiyah	Masirah	6,100	10	1,580	1,452
Al Wusta	Al-Duqm	8,000	4	1,813	1,698
	Abu Mudabi	200	3	50	49
	Sougrah	250	2	42	42
Dhofar	AL Halaniyat	190	2	58	57
Musandam	Kumzar	450	3	100	99
		15,190	24	3,643	3,397

Financial Statements

RURAL AREAS ELECTRICITY COMPANY SAOC

Report and financial statements for the year ended 31 December 2019

Registered office and principal place of business:

PO Box 1166
Building No. 686 Way No. 1308
PC 133
Al- Khuwair North, Bowsher, Muscat
Sultanate of Oman

RURAL AREAS ELECTRICITY COMPANY SAOC

Report and financial statements
for the year ended 31 December 2019

Directors' Report

The Directors submit their report and the audited financial statements for the year ended 31 December 2019.

Principal activities

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 Govemate (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).

Basis of preparation of accounts

The accompanying audited financial statements have been prepared in accordance with International Financial Reporting Standards, and the Commercial Companies Law of 2019.

The Commercial Companies Law promulgated by Royal Decree No.18/ 2019 (" Commercial Companies Law of 2019") was issued on 13 February 2019 and has come into force on 17 April 2019. Companies are allowed to ensure compliance with the new Commercial Companies Law of 2019 by 17 April 2020 as per the transitional provisions contained therein. The Company is currently in the process of implementing all changes required by the Commercial Companies Law, promulgated by Royal Decree No.18/ 2019.

Results and appropriation

The results of the Company for the year ended 31 December 2019 are set out on page 5 to 6 of the financial statements.

Auditors

The financial statements have been audited by KPMG who offer themselves for reappointment.

On behalf of the Board of Directors

Faisal Khamis Al Hashar **Chairman**	**Saleem Ahmed Abdullatif** **Director**	**Saleh Nasser Al Rumhi** **Chief Executive Officer**

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Independent auditors' report
To the Shareholders of Rural Areas Electricity Company SAOC

Report on the Audit of the 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 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information set out on pages 5 to 53.

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

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in 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

Management is responsible for the other information. The other information comprises the Directors' report set out on page 1.

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

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

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 2019, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

As part of an audit in accordance with ISAs, we exercise professional 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

KPMG

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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

We report that, the financial statements comply, in all material respects, with the applicable provisions of the Commercial Companies Law of 2019.

KPMG

11 March 2020

KPMG Lower Gulf Limited
(Oman Branch)

Statement of financial position
as at 31 December

	Notes	2019 RO '000	2018 RO '000
ASSETS			
Non-current assets			
Property, plant and equipment	6	364,078	332,319
Intangible assets	6 (a)	807	77
Right-of-use assets	7	59,952	-
Total non-current assets		424,837	332,396
Current assets			
Inventories	8	7,724	7,799
Trade and other receivables	9	76,694	44,537
Short term deposits	10	5,000	-
Cash and cash equivalents	11	18,642	36,839
Total current assets		108,060	89,175
Total assets		532,897	421,571
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	100,000	100,000
Legal reserve	13	1,655	1,178
General reserve	14	2,928	2,070
Retained earnings		32,377	35,943
Cumulative changes in fair value	21	(5,162)	-
Shareholder's funds	15	1,589	1,589
Total equity		133,387	140,780
Non-current liabilities			
Term loan	16	115,270	135,828
Provisions	17	1,266	1,345
Deferred tax liability	18	18,241	16,502
Deferred revenue	19	88,692	59,763
Contract liability	20	46	13
Lease liabilities	22	58,154	-
Fair value of derivative financial instruments	21	6,073	-
Total non-current liabilities		287,742	213,451
Current liabilities			
Term loan	16	20,556	16,735
Deferred revenue	19	4,197	2,931
Lease liabilities	22	3,693	
Trade and other payables	23	52,759	47,105
Short term borrowings	24	30,000	-
Provisions	17	563	569
Total current liabilities		111,768	67,340
Total liabilities		399,510	280,791
Total equity and liabilities		532,897	421,571

Faisal Al Hasher	**Saleem Abdullatif**	**Saleh Al Rumhi**
Chairman	**Deputy Chairman**	**Chief Executive Officer**

The accompanying notes on pages 9 to 53 form an integral part of these financial statements.
The independent auditors' report is set forth on pages 2-4.

RURAL AREAS ELECTRICITY COMPANY SAOC

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

	Notes	2019 RO'000	2018 RO'000
Revenue	25	**139,748**	125,666
Cost of sales	26	**(105,739)**	(94,123)
Gross profit		**34,009**	31,543
General and administrative expenses	27	**(16,790)**	(15,907)
Other income	29	**4,535**	4,019
Impairment loss on trade receivables	9	**(559)**	(360)
Profit from operations		**21,195**	19,295
Finance income	30	**458**	188
Finance costs	30	**(14,234)**	(6,873)
Net profit before tax		**7,419**	12,610
Taxation	31	**(2,650)**	(2,501)
Net profit for the year		**4,769**	10,109
Other comprehensive (loss) / income			
Items that may be reclassified subsequently to profit or loss:			
Net movement in fair value of cash flow hedges	21	**(6,073)**	-
Income tax effect	18	**911**	-
Other comprehensive loss for the year – net of tax		**(5,162)**	-
Total comprehensive (loss) / income for the year		**(393)**	10,109

The accompanying notes on pages 9 to 53 form an integral part of these financial statements
The independent auditors' report is set forth on pages 2-4.

RURAL AREAS ELECTRICITY COMPANY SAOC

Statement of changes in equity
for the year ended 31 December 2019

	Share capital RO'000	Legal reserve RO'000	General reserve RO'000	Retained earnings RO'000	Cumulative changes in fair value RO'000	Shareholder's funds RO'000	Total RO'000
At 1 January 2018	500	167	250	32,365	-	101,089	134,371
Impact of initial application – IFRS 9	-	-	-	(1,079)	-	-	(1,079)
Impact of initial application – IFRS 15	-	-	-	(1,121)	-	-	(1,121)
Restated balance at 1 January 2018	500	167	250	30,165	-	101,089	132,171
Increase in share capital	99,500	-	-	-	-	(99,500)	-
Total comprehensive income	-	-	-	10,109	-	-	10,109
Transferred to legal reserve	-	1,011	-	(1,011)	-	-	-
Transferred to general reserve	-	-	1,820	(1,820)	-	-	-
Dividend paid (note 33)	-	-	-	(1,500)	-	-	(1,500)
At 31 December 2018	100,000	1,178	2,070	35,943	-	1,589	140,780
At 1 January 2019	**100,000**	**1,178**	**2,070**	**35,943**	-	**1,589**	**140,780**
Total comprehensive loss	-	-	-	**4,769**	**(5,162)**	-	**(393)**
Dividend paid (note 33)	-	-	-	**(7,000)**	-	-	**(7,000)**
Transfer to legal reserve	-	**477**	-	**(477)**	-	-	-
Transfer to general reserve	-	-	**858**	**(858)**	-	-	-
At 31 December 2019	**100,000**	**1,655**	**2,928**	**32,377**	**(5,162)**	**1,589**	**133,387**

The accompanying notes on pages 9 to 53 form an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December 2019

	2019 RO'000	2018 RO'000
Cash flows from operating activities		
Profit for the year before tax	7,419	12,610
Adjustments for:		
Depreciation	20,475	12,337
Finance costs	14,234	6,873
Finance income	(458)	(188)
(Loss) / gain on sale of property, plant and equipment	(38)	246
Provision for inventory	(554)	282
Provision for employee benefits - net	89	153
Provision for bad and doubtful debts	559	360
Change in:	41,726	32,673
Deferred revenue	30,195	276
Trade and other payables	5,654	(5,160)
Inventories	629	(1,897)
Trade and other receivables	(32,716)	(18,597)
Payment of employee benefits	(174)	(133)
Net cash generated from operating activities	45,314	7,162
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,353)	(15,035)
Government grant asset investment	(33,102)	-
Proceeds from sale of property, plant and equipment	38	71
Short term deposits	(5,000)	-
Finance income received	458	188
Net cash used in investing activities	(51,959)	(14,776)
Cash flows from financing activities		
(Repayments) / proceeds from long term borrowings	(16,737)	152,563
Net change in short term borrowings	30,000	(114,825)
Holding company loan repayment	-	(4,002)
Lease payments	(3,581)	
Finance costs paid	(14,234)	(6,873)
Dividends paid	(7,000)	(1,500)
Net cash (used in) / generated from financing activities	(11,552)	25,363
Net change in cash and cash equivalents	(18,197)	17,749
Cash and cash equivalents at the beginning of the year	36,839	19,090
Cash and cash equivalents at the end of the year (note 11)	18,642	36,839

The accompanying notes on page 9 to 53 form an integral part of these financial statements.
The independent auditors' report is set forth on pages 2 to 4.

Notes to the financial statements for the year ended 31 December 2019

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 Privatization 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 2019. Those which are relevant to the Company, are set out below.

2.1 New and revised IFRS in issue and effective

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards

These standards do not have any impact on these financial statements except for IFRS 16, the effect of which is explained in note 3.

2.2 New and revised IFRS in issue but not yet effective

- Amendments to References to Conceptual Framework in IFRS Standards (from 1 January 2020)
- IFRS 17 Insurance Contracts (1 January 2021)

These standards, amendments and interpretations are not expected to have a significant impact on the Company's financial statements.

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 2018.

The Company adopted IFRS 16 'Leases'. The standard replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease.

3. Changes in significant accounting policies *(continued)*

3.1 IFRS 16 Leases

The changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending 31 December 2019.

The Company has initially adopted IFRS 16 Leases from 1 January 2019.

The effect of initially applying IFRS 16 is mainly attributed to the following:

- earlier recognition of usufruct charges, building rent and vehicle lease as a lease liability and finance charge on lease liability; and
- recognition of right-of-use asset to use the land leased from Ministry of Housing, building rent and vehicle lease depreciation on right-of-use assets.

IFRS 16 specifies how the management will recognise, measure, present and disclose lease. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset have a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 has superseded the previously issued IAS 17 Leases and the related interpretations (i.e. IFRIC 4, SIC 15 and SIC 27) for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Company is 1 January 2019.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continued to be presented under previous applicable standards. The Company has chosen the "Cumulative catch-up approach" for application of IFRS 16 on transition. Consequently, the Company will recognise lease liability for outstanding lease payments for existing operating leases using incremental borrowing rate at date of transition and carry forward existing finance lease liabilities and measure right-of-use asset at an amount equal to liability adjusted for any accruals or prepayments with no effect on the opening retained earnings on transition.

Accounting policy applicable from 1 January 2019

At inception of a contract the Company assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3. Changes in significant accounting policies *(continued)*

3.1 IFRS 16 Leases *(continued)*

Accounting policy applicable from 1 January 2019 *(continued)*

- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

A. As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses if any, and adjusted for certain re measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the financial statements for the year ended 31 December 2019

3. **Changes in significant accounting policies** *(continued)*

3.1 **IFRS 16 Leases** *(continued)*

Accounting policy applicable from 1 January 2019 *(continued)*

A. As a lessee *(continued)*

The Company presents right-of-use assets and lease liabilities in separately in the statement of financial position.

The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The principal estimated remaining useful lives used for this purpose are:

Assets	Years
Usufruct land	1 – 9
Leased vehicles	1 – 2
Power plant	10

Short term leases and leases of low value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short term assets of IT equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

B. As a lessor

The Company has not entered into any arrangement in which it is acting as a Lessor.

Impact on financial statements

At transition, the Company has opted for the modified retrospective application permitted by IFRS 16, accordingly, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's derived incremental borrowing rate (i.e. 5.5% to 7.03% per annum) as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments.

On transition to IFRS 16, the Company recognised a lease liability amounting to RO 63.93 million with a corresponding right-of-use asset in the same amount, with no effect on opening retained earnings. IFRS 16 transition disclosures also require the Company to present the reconciliation, which has been disclosed below:

Liability recognised as at 1 January 2019

	RO '000
Operating lease commitments as at 31 December 2018	99,624
Discounting effect using incremental borrowing rate @ 7.4%	(35,691)
Lease liability recognised as at 1 January 2019	63,933
Of which are:	
Current lease liabilities	3,693
Non-current lease liabilities	60,240
	63,933

The associated right-of-use assets for leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Notes to the financial statements for the year ended 31 December 2019

3. **Changes in significant accounting policies** *(continued)*

3.1 **IFRS 16 Leases** *(continued)*

Impact on financial statements *(continued)*

The recognised right-of-use assets relate to the following types of assets:

	RO '000
Power plant	62,135
Land	1,569
Vehicles	229
Total	63,933

Practical expedients used

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Accounting policies applicable before 1 January 2019

In the comparative period, as a lessee the Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense over the term of the lease.

4. **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 2019.

The Commercial Companies Law promulgated by Royal Decree No.18/ 2019 (" Commercial Companies Law of 2019") was issued on 13 February 2019 and has come into force on 17 April 2019. Companies are allowed to ensure compliance with the new Commercial Companies Law of 2019 by 17 April 2020 as per the transitional provisions contained therein. The Company is currently in the process of implementing all changes required by the Commercial Companies Law, promulgated by Royal Decree No.18/ 2019.

Basis of preparation

The financial statements have been prepared on the historical cost basis.

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

Notes to the financial statements for the year ended 31 December 2019

4. Summary of significant accounting policies *(continued)*

Basis of preparation *(continued)*

The financial statements are prepared in Rial Omani (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	20 - 40
Lines and cables	20 - 50
Diesel generators	15 - 30
Renewable generators	25
Substation assets	20 - 40
Desalination plants	20 - 40
Other plant and machinery	20 - 40
Furniture, fixtures and vehicles	5 - 7
Plant spares	20

Notes to the financial statements for the year ended 31 December 2019

4. Summary of significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

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.

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.

Financial instruments

IFRS 9 Financial Instruments introduces principle-based requirements for the classification of financial assets. The Standard contains two primary measurement categories for financial assets: amortised cost and fair value. 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. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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. Amount due from related parties
4. Government subsidy receivable
5. Long term loan
6. Short term borrowings
7. 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.

4. **Summary of significant accounting policies** *(continued)*

Financial instruments *(continued)*

Initial recognition *(continued)*

***Financial assets** (continued)*

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:

- 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 amortized 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 amortized 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 recognizing gains or losses on them on a different basis;

b) The liabilities are part of a group 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 are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

4. **Summary of significant accounting policies** *(continued)*

Financial instruments *(continued)*

Subsequent measurement and gain or losses

Financial assets

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Any gain or loss on DE recognition is recognized 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 recognized in the statement of profit or loss. Other net gains and losses are recognized in the statement of other comprehensive income. On DE recognition, gains and losses accumulated in the statement of other comprehensive income are reclassified to the statement of profit or loss.

b) Equity instruments
These assets are subsequently measured at fair value. Dividends are recognized 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 recognized 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 recognized in the statement of profit or loss. However, see note (Derivative financial instruments and hedging) for derivatives designated as hedging instruments.

Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method, if applicable. The effective interest method is the method of calculating the amortized 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 recognized in the statement of profit or loss. Any gain or loss on DE recognition is also recognized in the statement of profit or loss.

4. **Summary of significant accounting policies** *(continued)*

Financial instruments *(continued)*

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 recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in DE recognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes 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 recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the statement of 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 derecognized 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.

4. **Summary of significant accounting policies** *(continued)*

Financial instruments *(continued)*

Derecognition *(continued)*

Financial assets (continued)

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 recognized in the statement of other comprehensive income is recognized in the statement of profit or loss.

From 1 January 2018, any cumulative gain/loss recognized in the statement of other comprehensive income in respect of equity instrument designated as fair value through other comprehensive is not recognized in the statement of profit or loss on DE recognition of such instrument. Any interest in transferred financial assets that qualify for DE recognition that is created or retained by the Company is recognized 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 recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes 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 derecognized 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 DE recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of 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 realize 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.

4. **Summary of significant accounting policies** *(continued)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

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

- Financial assets measured at amortized 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:

- Significant financial difficulty of the borrower or issuer;
- Delinquency by borrower;
- 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;
- The disappearance of an active market for a security; or
- 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

4. **Summary of significant accounting policies** *(continued)*

Financial instruments *(continued)*

Measurement of loss allowances *(continued)*

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 realizing 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 recognized in the statement of profit or loss as an impairment gain or loss.

4. **Summary of significant accounting policies** *(continued)*

Financial instruments *(continued)*

Presentation of expected credit losses

Loss allowances for financial assets measured at amortized 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.

Derivative financial instruments and hedging

The Company uses derivative financial instruments as trading investments to hedge its risks associated with interest rate, foreign currency, and commodity price fluctuations and also to satisfy the requirements of its customers. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to the statement of profit or loss.

The Company applies hedge accounting only if all of the following conditions are met:

- There is formal designation and written documentation at the inception of the hedge;
- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

For the purpose of hedge accounting, hedges are classified as:

- Hedges of the exposure to changes in fair value of recognised assets or liabilities or firm commitments (fair value hedge); or
- Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The documentation also includes the hedge ratio and potential sources of ineffectiveness.

4. **Summary of significant accounting policies** *(continued)*

Financial Instruments *(continued)*

Derivative financial instruments and hedging *(continued)*

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss account over the period to maturity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss.

Amounts recognised as OCI are transferred to the profit or loss account when the hedged transaction affects the profit or loss account, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss.

The Company entered into a derivative financial instrument to manage its exposure to interest rate risk, which include interest rate swaps. Further details of derivative financial instruments are disclosed in note 19.

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by companying together all assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. if the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

4. **Summary of significant accounting policies** *(continued)*

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.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise purchase costs and where applicable, direct labor 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 recognized 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 Labor 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 recognized 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 benefit 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

Provisions are recognized 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 recognized 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 recognized 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 recognizes the subsidy when the right to receive the subsidy is established.

4. **Summary of significant accounting policies** *(continued)*

Government grants

Grants from the Government are recognized 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 recognized 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 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 recognized 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 capitalization.

All other borrowing costs are recognized 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 realized 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 recognized 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 utilized. 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 realized.

4. Summary of significant accounting policies *(continued)*

Taxation *(continued)*

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 recognized 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 recognized directly in equity.

Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized.

Before application of IFRS 15, the Company was recognizing the revenue from installation, connection and metering charges at point of time. Upon application of IFRS 15, it has been identified that there is no separate distinct performance obligation on the Company with regard to this revenue stream, and these services cannot be distinguished from the primary business activity of the Company i.e. supply of electricity. Accordingly, these revenues have been deferred and will be recognized throughout the useful life of the related assets (i.e. 25 years)

However, under the price control methodology, the installation and connection charges are offered in Maximum Allowed Revenue (MAR) computation and to this extent subsidy is reduced. Accordingly, a notional asset has to be recorded to offset the impact of related deferred revenue amortization.

Installation and connection revenue

Installation and connection revenue represent the fee collected for the activities to provide services to the customer who have contracted for supply of electricity. As per new IFRS 15 the installation and connection revenue are regarded as an advance payment for future electricity supply and should be recognized as revenue over the period of time.

Assets transfer from customers

Previously recorded revenue under IFRIC 18 - 'Assets transferred from customers', has now been covered under IFRS 15, and recognition of revenue at point of time i.e. when asset is received from customer, is no longer applicable. Under IFRS 15, it has been identified that there is no separate performance obligation with respect to customer-contributed assets other than supply of electricity in the future. Therefore, consideration received (or fair value of the assets transferred) should be treated as part of the transaction price (non-cash consideration) and revenue to be recognized as and when electricity is provided to the customer in future.

Accordingly, this revenue has been deferred and will be recognized throughout the useful life of the relevant assets transferred from customers.

The Company has estimated the average assets life to be 25 years based on the useful life of the Installation and connection asset. Following the adoption of IFRS 15 the Company recognizes the fee over 25 years, effective from 1 January 2018.

4. Summary of significant accounting policies *(continued)*

Revenue from contracts with customers *(continued)*

The Company recognises revenue from contracts with customers based on the five step model:

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.

4. **Summary of significant accounting policies** *(continued)*

Revenue from contracts with customers *(continued)*

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.

4. **Summary of significant accounting policies** *(continued)*

Revenue from contracts with customers *(continued)*

Revenue from electricity distribution and supply (continued)

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).

Customer contributions

Effective from 1 July 2009 till 31 December 2017, the Company had adopted IFRIC 18, whereby customer contributions towards the cost of property, plant and equipment were recognized in the profit or loss in accordance with the provisions of IFRIC 18. Income from customer contribution has been recognized on accrual basis as per IFRS 15 effective from 1 January 2018.

Share capital

Ordinary shares are classified as equity.

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:

5. Critical accounting estimates *(continued)*

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 recognized 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.

Hedge accounting
The Company uses interest rate swaps to hedge the interest rate risk in respect of LIBOR from its floating-rate loans denominated in US Dollars.

The Company determines the amount of the exposure to which it applies hedge accounting by assessing the potential impact of changes in interest rates on the future cash flows from its floating-rate loans denominated in US Dollars.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Company exposes itself to credit risk of the counterparties to the derivatives, which is not offset by the hedged items. The Company minimizes counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparty banks with high credit ratings.

Determining the lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

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	Renewables 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 2019	29,886	42,874	98,497	113,994	-	25,718	16,108	67,272	3,212	1,911	15,475	414,947
Additions	1,615	72	2,856	56	26,427	1,017	-	5,113	460	194	9,282	47,092
Adjustments	-	-	-	-	-	-	-	-	-	-	(25)	(25)
Disposals	-	-	-	-	-	-	-	-	(178)	-	-	(178)
Transfers	800	850	3,833	619	-	2,894	-	391	940		(11,369)	(1,042)
31 December 2019	32,301	43,796	105,186	114,669	26,427	29,629	16,108	72,776	4,434	2,105	13,363	460,794
Depreciation												
1 January 2019	6,588	13,937	11,117	26,318	-	3,839	4,712	12,235	2,772	1,110	-	82,628
Charge for the year	1,017	1,636	2,244	4,932	139	818	543	2,178	692	67	-	14,266
Disposals	-	-	-	-	-	-	-	-	(178)	-	-	(178)
31 December 2019	7,605	15,573	13,361	31,250	139	4,657	5,255	14,413	3,286	1,177	-	96,716
Net book value												
31 December 2019	24,696	28,233	91,825	83,419	26,288	24,972	10,853	58,363	1,148	928	13,363	364,078

6. Property, plant and equipment *(continued)*

	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	3,520	1,914	72,021	400,557
Additions	432	833	4,255	249	966	-	446	132	-	8,405	15,718
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	3,212	1,911	15,475	414,947
Depreciation											
1 January 2018	5,843	12,262	9,028	22,267	3,175	4,169	10,185	2,697	1,044	-	70,670
Charge for the year	612	1,675	2,089	4,283	688	543	2,050	266	66	-	12,272
Transfers	-	-	-	-	-	-	-	-	-	-	-
Disposals	133	-	-	(232)	(24)	-	-	(191)	-	-	(314)
31 December 2018	6,588	13,937	11,117	26,318	3,839	4,712	12,235	2,772	1,110	-	82,628
Net book value											
31 December 2018	23,298	28,937	87,380	87,676	21,879	11,396	55,037	440	801	15,475	332,319

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.

6. Property, plant and equipment *(continued)*

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

	2019 RO '000	2018 RO '000
Depreciation charge for the year		
Property plant and equipment	13,583	11,982
Right-of-use assets	5,534	-
Cost of Sales (note 26)	19,117	11,982
Property plant and equipment	683	290
Intangible assets	675	65
General and administrative expenses (note 27)	1,358	355
	20,475	12,337

6. (a) Intangible assets

	2019	2018
Cost		
Cost - opening	568	558
Additions	363	10
Transfer from CWIP	1,042	-
Cost- closing	1,973	568
Accumulated amortisation		
Amortisation - opening	491	426
Charge for the year	675	65
Amortisation - closing	1,166	491
Carrying amount	807	77

Intangible assets mainly cover the software which are used in the business. This mainly includes the cost of the ERP system, billing system etc. These assets are amortised over their useful life of 5 years.

7. Right of use assets

	Power plant RO'000	Land RO'000	Building RO'000	Vehicles RO'000	Total RO'000
As at 1 January 2019					
Initial recognition on adoption of IFRS 16 (note 3.1)	62,135	1,569	-	229	63,933
Additions	-	1,489	64	-	1,553
Depreciation	(5,178)	(139)	(10)	(207)	(5,534)
31 December 2019	56,957	2,919	54	22	59,952

8. Inventories

	2019 RO'000	2018 RO'000
Spares and consumables	6,688	7,875
Fuel	5,287	4,729
Allowance for inventory obsolescence	(4,251)	(4,805)
	7,724	7,799

Movement in allowance for inventory obsolescence

At 1 January	4,805	4,523
Amount of provision during the year	(554)	282
At 31 December	4,251	4,805

9. Trade and other receivables

Trade receivables from the Public Authority for Electricity and Water (PAEW)	2,017	3,413
Trade receivables from private customers	8,168	7,902
Trade receivables from Government customers	2,720	1,737
Provision for impairment	(3,377)	(2,818)
Net trade receivables	9,528	10,234
Amount due from related parties (note 32)	3,687	399
Provision for impairment	(206)	(206)
Advances to contractors and suppliers	2,748	2,973
Prepayments	126	391
Government subsidy receivable	59,683	25,665
K-factor receivable	(1,716)	1,902
Other receivables	2,844	3,179
	76,694	44,537

Movement in expected credit losses

At 1 January as stated	3,024	1,394
Impact of initial application of IFRS 9	-	1,270
At 1 January as restated	3,024	2,664
Amount of expected credit losses charged during the year	559	360
At 31 December	3,583	3,024

9. Trade and other receivables *(continued)*

Management believes that as of 31 December, trade receivables of RO 9.527 million (2018 - RO 10.028 million) were fully collectable.

K-factor receivable represents revenue receivable or payable on account of excess or 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.

10. Short term deposits

Short term deposit has maturity of six to nine months and carry an interest rates of 3% to 3.75% per annum (2018: Nil)

11. Cash and cash equivalents

	2019 RO '000	2018 RO '000
Call deposits	14,741	4,206
Current accounts	3,885	32,619
Cash on hand	16	14
	18,642	36,839

Bank call deposits carry an interest rates of 0.75% per annum (2018: 0.75%)

12. Share capital

The Company's authorised, issued and paid-up capital consists of 100,000,000 shares of RO 1/- each. The statement of financial position restructuring carried out by the company was approved by the extra ordinary general meeting held on the 12 June 2018. It was decided to enhance the capital to 100 Million. The amount has been transferred from the shareholders' funds.

The details of the shareholders are as follows:

	Percentage of shareholding	Number of shares issued	2019 RO	2018 RO
Electricity Holding Company SAOC	99.99%	99,990,000	99,990,000	99,990,000
Nama Shared Services LLC	0.005%	5,000	5,000	5,000
Nama Institute of Competence Development LLC	0.005%	5,000	5,000	5,000
	100.00%	100,000,000	100,000,000	100,000,000

13. Legal reserve

Article 132 of the Commercial Companies Law of 2019 requires that 10% of a Company's net profit to be transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to one-third of the Company's fully-paid share capital.

	2019 RO '000	2018 RO '000
As at 1 January 2019	1,178	167
Add: transfer during the year	477	1,011
As at 31 December 2019	1,655	1,178

14. 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.

As at 1 January 2019	2,070	250
Add: transfer during the year	858	1,820
As at 31 December 2019	2,928	2,070

15. 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 statement of financial position restructuring carried out by the company was approved by the extra ordinary general meeting held on the 12 June 2018. It was decided to enhance the capital to 100 Million. The amount has been transferred from the shareholders' funds.

Shareholder's funds	1,589	101,089
Transferred to share capital	-	(99,500)
	1,589	1,589

16. Term loan

In 2018, the Company obtained a 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 started 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.

	2019 RO '000	2018 RO '000
Term loan	137,061	154,004
Less: unamortized transaction cost	(1,235)	(1,441)
Carrying value of term loan	135,826	152,563
Transaction cost		
Opening balance	1,441	1,544
Less: transaction costs amortized during the year	(206)	(103)
Unamortized transaction cost at the end of the year	1,235	1,441
Current and non-current portion of term loan		
Current portion of the term loan	20,556	16,735
Non-current portion of the term loan	115,270	135,828
	135,826	152,563

17. Provisions

Non-current		
Employee benefits – gratuity	1,266	1,345
Current		
Employee benefits - leave encashment	563	569
Movement in provision for employee benefits – gratuity		
At 1 January	1,345	1,375
Charge for the year	52	42
Payments made during the year	(131)	(72)
At 31 December	1,266	1,345

17. Provisions *(continued)*

Movement in provision for employee benefits – leave encashment

	2019 RO '000	2018 RO '000
At 1 January	**569**	519
Charge for the year	**37**	61
Payments made during the year	**(43)**	(11)
At 31 December	**563**	569

18. Deferred tax liability

Deferred income taxes are calculated on all temporary differences using a principal tax rate of 15 % (2018 - 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 2019	**At 1 January RO '000**	**Charge / (credit) for the year RO '000**	**Other Comprehensive Income RO '000**	**At 31 December RO '000**
Assets				
Provision for regulatory deferred revenue	(265)	-	-	(265)
IFRS 9 adjustments	(191)	-	-	(191)
Right of use - net of lease liability (IFRS 16)	-	(284)	-	(284)
Provision for inventory obsolescence	(395)	83	-	(312)
Allowance for doubtful debts	(453)	(84)	-	(537)
Usufruct charges accrual	(222)	(38)		(260)
Fair value hedging reserve – OCI	-	-	(911)	(911)
	(1,526)	(323)	(911)	(2,760)
Liability				
Accelerated tax depreciation	18,028	2,973	-	21,001
Net deferred tax liability	16,502	2,650	(911)	18,241

31 December 2018	At 1 January RO '000	(Credit) / charge for the year RO '000	At 31 December RO '000
Assets			
Provision for regulatory deferred revenue	-	(265)	(265)
IFRS 9 adjustments	(201)	10	(191)
Provision for inventory obsolescence	(353)	(42)	(395)
Allowance for doubtful debts	(399)	(54)	(453)
Usufruct charges accrual	(181)	(41)	(222)
	(1,134)	(392)	(1,526)
Liability			
Accelerated tax depreciation	15,135	2,893	18,028
Net deferred tax liability	14,001	2,501	16,502

19. 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 2.9 million (2018 - RO 2.8 million) in profit or loss.

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.

31 December 2019	**Current**	**Non-current RO '000**	**Total RO '000**
Deferred revenue - Govt. sponsored projects	**4,128**	**86,286**	**90,414**
Deferred revenue - IFRS is a adjustments	**69**	**1,470**	**1,539**
Regulatory asset base - MAR adjustment	-	**936**	**936**
At 31 December	**4,197**	**88,692**	**92,889**

31 December 2018	Current	Non-current RO '000	Total RO '000
Deferred revenue - Govt. sponsored projects	2,862	57,439	60,301
Deferred revenue - IFRS is a adjustments	69	1,388	1,457
Regulatory asset base - MAR adjustment	-	936	936
At 31 December	2,931	59,763	62,694

20. Contract liabilities

	2019 RO '000	2018 RO '000
Contract liabilities	46	13
Less: current portion	-	-
Non-current portion	46	13
Net movement in contract liabilities		
Opening	13	-
At transition period 1 January 2018	-	4
Net movement	33	9
	46	13

21. Fair value of derivative financial instrument

	2019 RO '000	2018 RO '000
At beginning of the year	-	-
Change in fair value during the year	(6,073)	-
At end of the year	(6,073)	-
Less: related deferred tax	911	-
Fair value of hedge- net of tax	(5,162)	-
Fair value loss during the year (net of tax)	(5,162)	-

	Fair value RO'000'	Notional amount total RO'000'	Notional by term to maturity: 1-12 months RO'000'	1 up to 5 year RO'000'	Over 5 years RO'000'
31 December 2019					
Interest rate swaps	(6,073)	137,061	20,759	116,302	-

22. Lease liabilities

	2019 RO '000	2018 RO '000
Maturity analysis-contractual undiscounted cash flow		
Within one year	8,100	-
Later than one year but not later than five years	40,397	-
More than five years	42,889	-
Total undiscounted lease liabilities	91,386	-
Future finance charges	(29,539)	-
Lease liability	61,847	-
Lease liabilities included in the statement of financial position		
Current	3,693	-
Non-current	58,154	-
	61,847	-
Amount recognised in profit or loss		
Interest on lease liabilities	(4,669)	-
Depreciation of leased assets	(5,534)	-
	(10,203)	-
Amount presented in statement of cash flow		
Total cash outflow for leases	(3,581)	-

23. Trade and other payables

	2019 RO '000	2018 RO '000
Creditors for capital projects	18,589	20,471
Accruals and other payables	17,646	17,760
Suppliers and contractors' payables	11,443	4,264
Amounts due to related parties (note 32)	5,081	4,610
	52,759	47,105

24. Short term borrowing

Short term borrowing	30,000	-

The Company has availed working capital facilities to the extent of RO 30 Million from local banks at interest rate ranging from 3.75% to 4.5%.

25. Revenue

	2019	2018
Government subsidy received	118,667	102,507
Electricity sales to private customers	14,352	13,169
Electricity sales to Government customers	5,729	5,294
Water sales to Public Authority for Electricity and Water (PAEW)	4,005	5,178
Other revenue	613	244
	143,366	126,392
Revenue for MAR actualization	-	(1,764)
Revenue in excess of the maximum allowed as per price control formula	(3,618)	1,038
	139,748	125,666

The revenue received from connection and installation charges amounts to RO 161,477 during the year. After amortization as per IFRS 15, the amounts recognized in the current year is RO 79,741.

26. Cost of sales

	2019	2018
Fuel consumption	51,204	50,046
Depreciation (note 6)	19,117	11,982
Operation and maintenance contract fee	8,184	8,108
Spares and consumable expenses	2,861	2,558
Maintenance and repairs expenses	4,234	4,497
Equipment hire charges	1,332	1,007
Electricity purchases	17,695	15,685
Other direct costs	1,112	240
	105,739	94,123

27. General and administrative expenses

	2019 RO '000	2018 RO '000
Staff costs (note 28)	10,613	10,189
Service expenses	3,223	3,607
Commission expense	1,171	768
Depreciation (note 6)	683	290
Amortisation of intangible assets (note 6)	675	65
Directors' remuneration and sitting fees (note 32)	51	56
Other expenses	374	932
	16,790	15,907

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.

28. Staff costs

	2019	2018
Salaries and wages	5,658	5,534
Other allowances and benefits	4,903	4,613
End of service benefits (note 17)	52	42
	10,613	10,189

29. Other income

	2019	2018
Amortization of deferred revenue	2,989	2,780
Sale of scrap	18	19
Sale of forms and tenders	121	83
Gain / (loss) on sale of property, plant and equipment	38	(246)
Other income	1,369	1,383
	4,535	4,019

30. Finance income / (cost)

	2019	2018
Finance income:		
Interest in bank deposits	458	188
Finance costs:		
Bank interest and charges	(14,234)	(6,873)

31. 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 15% (2018 - 15%). 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:

	2019 RO'000	2018 RO'000
Deferred tax charge in respect of current year (note 18)	2,650	2,501
Accounting profit before tax	7,419	12,610
Tax on accounting profit before tax at 15%	1,113	1,892
Tax impact of permanent difference	8	198
Unrecognized deferred tax asset on tax losses	1,529	411
Tax charge for the year	2,650	2,501

In the current year after the adjustment of expenses as per tax law, the company is in tax loss position accordingly no income tax has been recorded in the current year. Deferred tax assets of RO 2.75 million on carry forward tax losses has not been recognised due to uncertainty of taxable profits in future to realise deferred tax asset prior to its expiry.

Tax assessments for the years 2013 to 2018 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 2019

The Company has carried forward tax losses of RO 18.339 million as at 31 December 2019 (2018 - RO 14.75 million).

32. 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.

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:

32. Related parties *(continued)*

Expenses	2019 RO '000	2018 RO '000
Oman Power & Water Procurement Company SAOC	20,679	11,802
Numo Institute of Competence Development	205	309
Nama Shared Services – SLA charges	418	356
Distribution Code Review Panel (DCRP) shared expenses	433	322
Electricity Holding Company SAOC	8,567	2,479
	30,302	15,268

(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:

	2019	2018
Salary and other short term benefits	2,042	1,846
End of service benefits	478	512
Directors' remuneration and sitting fees (note 27)	51	56
	2,571	2,414

(ii) Amount due from related parties (note 9)

Related parties under common ownership	2019	2018
Oman Power and Water Procurement Company SAOC	206	206
Muscat Electricity Distribution Company SAOC	73	52
Mazoon Electricity Company SAOC	109	48
Dhofar Power Company SAOC	95	74
Majan Electricity Company SAOC	69	7
Oman Electricity Transmission Company SAOC	2	2
Al Ghubrah Power & Desalination Company SAOC	7	7
Wadi Al Jizzi Power Company SAOC	2	2
Electricity Holding Company SAOC	3,124	1
	3,687	399

(iii) Amounts due to related parties (note 23)

	2019	2018
Electricity Holding Company SAOC	2,518	2,028
Muscat Electricity Distribution Company SAOC	2	2
Oman Power & Water Procurement Company SAOC	2,460	2,366
Nama Institute of Competence Development LLC	59	120
Nama Shares Services LLC	31	94
Oman Electricity Transmission Co. SAOC	11	-
	5,081	4,610

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

33. Proposed dividend

The Board of Directors of the Company at their meeting held on 27 February 2020 has proposed a dividend of 8% on the share capital of RO 100 Million aggregating RO 8,000,000 (2018 – dividend at 7% on the share capital aggregating RO 7,000,000 was proposed and paid as dividend). This dividend is subject to the approval of the Company's shareholders in the Annual General Meeting.

34. Commitments

	2019 RO '000	2018 RO '000
Capital commitments	3,064	7870
Operating lease commitments		
Less than 1 year	-	360
Shipping guarantee	2	2

35. 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 minimize 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 recognized 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.

35. Financial risk management *(continued)*

Market risk *(continued)*

Interest rate risk
The Company's interest rate risk arises from term loan which carry an interest rate of 5.845% 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.

The interest rate on the Company's term loan is subject to change as and when renewed. The Company partially uses interest swaps as hedge the variability in cash flows attributable to interest rate risk. The Company analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Company.

After taking into account the effect of interest rate swaps, a change of +/- 1% in interest rates at the reporting date would have increased (decreased) equity and profit or loss by RO 1,370 K (2018: RO 1,540 K). 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 2019	Carrying amount RO'000	Contractual cashflow RO'000	1 - 3 months RO'000	3 months to 1 year RO'000	More than one year RO'000
Interest bearing					
Long term borrowings	135,826	137,061	5,190	15,569	116,302
Short term borrowings	30,000	30,769	-	30,769	-
Lease liabilities	61,847	91,386	-	8,100	83,286
Non-interest bearing					
Trade and other payables	52,759	52,759	32,523	20,236	-
	280,432	311,975	37,713	74,674	199,588
31 December 2018					
Interest bearing					
Long term borrowings	152,563	154,004	4,235	12,705	137,064
Non-interest bearing					
Trade and other payables	47,105	47,105	25,208	21,897	-
	199,668	201,109	29,443	34,602	137,064

35. Financial risk management *(continued)*

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, short term deposits 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:

	2019 RO'000	2018 RO'000
Public Authority for Electricity and Water	2,017	3,413
Private customers	8,168	7,902
Government customers	2,720	1,737
	12,905	13,052

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

	2019 Gross RO'000	2019 Impairment RO'000	2019 Past due but not impaired RO'000	2018 Gross RO'000	2018 Impairment RO'000	2018 Past due but not impaired RO'000
Not past due	1,415	(164)	1,251	1,803	(150)	1,653
Less than 1 month	1,697	(247)	1,450	1,954	(255)	1,699
Past due - 31 to 90 days	2,477	(477)	2,000	2,329	(406)	1,923
Past due - 91 to 365 days	3,396	(932)	2,464	3,766	(801)	2,965
Past due above 1 year	3,920	(1,557)	2,363	3,200	(1,206)	1,994
	12,905	(3,377)	9,528	13,052	(2,818)	10,234

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	2019 RO'000	2018 RO'000
BBa3	23,626	36,825

35. Financial risk management *(continued)*

Credit risk

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

	2019 RO'000	2018 RO'000
Trade receivables	12,905	13,052
Due from related parties	3,687	399
Other receivables	2,844	3,179
Cash at bank	23,626	36,825
	43,062	53,455

Categories of financial instruments

31 December 2019	Amortized cost RO' 000	Total carrying amount RO' 000
Financial assets		
Cash and bank balances	-	23,642
Loans and receivables		
Trade receivables	12,905	12,905
Government subsidy receivable	59,683	59,683
K-factor receivable	(1,716)	(1,716)
Due from related parties	3,687	3,687
Other receivables	2,844	2,844
Total financial assets	77,403	77,403

31 December 2018	Amortized Cost RO' 000	Total carrying amount RO' 000
Financial assets		
Cash and bank balances	-	36,839
Loans and receivables		
Trade receivables	13,052	13,052
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	44,197	44,197

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

35. Financial risk management *(continued)*

Credit risk *(continued)*

Financial liabilities (not measured at fair value)

	2019 RO'000	2018 RO'000
Financial liabilities held at amortized cost		
Long term borrowing	135,826	152,563
Short term borrowings	30,000	-
Creditors for capital projects	18,589	20,471
Accruals and other payables	17,646	17,760
Suppliers and contractors' payables	11,443	4,264
Amount due to related parties	5,081	4,610
	218,585	199,668

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

Credit quality disclosures

	ECL Model	12month or Lifetime ECL	Gross amount	ECL	Net carrying amount
Trade receivables	Provision matrix	Life time	12,905	3,377	9,528
Bank balances	External rating	12 month	23,626	-	23,626

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.

35. Financial risk management *(continued)*

Credit risk *(continued)*

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

	Gross amount	ECL %	Lifetime ECL	Net carrying amount
31 December 2019	RO '000	%	RO '000	RO '000
Not past due	345	28.51	98	247
1 – 30 days	408	30.95	126	282
31 – 60 days	330	34.05	112	218
61 – 90 days	362	37.17	135	227
90-180 days	826	40.93	338	488
180- 365 days	289	42.9	124	165
More than 365 days	160	44.25	71	89
	2,720		1,004	1,716

Trade receivables ECL private customer – Electricity

	Gross amount	ECL %	Lifetime ECL	Net carrying amount
31 December 2019	RO '000	%	RO '000	RO '000
Not past due	770	6.88	53	717
1 – 30 days	977	11.01	108	869
31 – 60 days	669	14.28	96	573
61 – 90 days	652	16.96	111	541
90-180 days	1,124	20.6	231	893
180- 365 days	987	22.73	224	763
More than 365 days	2,989	23.94	715	2,274
	8,168		1,538	6,630

35. Financial risk management *(continued)*

Credit risk *(continued)*

Trade receivables ECL Water customer

	Gross amount	ECL %	Lifetime ECL	Net carrying amount
31 December 2019	RO '000	%	RO '000	RO '000
Not past due	301	4.19	13	288
1 – 30 days	311	4.19	13	298
31 – 60 days	307	4.80	15	292
61 – 90 days	156	5.63	9	147
90-180 days	162	10.36	13	149
180- 365 days	9	23.18	2	7
More than 365 days	771	100	771	-
	2,017		836	1,181

Trade receivables ECL Government customer – Electricity

	Gross amount	ECL %	Lifetime ECL	Net carrying amount
31 December 2018	RO '000	%	RO '000	RO '000
Not past due	176	28.51	50	126
1 – 30 days	351	30.95	109	242
31 – 60 days	364	34.05	124	240
61 – 90 days	98	37.17	36	62
90-180 days	107	39.62	44	63
180- 365 days	90	42.90	38	52
More than 365 days	551	44.25	467	84
	1,737		868	869

Trade receivables ECL private customer – Electricity

	Gross amount	ECL %	Lifetime ECL	Net carrying amount
31 December 2018	RO '000	%	RO '000	RO '000
Not past due	1,189	6.88	82	1,107
1 – 30 days	1,164	11.01	128	1,036
31 – 60 days	871	14.28	124	747
61 – 90 days	589	16.96	100	489
90-180 days	1,205	19.56	247	958
180- 365 days	773	22.73	176	597
More than 365 days	2,111	23.94	201	1,910
	7,902		1,058	6,844

35. Financial risk management *(continued)*

Credit risk *(continued)*

Trade receivables ECL Water customer

31 December 2018	Gross amount RO '000	ECL % %	Lifetime ECL RO '000	Net carrying amount RO '000
Not past due	438	4.19	18	420
1 – 30 days	439	4.19	18	421
31 – 60 days	216	4.80	10	206
61 – 90 days	190	5.63	11	179
90-180 days	575	13.07	60	515
180- 365 days	1,017	23.18	237	780
More than 365 days	538	100	538	-
	3,413		892	2,521

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 and amounts due from related parties

	2019 RO'000	2018 RO'000
At 1 January	3,024	1,394
Impact of IFRS 9 adjustment at initial application	-	1,270
Movement during the year	559	360
	3,583	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.

35. Financial risk management *(continued)*

Capital risk management *(continued)*

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:

	2019 RO '000	2018 RO '000
Term loan	135,826	152,563
Short term borrowings	30,000	-
Cash and bank balances	(23,642)	(36,839)
Net debt	142,184	115,724
Equity	133,387	140,780
Debt + equity	275,571	256,504
Gearing ratio	51.60%	45.12%

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.

36. Approval of financial statements

The financial statements were approved by the Board and authorised for issue on 27 February 2020.

تنوير

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