



**PHOENIX POWER  
COMPANY(SAOG)**

## **Dear Shareholders,**

On behalf of the Board of Directors of Phoenix Power Company SAOG ("PPC" or the "Company"), I have the pleasure to present the Directors` Report together with the unaudited financial statements of the Company for the three month period ended 31<sup>st</sup> March 2017.

## **Health, Safety and Environment (HSE)**

The health and safety performance to date has been excellent, with no Lost Time Accidents (LTAs). The Operations and Maintenance Contractor ("POMCo") has completed 842 days without a Lost Time Accident since commercial operation of the power plant commenced. Similarly there have been no environmental incidents.

## **Operations**

During the first three months of 2017, the Company has achieved a good level of operational performance with the Sur Power Plant demonstrating a commercial availability of 98.90%, the key parameter to be considered when assessing the revenues generated during the period. This is comparable with the similar period of 2016 (99.35%) and remains in line with Company expectation.

The net power exported during the first three months of 2017 was 1314 GWhrs compared with 550 GWhrs during the same period in 2016.

## **Financial Results**

The Company generated a net loss of RO (11.99) million for the first three months of 2017. Net revenues for the period were RO 18.4 million and costs were RO 18.6 million, the largest of which is the purchase of fuel gas for the power plant. This loss includes the recognition of a deferred tax liability of RO 5.4 million as a consequence of the increase in corporate income tax as decreed through new Tax laws introduced in Oman through Royal Decree 9/2017 and which are effective from 1<sup>st</sup> January 2017. The financials results of the first three months of 2017 are therefore negative when compared with the similar period in 2016 where the net loss was RO (5.58) million.

The share price of PPC was 140 Baizas at the close of the first three months of the year.

## **Corporate Governance**

The Company AGM was held on 21<sup>st</sup> March in Muscat.

During the AGM, approval was given to allow MGI-Vision to develop performance evaluation criteria for the Board of Directors and to carry out an appraisal of the Board by the end of 2017.

Significant effort continues to be placed on policy and process review to ensure the highest standards of corporate governance in compliance with local regulatory requirements as well as with international best practices.



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### **Corporate Social Responsibility**

During the AGM held on 21<sup>st</sup> March, the shareholders approved the Company's CSR plan and budget for 2017.

### **Future Outlook**

All reasonable and prudent measures will be taken by the Management of the Company to ensure high standards of health, safety, environmental compliance reliability and availability are maintained over the remaining months of 2017.

The Company continues to discuss the Claim related to Final Power with the EPC Contractor. It should be noted that the outcome remains a risk to future dividend payments.

Finally, on behalf of the Board of Directors, I would like to extend our deep appreciation and gratitude to His Majesty Sultan Qaboos Bin Said and His Government.

Neil Cave  
Deputy Chairman of the Board