

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DHO FAR GENERATING COMPANY SAOG

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dhofar Generating Company SAOG ("the Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
DHO FAR GENERATING COMPANY SAOG (CONTINUED)**

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p>1. Valuation of derivative financial instruments</p> <p>The Company has entered into interest rate swap agreements with international banks to hedge interest rate risks. Hedge accounting and the valuation of hedging instruments which is determined through the application of valuation techniques, often involve the exercise of management judgement and the use of assumptions and estimates. Due to the significance of derivative financial instruments and the related estimation uncertainty, this is considered a key audit matter.</p> <p>The Company's accounting policies and disclosures on derivative financial instruments are disclosed in note 2.4.9 and note 13 to the financial statements.</p>	<p>We obtained assurance over the appropriateness of management's assumptions applied in hedge accounting by:</p> <ul style="list-style-type: none"> • Assessing the overall process related to derivative instruments and hedge accounting including internal management policies and procedures; • Evaluating the appropriateness of management's hedge documentation and contracts; • We involved our internal valuation specialists to assist in with our audit of the valuation model, the price curves, and of unobservable inputs to the model and assessment of hedge effectiveness to ensure the accounting is in line to IFRS 9 financial instruments; • Obtaining confirmation of year end derivative financial instruments from counterparties. <p>These contracts are recorded at fair value and qualify for hedge accounting. These contracts give rise to derivative financial liability as disclosed in note 12 and 13 in the financial statements in accordance with IFRS.</p>

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DHOFAR GENERATING COMPANY SAOG (CONTINUED)**

Report on the audit of the financial statements (continued)

Key audit matters (continued)

<p>2. Capitalisation of plant</p> <p>During the year, the Company had completed the construction of its new plant, started the operation from 1 January 2018 and capitalised the cost in plant.</p> <p>We consider the capitalisation as a key audit matter based on the following judgments made by the management:</p> <ul style="list-style-type: none"> ➤ The amounts included in the capital work in progress have met the capitalisation criteria ➤ The transfer of capital work in progress to depreciable assets when the plant was ready for its intended use as assessed by the management ➤ Determination of appropriate useful life of depreciable asset <p>The related accounting policies, critical accounting estimates and judgements and disclosures are set out in notes 2.4.6, 3.4 and 4 respectively, to the financial statements.</p>	<p>Our audit procedures in this matter included the following :</p> <ul style="list-style-type: none"> • Assessed the nature of the costs incurred during the construction phase of the plant through testing on a sample basis and assessed whether the nature of the expenditure met the capitalisation criteria. • Tested, on a sample basis, the assets transferred from capital work-in-progress and considered as put to use by the management upon the issuance of commercial operation date certificate from contractor. • Assessed the appropriateness of the determination of the assets useful lives • Considered the appropriateness of the disclosures in note 4 to the financial statements in accordance with the relevant requirements of IFRSs.
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DHO FAR GENERATING COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Other information included in the Company 2018 Annual Report

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Company's 2018 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2018 Annual Report after the date of our auditor's report:

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

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

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

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

Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law of 1974, as amended, and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DHO FAR GENERATING COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of those charged with governance use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
DHO FAR GENERATING COMPANY SAOG (CONTINUED)**

Report on the audit of the financial statements (continued)

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

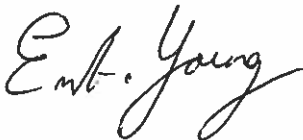
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other legal and regulatory requirements

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



Philip Stanton
Muscat
14 February 2019